



hrccpa.com

**Hosaka, Rotherham & Company**  
Certified Public Accountants

James A. Rotherham, CPA  
CEO & Managing Partner

---

Roy T. Hosaka, CPA  
Retired

James C. Nagel, CPA  
Retired

**NORTH COUNTY FIRE PROTECTION DISTRICT**

**COUNTY OF SAN DIEGO**

**FALLBROOK, CALIFORNIA**

**AUDIT REPORT**

**JUNE 30, 2012**

**NORTH COUNTY FIRE PROTECTION DISTRICT**

**INTRODUCTORY SECTION**

**JUNE 30, 2012**

**NORTH COUNTY FIRE PROTECTION DISTRICT  
TABLE OF CONTENTS  
JUNE 30, 2012**

	<u>Page Number</u>
INTRODUCTORY SECTION	
Table of Contents	i - ii
FINANCIAL SECTION	1
Independent Auditors' Report on Financial Statements	2 - 3
Management's Discussion and Analysis	4 - 8
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet - Governmental Funds	11
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	12
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	13 - 14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Notes to the Basic Financial Statements	16 - 29
REQUIRED SUPPLEMENTARY INFORMATION SECTION	30
Budgetary Comparison Schedules:	
General Fund	31 - 32
Fire Mitigation Fund	33
OTHER SUPPLEMENTARY INFORMATION SECTION	34
Budgetary Comparison Schedules as Supplementary Information:	
Special Revenue Funds:	
Rainbow Subzone Fund	35
Rainbow Subzone Fire Mitigation Fund	36
Capital Projects Funds:	
Special Reserve Fund for Capital Outlay Projects	37
Organization Structure	38
Assessed Valuation	39
OTHER INDEPENDENT AUDITORS' REPORTS SECTION	40
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	41 - 42
Independent Auditor's Report on State Compliance	43 - 44

**NORTH COUNTY FIRE PROTECTION DISTRICT  
TABLE OF CONTENTS  
JUNE 30, 2012**

	<u>Page Number</u>
FINDINGS AND RECOMMENDATIONS SECTION	45
Schedule of Audit Findings and Questioned Costs	46 - 47
Summary Schedule of Prior Audit Findings	48

**NORTH COUNTY FIRE PROTECTION DISTRICT**

**FINANCIAL SECTION**

**JUNE 30, 2012**



**Hosaka, Rotherham & Company**  
Certified Public Accountants

hrccpa.com

James A. Rotherham, CPA  
CEO & Managing Partner

.....  
Roy T. Hosaka, CPA  
Retired

James C. Nagel, CPA  
Retired

## INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

Board of Directors  
North County Fire Protection District  
Fallbrook, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North County Fire Protection District, as of and for the fiscal year ended June 30, 2012, which collectively comprise the North County Fire Protection District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the North County Fire Protection District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the North County Fire Protection District as of June 30, 2012, and the respective changes in financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 20, 2012, on our consideration of North County Fire Protection District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 31 through 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

## INDEPENDENT AUDITORS' REPORT

Page 2

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North County Fire Protection District's financial statements as a whole. The individual nonmajor fund financial statements and the supporting schedules listed in the table or contents are presented for purposes of additional analysis and are not a required part of the financial statements. The individual nonmajor fund financial statements and the supporting schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Hosaka, Rotherham & Company*

San Diego, California  
December 20, 2012

**NORTH COUNTY FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012**

As management of the North County Fire Protection District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with the District's basic financial statements and accompanying notes, which begin immediately following this analysis. This annual financial report consists of two main parts (1) Management's Discussion and Analysis and, (2) Basic Financial Statements.

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. GASB No. 34 established financial reporting standards for state and local governments, including cities, villages and special purpose governments.

**FINANCIAL HIGHLIGHTS**

- The District's ending total net position balance was \$9,873,477.
- The change in net position for the year was a decrease of \$1,114,332.
- The District had a deficiency of revenues under expenditures in the General Fund (before transfers) in the amount of \$1,269,471 in the current year compared to \$2,280,799 in the previous year.
- This year the District had \$1,259,499 worth of additions to capital assets compared to \$341,212 last year.
- The District's General Fund Budget for this year showed a deficiency of revenues under expenditures (before Transfers) of \$635,953 compared to the actual amount of \$1,269,471.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's audit report is comprised of four components: 1) financial statements and notes, 2) supplementary information, 3) reports on compliance and internal control, and 4) findings and recommendations.

**Basic financial statements:** The basic financial statements include government-wide financial statements and fund statements. The two sets of statements are tied together by Reconciliations showing why they differ.

The District as a whole is reported in the government-wide statements and uses accounting methods similar to those used by companies in the private sector.

More detailed information about the District's most significant funds – not the District as a whole is provided in the fund financial statements. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.



**NORTH COUNTY FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012**

**OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)**

The *Statement of Net Position*, a government-wide statement, presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities*, a government-wide statement, presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The *Balance Sheet* for governmental funds presents financial information by fund types showing money left at year-end available for spending.

The *Statement of Revenues, Expenditures and Changes in Fund Balances* for all governmental fund types focuses on how money flows into and out of the various funds.

The *Notes to the Basic Financial Statements* are included to provide more detailed data and explain some of the information in the statements.

The *Supplementary Information* gives an overview of the operations of the District and the governing body and outlines assessed property valuation.

*Reports on Compliance and Internal Control* encompass the independent auditor's reports showing compliance with Government Auditing Standards and provides additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The *Findings and Recommendations* section notes material weaknesses in the system and recommendations.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles and equipment) less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its constituents; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Statement of Net Position**

A summary of the District's Statement of Net Position is presented in Table 1 below for the current year and the prior year.

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$9,873,477 as of June 30, 2012.

**NORTH COUNTY FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and disposal of capital assets, and the depreciation of capital assets as demonstrated in Table 1 below.

**TABLE 1**  
Condensed Statement of Net Position

	<u>2012</u>	<u>2011</u>	<u>\$ Change</u>	<u>% Change</u>
Current and other assets	\$ 7,177,956	\$ 8,803,713	\$ (1,625,757)	-22.65%
Capital assets, net	7,259,810	6,625,943	633,867	8.73%
Total assets	<u>14,437,766</u>	<u>15,429,656</u>	<u>(991,890)</u>	-6.87%
Current liabilities	1,347,882	1,288,935	58,947	4.37%
General long-term debt	3,216,407	3,152,912	63,495	1.97%
Total liabilities	<u>4,564,289</u>	<u>4,441,847</u>	<u>122,442</u>	2.68%
Net position:				
Net investment in capital assets	5,143,920	4,456,812	687,108	13.36%
Restricted	-	2,893,747	(2,893,747)	-100.00%
Unrestricted	4,729,557	3,637,250	1,092,307	23.10%
Total net position	<u>\$ 9,873,477</u>	<u>\$ 10,987,809</u>	<u>\$ (1,114,332)</u>	-11.29%

**Statement of Activities**

- Although the County's assessed property values reportedly decreased 0.14% this fiscal year, the District's property tax revenues held steady with no decreases and refunds decreased from the previous fiscal year's high of \$300,000 to \$225,000. Total revenues ended with an overall increase of \$391,610 over the previous fiscal year. The District's total revenues for the fiscal year ended June 30, 2012, excluding inter-fund transfers, increased to \$13,469,357.
- The District's total expense of \$14,583,689 shows a significant decrease of \$1,099,357 over the prior year. The District was able to cut costs where possible and worked diligently to do so. The District continued to monitor the potential impact of increases in the cost of health insurance and workers' compensation.
- Overall, expenses exceeded revenues by \$1,114,332 prior to inter-fund transfers from Reserves.

The following table presents a summary of the Statement of Activities for the fiscal year ended June 30, 2012.

**NORTH COUNTY FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**TABLE 2**  
Condensed Statement of Activities

	<u>2012</u>	<u>2011</u>	<u>\$ Change</u>	<u>% Change</u>
Program revenue	\$ 1,806,624	\$ 1,487,646	\$ 318,978	17.66%
General revenue				
Property taxes	11,219,121	11,211,392	7,729	0.07%
Mitigation fees	99,975	116,776	(16,801)	-16.81%
Interest	20,119	44,174	(24,055)	-119.56%
Miscellaneous	323,518	217,748	105,770	32.69%
Total revenue	<u>13,469,357</u>	<u>13,077,736</u>	<u>391,621</u>	<u>2.91%</u>
Operating expenses	13,712,929	14,846,832	(1,133,903)	-8.27%
Administration and depreciation	870,760	836,214	34,546	3.97%
Total expenses	<u>14,583,689</u>	<u>15,683,046</u>	<u>(1,099,357)</u>	<u>-7.54%</u>
Change in net position	<u>\$ (1,114,332)</u>	<u>\$ (2,605,310)</u>	<u>\$ 1,490,978</u>	<u>-133.80%</u>

**Significant Changes in Individual Funds**

**TABLE 3**  
Comparison of Fund Balances

	<u>2012</u>	<u>2011</u>	<u>\$ Change</u>	<u>% Change</u>
General Fund	\$ 6,629,320	\$ 5,775,739	\$ 853,581	12.88%
Fire Mitigation Fund	(1,558,023)	454,272	(2,012,295)	129.16%
Special Reserve Fund for				
Capital Outlay Projects	367,446	365,728	1,718	0.47%
Other Governmental Funds	391,331	919,039	(527,708)	-134.85%
Total fund balances	<u>\$ 5,830,074</u>	<u>\$ 7,514,778</u>	<u>\$ (1,684,704)</u>	<u>-28.90%</u>

The District's fund balances were significantly impacted by a large workers' compensation payout this fiscal year and additional personnel costs as stated above. The District continues to address the Special Reserve Fund for Capital Outlay Projects. Also, the Mitigation loan between the General Fund and the Mitigation funds had not been recorded properly in prior years resulting in a negative fund balance for the Mitigation Fund during the current fiscal year.

**General Fund Budgetary Highlights**

This report closes out what turned out to be a challenging year for the District, both financially and organizationally. The ongoing economic malaise that affected the region did not spare the District. Revenues to the District fell slightly below budget projections. Although expenses exceeded projections by only 0.2%, the combination required drawing from reserves as expected. The increase in expenses was driven by across the board price increases for services provided to the District, but was due in large part to increased workers compensation costs. Much has been done, and will continue to be done, to control costs and weather the economic storm and provide for a financially solid District.

**NORTH COUNTY FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

There was an overall increase in capital assets of \$633,867. The Construction in Progress is for the building of Station 5 and the remodel of Station 6.

**TABLE 4**  
Changes in Capital Assets

	<b>2012</b>	<b>2011</b>	<b>\$ Change</b>	<b>% Change</b>
Land	\$ 612,639	\$ 612,639	\$ -	0.00%
Construction in progress	372,677	269,990	102,687	27.55%
Structures and improvements	4,721,927	4,721,927	-	0.00%
Hydrants	267,523	267,523	-	0.00%
Equipment and vehicles	9,899,431	8,742,619	1,156,812	11.69%
Less: accumulated depreciation	(8,614,387)	(7,988,755)	(625,632)	7.26%
Capital assets, net	<u>\$ 7,259,810</u>	<u>\$ 6,625,943</u>	<u>\$ 633,867</u>	<u>8.73%</u>

Capital expenditures for the period ending June 30, 2012 were \$1,259,499 which was for construction on Station 5, remodel on Station 6, and the purchase of a new fire truck.

**Long-Term Liabilities**

The District has a long-term debt of \$3,216,407 in part for annual leave and sick leave earnings to be paid out when employees leave the agency either through retirement or to work for another department. However, the bulk of the long-term debt is for the \$2.2 million dollar loan taken out for the construction of the new Station 5 in Bonsall. The long-term debt increased by approximately \$63,495.

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

Although the District has felt the effects of the downturn in the economy, the District is currently in stable financial condition. The District continues to work on the Station 5 capital project and will have an ambulance scheduled for replacement in the 2012-2013 fiscal year. The 2013 fiscal year forecast for the economy is indicating growth and stability. The District will continue to act in a proactive manner, monitoring the expenditures and revenues to ensure accounts remain within budget guidelines. The District will work to decrease expenses when possible without compromising the level of services provided to the community.

**CONTACTING THE DISTRICT**

Questions regarding this report should be directed to the Finance Division (760) 723-2008 or to the Deputy Chief (760) 723-2014 or by mail at 330 S Main Avenue, Fallbrook, CA 92028.

**NORTH COUNTY FIRE PROTECTION DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2012**

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Cash in county treasury	\$ 3,319,562
Cash on hand and in banks	400,348
Cash in L.A.I.F.	18,637
Funds held in P.A.S.I.S.	482,755
Cash with fiscal agent	2,200,996
Accounts receivable	755,658
Capital assets:	
Land	612,639
Construction in progress	372,677
Structures and improvements	4,721,927
Hydrants	267,523
Equipment and vehicles	9,899,431
Less: accumulated depreciation	<u>(8,614,387)</u>
Total assets	<u>14,437,766</u>
<b>LIABILITIES:</b>	
Accounts payable	77,889
Accrued expenses	1,269,993
Noncurrent liabilities:	
Due within one year	74,535
Due in more than one year	<u>3,141,872</u>
Total liabilities	<u>4,564,289</u>
<b>NET POSITION:</b>	
Net investment in capital assets	5,143,920
Unrestricted	<u>4,729,557</u>
Total net position	<u>\$ 9,873,477</u>

The notes to the basic financial statements are an integral part of this statement.

**NORTH COUNTY FIRE PROTECTION DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Functions/Programs	Expenses	Program Revenues		Net (Expense), Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Government activities:				
Fire protection - operations	\$ 13,712,929	\$ 1,293,237	\$ 513,387	\$ (11,906,305)
General administration	245,128	-	-	(245,128)
Unallocated depreciation	625,632	-	-	(625,632)
Total governmental activities	<u>\$ 14,583,689</u>	<u>\$ 1,293,237</u>	<u>\$ 513,387</u>	<u>(12,777,065)</u>
General revenues:				
				11,219,121
				99,975
				20,119
				323,518
				<u>11,662,733</u>
				(1,114,332)
				10,987,809
				<u>\$ 9,873,477</u>

The notes to the basic financial statements are an integral part of this statement.

**NORTH COUNTY FIRE PROTECTION DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2012**

<b>ASSETS:</b>	General Fund	Fire Mitigation Fund	Special Reserve Fund for Capital Outlay Projects	Other Governmental Funds	Total Governmental Funds
Cash in county treasury	\$ 2,052,541	\$ 509,247	\$ 367,113	\$ 390,661	\$ 3,319,562
Cash on hand and in banks	400,348	-	-	-	400,348
Cash in L.A.I.F.	18,637	-	-	-	18,637
Funds held in P.A.S.I.S.	482,755	-	-	-	482,755
Cash with fiscal agent	2,200,996	-	-	-	2,200,996
Accounts receivable	743,401	11,254	333	670	755,658
Due from other funds	2,078,524	-	-	12,617	2,091,141
Total assets	<u>\$ 7,977,202</u>	<u>\$ 520,501</u>	<u>\$ 367,446</u>	<u>\$ 403,948</u>	<u>\$ 9,269,097</u>

**LIABILITIES AND FUND BALANCE:**

Liabilities:					
Accounts payable	\$ 77,889	\$ -	\$ -	\$ -	\$ 77,889
Due to other funds	-	2,078,524	-	12,617	2,091,141
Accrued expenses	1,269,993	-	-	-	1,269,993
Total liabilities	<u>1,347,882</u>	<u>2,078,524</u>	<u>-</u>	<u>12,617</u>	<u>3,439,023</u>
Fund balance:					
Assigned					
Other assignments	2,548,194	(1,558,023)	367,446	391,331	1,748,948
Unassigned					
Unassigned/unappropriated	4,081,126	-	-	-	4,081,126
Total fund balance	<u>6,629,320</u>	<u>(1,558,023)</u>	<u>367,446</u>	<u>391,331</u>	<u>5,830,074</u>
Total liabilities and fund balances	<u>\$ 7,977,202</u>	<u>\$ 520,501</u>	<u>\$ 367,446</u>	<u>\$ 403,948</u>	<u>\$ 9,269,097</u>

The notes to the basic financial statements are an integral part of this statement.

**NORTH COUNTY FIRE PROTECTION DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE  
SHEET TO THE STATEMENT OF NET POSITION  
JUNE 30, 2012**

Total fund balances - governmental fund balance sheet	\$ 5,830,074
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not reported in the funds.	7,259,810
Payables for capital leases which are not due in the current period are not reported in the funds.	(11,068)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(1,100,517)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	<u>(2,104,822)</u>
Net position of governmental activities - statement of net position	<u>\$ 9,873,477</u>

The notes to the basic financial statements are an integral part of this statement.



**NORTH COUNTY FIRE PROTECTION DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	General Fund	Fire Mitigation Fund	Special Reserve Fund for Capital Outlay Projects	Other Governmental Funds	Total
<b>Revenues:</b>					
Property taxes	\$ 11,017,618	\$ -	\$ -	\$ 201,503	\$ 11,219,121
Ambulance fees	1,293,237	-	-	-	1,293,237
Mitigation fees	28,300	70,857	-	818	99,975
Interest income	13,367	2,247	1,719	2,786	20,119
Donations and grants	377,174	-	-	136,213	513,387
Other revenue	316,597	-	-	6,921	323,518
<b>Total revenues</b>	<b>13,046,293</b>	<b>73,104</b>	<b>1,719</b>	<b>348,241</b>	<b>13,469,357</b>
<b>Expenditures</b>					
Salaries	7,540,815	-	-	2,133	7,542,948
Employee benefits	3,370,986	-	-	-	3,370,986
Administrative	213,295	-	-	7,235	220,530
Equipment and supplies	233,403	-	-	24,065	257,468
Maintenance and operations	471,481	-	-	29,115	500,596
Insurance	844,816	-	-	25,597	870,413
Medical supplies	98,993	-	-	-	98,993
Membership	13,171	-	-	-	13,171
Office supplies	12,148	-	350	649	13,147
Professional services	126,892	-	-	25,000	151,892
Radios and pagers	31,833	-	-	-	31,833
Rents and leases	91,021	-	-	-	91,021
Safety	15,713	-	-	7,898	23,611
Miscellaneous	710	-	-	-	710
Training	70,002	-	-	3,760	73,762
Utilities	160,707	-	-	5,197	165,904
Uniforms	27,063	-	-	956	28,019

The notes to the basic financial statements are an integral part of this statement.

NORTH COUNTY FIRE PROTECTION DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	General Fund	Fire Mitigation Fund	Special Reserve Fund for Capital Outlay Projects	Other Governmental Funds	Total
Expenditures (Continued)					
Capital outlay	700,127	90,070	-	469,302	1,259,499
Debt service					
Principal	64,309	-	-	-	64,309
Interest	118,430	-	-	-	118,430
Total expenditures	14,315,764	90,070	350	747,877	15,154,061
Excess (deficiency) of revenues over (under) expenditures	(1,269,471)	(16,966)	1,369	(399,636)	(1,684,704)
Other financing sources (uses):					
Transfers in	134,598	-	349	6,875	141,822
Transfers out	-	(6,875)	-	(134,947)	(141,822)
Total other financing sources (uses)	134,598	(6,875)	349	(128,072)	-
Net change in fund balance	(1,134,873)	(23,841)	1,718	(527,708)	(1,684,704)
Fund balance, beginning	5,775,739	454,272	365,728	919,039	7,514,778
Prior period adjustment	1,988,454	(1,988,454)	-	-	-
Fund balance, ending	\$ 6,629,320	\$ (1,558,023)	\$ 367,446	\$ 391,331	\$ 5,830,074

The notes to the basic financial statements are an integral part of this statement.

**NORTH COUNTY FIRE PROTECTION DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Net change in fund balances - total governmental funds \$ (1,684,704)

Amounts reported for governmental activities in the statement of activities (SOA) are different because:

Capital Outlays are not reported as expenses in the SOA.	1,259,499
The depreciation of capital assets used in governmental activities is not reported in the funds.	(625,632)
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	6,641
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	64,309
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	<u>(134,445)</u>

Change in net position of governmental activities - statement of activities \$ (1,114,332)

The notes to the basic financial statements are an integral part of this statement.

**NORTH COUNTY FIRE PROTECTION DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

A. Significant Accounting Policies

1. Accounting Policies

The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

2. Reporting Entity

The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39 "Determining Whether Certain Organizations are Component Units", include whether:

- the organization is legally separate (can sue and be sued in its name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District
- it would be misleading or cause the financial statements to be incomplete to exclude another organization

Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB statement.

3. Implementation of New Accounting Pronouncements

For the fiscal year ended June 30, 2012, the District was required to adopt GASB Statement No. 63 (GASB No. 63), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of GASB No. 63 is to provide guidance to include two new classifications separate from assets and liabilities. Amounts reported as deferred outflows of resources are required to be reported in a Statement of Net Position in a separate section following assets. Similarly, amounts reported as deferred inflows of resources are required to be reported in a Statement of Net Position in a separate section following liabilities. In addition, the totals of these two new classifications should be added to the total for assets and liabilities, respectively.

Another change to financial reporting will include new definitions and calculations of former net asset classifications-invested in capital assets, net of related debt, restricted and unrestricted. Invested in capital assets, net of related debt will be titled "Net Investment in Capital Assets." The title of the other two classifications will remain the same. The calculations used in arriving at the balances of the classifications will be similar to what they were before, but each will include the new components of deferred outflow and deferred inflow of resources consistent with the placement of assets and liabilities, respectively.

The District did not have any deferred inflows or outflows of resources at June 30, 2012. The adoption of this pronouncement resulted in a retroactive change in the term "net assets" being changed to "net position" throughout the financial statements.

**NORTH COUNTY FIRE PROTECTION DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

A. Significant Accounting Policies (Continued)

4. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-Wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-Type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund financial statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major government funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the District not accounted for and reported in another fund.

The Fire Mitigation Fund is used to account for fees collected from builders in the area that can only be used to purchase new capital assets when those assets are needed because of growth.

The Special Reserve Fund for Capital Outlay Projects is used to accumulate funds for future capital expenditures and equipment replacement.

Non-major governmental funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes. The following special revenue funds are utilized by the District:

The Rainbow Subzone Fund accounts for the revenues and expenditures of funds collected in the Rainbow district.

The Rainbow Subzone Fire Mitigation Fund is used to account for fees collected from builders in the Rainbow area that can only be used to purchase new capital assets when those assets are needed because of growth.

**NORTH COUNTY FIRE PROTECTION DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

A. Significant Accounting Policies (Continued)

b. Measurement Focus, Basis of Accounting

Government-wide and fiduciary fund financial statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Government fund financial statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Propriety Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The District has chosen to apply future FASB standards.

5. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30, 2012.

6. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

**NORTH COUNTY FIRE PROTECTION DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

A. Significant Accounting Policies (Continued)

These budgets are revised by the District's governing board and District administrator during the year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was used as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object code. All appropriations lapse at year end.

7. Assets, Liabilities, and Equity

a. Deposits and Investments

Cash balances held in banks are insured to \$250,000 by the Federal Depository Insurance Corporation. As of June 30, 2012, the District had \$274,699 in uninsured funds.

The District maintains its cash in the San Diego County Treasury. The County pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with San Diego County Treasury indicates the amount was less than 1% for the year ended June 30, 2012.

b. Prepays

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure when purchased.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Structures and improvements	10-50
Furniture and equipment	7-20
Vehicles and apparatuses	5-20

**NORTH COUNTY FIRE PROTECTION DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

A. Significant Accounting Policies (Continued)

d. Compensated Absences

The District allows carryover of vacation and sick leave benefits as outlined in the Memorandum of Understanding (MOU) and contracts with personnel.

Annual Leave	Allowable
Management	600 Hours
Safety	480 Hours
Non-safety	400 Hours
Fire Chief	No Maximum Accrual
Executive Assistant	600 Hours
<u>Sick Leave</u>	
Management, Safety & Non-safety with over 10 years of employment	540 Hours
Management, Safety & Non-safety with under 10 years of employment	No Maximum Accrual
Fire Chief	No Maximum Accrual
Executive Assistant	No Maximum Accrual

e. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received, on specific projects and programs, exceeds qualified expenditures. As of June 30, 2012, the District did not have any deferred revenue.

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

g. Property taxes

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes for the District.

h. Fund Balance Reserves and Designation

The District has adopted GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement defines the different types of fund balances that a governmental entity must use for financial purposes.



**NORTH COUNTY FIRE PROTECTION DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

A. Significant Accounting Policies (Continued)

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balances categories listed below:

- *Nonspendable*, such as fund balance associated with revolving funds, inventories, prepaids, long-term loans and notes receivable, and property held for resale.
- *Restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed* fund balance classification includes amounts that can be used for the specific purposes determined by a formal action of the Board of Trustees.
- *Assigned* fund balance classification are intended to be used by the entity for specific purposes, but do not meet the criteria to be classified as restricted or committed.
- *Unassigned* fund balance is the residual classification for the entity's general fund and includes all spendable amounts not contained in the other classification.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

When the District incurs an expenditure or expense for which committed, assigned, or unassigned amounts may be used, it is the District's policy that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts.

i. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

The following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

**NORTH COUNTY FIRE PROTECTION DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**B. Compliance and Accountability (Continued)**

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
Fire Mitigation Fund	\$ (1,558,023)	The District utilized mitigation funds first and took a loan from the General Fund to pay for capital expenditures. The Mitigation Fund will pay back the General Fund as developer fees come into the District.

**C. Cash and Investments**

**1. Cash in County Treasury**

The District maintains its cash in the San Diego County Treasury as part of the common investment pool (\$3,319,562 as of June 30, 2012). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$3,335,164. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

**2. Cash on Hand and in Banks**

Cash balances on hand and in banks (\$400,348 as of June 30, 2012) are insured up to \$250,000 by the Federal Depository Insurance Corporation. As of June 30, 2012, the District had \$274,699 in uninsured funds.

**3. Cash in L.A.I.F.**

The District is a voluntary participant in the Local Agency Investment Fund (L.A.I.F.) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by L.A.I.F. for the entire L.A.I.F. portfolio (in relation to the amortized costs of that portfolio). The balance available for withdrawal is based on the accounting records maintained by L.A.I.F., which are recorded on an amortized cost basis.

**4. Funds held in P.A.S.I.S.**

The intent of P.A.S.I.S. is that the costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges, capital and operating grants and similar funding.

**5. Cash with Fiscal Agent**

Cash balances held with a fiscal agent, Deutsch Bank (\$2,200,996 as of June 30, 2012) is held to distribute funds from the Certificates of Participation for ongoing and future construction projects until all funds are used.

**6. Analysis of Specific Deposits and Investments**

Cash and investments as of June 30, 2012, are classified in the accompanying financial statements as follows:

**NORTH COUNTY FIRE PROTECTION DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

C. Cash and Investments (Continued)

Statement of Net Position:

	<u>Credit Quality Rating</u>	<u>Fair Value</u>
Cash in county treasury	Not rated	\$ 3,319,562
Cash on hand and in banks	Not rated	400,348
Cash in L.A.I.F.	Not rated	18,637
Funds held in P.A.S.I.S.	Not rated	482,755
Cash with fiscal agent	Not rated	2,200,996
Total cash and cash equivalents		<u>\$ 6,422,298</u>

Cash and investments as of June 30, 2012, consist of the following:

Cash on hand	\$ 500
Cash in county treasury	3,319,562
Deposits with financial institutions	3,102,236
Total cash and cash equivalents	<u>\$ 6,422,298</u>

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District held no investments at June 30, 2012.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code, which is investments in any one issuer (other than U.S. Treasury Securities, mutual funds, and external investment pools) that represent 5% or more of total District investments. The District held no investments at June 30, 2012.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of a depository financial institute, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).

**NORTH COUNTY FIRE PROTECTION DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

C. Cash and Investments (Continued)

The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure governmental agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The custodial credit risk for investment is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Investment Accounting Policy

The District is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earnings investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investment are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

The District's investments in external investment pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the investment Company Act of 1940.

D. Accounts Receivable

Accounts receivable, as of June 30, 2012, consist of the following:

	General Fund	Fire Mitigation Fund	Special Reserve Fund for Capital Outlay Projects	Other Governmental Funds	Total
Property taxes	\$ 17,887	\$ -	\$ -	\$ 318	\$ 18,205
Ambulance fees	707,543	-	-	-	707,543
Mitigation fees	-	10,794	-	-	10,794
Interest income	2,778	460	333	352	3,923
Other revenue	15,193	-	-	-	15,193
Total accounts receivable	<u>\$ 743,401</u>	<u>\$ 11,254</u>	<u>\$ 333</u>	<u>\$ 670</u>	<u>\$ 755,658</u>

**NORTH COUNTY FIRE PROTECTION DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

E. Interfund balances and activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2012, consisted of the following:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Fire Mitigation Fund	\$ 2,078,524	Capital projects
Rainbow Subzone Fund	Rainbow Subzone Fire Mitigation Fund	12,617	Capital projects
	Total	<u>\$ 2,091,141</u>	

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2012, consisted of the following:

<u>Transfers To</u>	<u>Transfers From</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Other Governmental Fund	\$ 134,598	Budget projections
Capital Projects Fund	Other Governmental Fund	349	Budget projections
Other Governmental Fund	Mitigation Fund	6,875	Budget projections
	Total	<u>\$ 141,822</u>	

F. Capital Assets

Capital assets activity for the year ended June 30, 2012, were as follows:

<u>Governmental activities</u>	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 612,639	\$ -	\$ -	\$ 612,639
Construction in progress	269,990	102,687	-	372,677
Total capital assets, not being depreciated	<u>882,629</u>	<u>102,687</u>	-	<u>985,316</u>
Capital assets, being depreciated:				
Structures and improvements	4,721,927	-	-	4,721,927
Hydrants	267,523	-	-	267,523
Equipment and vehicles	8,742,619	1,156,812	-	9,899,431
Total capital assets, being depreciated	<u>13,732,069</u>	<u>1,156,812</u>	-	<u>14,888,881</u>
Less accumulated depreciation for:				
Structures and improvements	(2,711,179)	(116,585)	-	(2,827,764)
Hydrants	(267,523)	-	-	(267,523)
Equipment and vehicles	(5,010,053)	(509,047)	-	(5,519,100)
Total accumulated depreciation	<u>(7,988,755)</u>	<u>(625,632)</u>	-	<u>(8,614,387)</u>

**NORTH COUNTY FIRE PROTECTION DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

F. Capital Assets (Continued)

Governmental activities	Beginning Balances	Additions	Deletions	Ending Balances
Total capital assets, being depreciated, net	5,743,314	531,180	-	6,274,494
Capital assets, net of depreciation	<u>\$ 6,625,943</u>	<u>\$ 633,867</u>	<u>\$ -</u>	<u>\$ 7,259,810</u>

G. Long-Term Obligations

1. Long-term obligation activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2012, are as follows:

Governmental activities	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Capital lease payable	\$ 17,709	\$ -	\$ (6,641)	\$ 11,068	\$ 6,641
Compensated absences*	966,072	134,445	-	1,100,517	-
Note payable	2,169,131	-	(64,309)	2,104,822	67,894
Total governmental activities	<u>\$ 3,152,912</u>	<u>\$ 134,445</u>	<u>\$ (70,950)</u>	<u>\$ 3,216,407</u>	<u>\$ 74,535</u>

\*Because of the nature of compensated absences and uncertainty over when vacations will be taken, a statement of debt service requirements to maturity for compensated absences has not been presented.

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Capital lease payable	Governmental	General fund
Compensated absences	Governmental	General fund
Note payable	Governmental	General fund

2. Capital Lease

The District has entered into a long-term capital lease to purchase a telephone system. The lease does not bear any interest. Future minimum lease payments under the signed agreement are as follows:

Year Ending June 30,	Lease Payments
2013	\$ 6,641
2014	4,427
Total lease payments	<u>\$ 11,068</u>

**NORTH COUNTY FIRE PROTECTION DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

G. Long-term obligations (continued)

3. Note payable

On December 29, 2010, the District took out a note payable for Station 5 in the principal amount of \$2,200,000 with interest at 3.00% per annum. The loan matures on December 1, 2030, with annual payments of \$182,739 which include principal and interest.

Required payments of principal on the long-term notes payable as of June 30, 2012, including maturities, are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 67,894	\$ 114,845	\$ 182,739
2014	71,680	111,059	182,739
2015	75,676	107,063	182,739
2016	79,896	102,843	182,739
2017	84,351	98,388	182,739
2018 - 2022	497,769	415,926	913,695
2023 - 2027	652,897	260,798	913,695
2028 - 2031	574,659	68,921	643,580
	<u>\$ 2,104,822</u>	<u>\$ 1,279,843</u>	<u>\$ 3,384,665</u>

H. Operating leases

The District has entered into Operating Lease Agreements for assorted office equipment and an administration building. Future minimum lease payments under the signed lease agreements are as follows:

Year Ending June 30,	Lease Payments
2013	\$ 85,296
2014	40,165
2015	1,412
2016	1,412
2017	118
Total future lease payments	<u>\$ 128,403</u>

The District will receive no sublease rental revenues nor pay any contingent rentals associated with these leases. Rent expenses for the year ended June 30, 2012, was \$88,686.

I. Employee Retirement Systems

Plan Description and Funding Policy

The District contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employee defined benefit plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California.

**NORTH COUNTY FIRE PROTECTION DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

I. Employee Retirement Systems (Continued)

Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of CalPERS' annual financial report may be obtained from their Executive Office - 400 P Street - Sacramento, CA 95814.

Funding Policy

Participants are required to contribute 9.0% for safety employees and 8% for miscellaneous employees of their annual covered salary. The District makes the contributions required of the District employees on their behalf and for their account. The District is required to contribute at an actuarially determined rate: the current rate is 31.79% for non-safety employees and 29.44% for safety employees, of annual covered payroll. The contribution of plan members and the District are established and may be amended by CalPERS.

Annual Pension Cost

For the year ended June 30, 2010, the District's annual pension cost of \$2,141,299 for CalPERS was equal to the District's required and actual contributions. The required contribution was determined through the June 30, 2012, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.5% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 3.75% per year cost-of living adjustments. Both (a) and (b) included an inflation component of 3.5%.

J. Joint Ventures (Joint Powers Agreements)

The District entered into a Joint Powers Agreement (J.P.A.) known as the "Public Agencies Self Insurance System" (P.A.S.I.S.), a self-insurance plan for worker's compensation insurance. The intent of P.A.S.I.S. is that the costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges, capital and operating grants and similar funding. The J.P.A. is a separate entity which is independently audited. Assumptions made in determining the fair value of the pooled investment portfolio is available from P.A.S.I.S.

**BALANCE SHEET**

	District's Share	Total P.A.S.I.S.
Current assets:		
Cash and cash equivalents	\$ 443,349	\$ 4,216,628
Accrued interest receivable	395	3,753
Total assets	\$ 443,744	\$ 4,220,381
Liabilities	\$ -	\$ -
Net assets:		
Unrestricted	443,744	4,220,381
Total liabilities and net assets	\$ 443,744	\$ 4,220,381



**NORTH COUNTY FIRE PROTECTION DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

J. Joint Ventures (Joint Powers Agreements) (Continued)

**INCOME STATEMENT**

	District's Share	Total P.A.S.I.S.
Non-operating revenue:		
Interest earnings	\$ 1,713	\$ 16,292
Net income before capital contributions	1,713	16,292
Capital contributions and distributions:		
Capital distributions to members	(71,275)	(71,275)
Change in net assets	(69,562)	(54,983)
Net assets, beginning	513,306	4,275,364
Net assets, ending	\$ 443,744	\$ 4,220,381

K. Postemployment Benefits other than Pension Benefits

In addition to the pension benefits described in Note J, the District provides post-retirement health care benefits to all employees who retire from the District on or after attaining age 55 with at least 10 years of continuous service out of the last eleven years. This health care includes medical insurance, dental, and vision care. On June 30, 2012, twenty-two retirees met these eligibility requirements. The District's contribution amounted to \$29,568.

L. Subsequent event

The District's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through December 20, 2012, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.

**NORTH COUNTY FIRE PROTECTION DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION SECTION**

**JUNE 30, 2012**

**NORTH COUNTY FIRE PROTECTION DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues:</b>				
Property taxes	\$ 11,100,000	\$ 11,100,000	\$ 11,017,618	\$ (82,382)
Ambulance fees	1,300,000	1,300,000	1,293,237	(6,763)
Mitigation fees	29,000	29,000	28,300	(700)
Interest income	67,000	67,000	13,367	(53,633)
Donations and grants	-	-	377,174	377,174
Other revenue	1,148,000	1,148,000	316,597	(831,403)
Total revenues	13,644,000	13,644,000	13,046,293	(597,707)
<b>Expenditures:</b>				
Salaries	7,215,836	7,215,836	7,540,815	(324,979)
Employee benefits	3,256,759	3,256,759	3,370,986	(114,227)
Administrative	202,802	202,802	213,295	(10,493)
Equipment and supplies	172,408	172,408	233,403	(60,995)
Maintenance and operations	258,615	258,615	471,481	(212,866)
Insurance	1,032,700	1,032,700	844,816	187,884
Medical supplies	95,000	95,000	98,993	(3,993)
Membership	8,335	8,335	13,171	(4,836)
Office supplies	8,500	8,500	12,148	(3,648)
Professional services	368,216	368,216	126,892	241,324
Radios and pagers	46,300	46,300	31,833	14,467
Rents and leases	92,400	92,400	91,021	1,379
Safety	50,448	50,448	15,713	34,735
Miscellaneous	-	-	710	(710)
Training	97,700	97,700	70,002	27,698
Utilities	11,280	11,280	160,707	(149,427)
Uniforms	33,200	33,200	27,063	6,137
Equipment	196,498	196,498	109,849	86,649
Capital outlay	950,217	950,217	700,127	250,090
Debt service:				
Principal	64,309	64,309	64,309	-
Interest	118,430	118,430	118,430	-
Total expenditures	14,279,953	14,279,953	14,315,764	(35,811)
Excess (deficiency) of revenues over (under) expenditures	(635,953)	(635,953)	(1,269,471)	(561,896)
<b>Other financing sources (uses):</b>				
Transfers in	134,000	134,000	134,598	(598)
Total other financing sources (uses)	134,000	134,000	(134,598)	(598)

**NORTH COUNTY FIRE PROTECTION DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Net change in fund balance	(501,953)	(501,953)	(1,134,873)	(561,298)
Fund balance, beginning	5,775,739	5,775,739	5,775,739	-
Prior period adjustment	-	-	1,988,454	-
Fund balance, ending	<u>\$ 5,273,786</u>	<u>\$ 5,273,786</u>	<u>\$ 6,629,320</u>	<u>\$ (561,298)</u>

**NORTH COUNTY FIRE PROTECTION DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
FIRE MITIGATION FUND  
FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Mitigation fees	\$ 60,000	\$ 60,000	\$ 70,857	\$ 10,857
Interest income	2,500	2,500	2,247	(253)
Total revenues	<u>62,500</u>	<u>62,500</u>	<u>73,104</u>	<u>10,604</u>
Expenditures				
Capital outlay	100,000	100,000	90,070	9,930
Total expenditures	<u>100,000</u>	<u>100,000</u>	<u>90,070</u>	<u>9,930</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(37,500)</u>	<u>(37,500)</u>	<u>(16,966)</u>	<u>674</u>
Other financing sources (uses):				
Transfers out	(7,000)	(7,000)	(6,875)	(125)
Total other financing sources (uses)	<u>(7,000)</u>	<u>(7,000)</u>	<u>(6,875)</u>	<u>(125)</u>
Net change in fund balance	(44,500)	(44,500)	(23,841)	799
Fund balance, beginning	454,272	454,272	454,272	-
Prior period adjustment	-	-	(1,988,454)	-
Fund balance, ending	<u>\$ 409,772</u>	<u>\$ 409,772</u>	<u>\$ (1,558,023)</u>	<u>\$ 799</u>

**NORTH COUNTY FIRE PROTECTION DISTRICT  
OTHER SUPPLEMENTARY INFORMATION SECTION  
JUNE 30, 2012**

**NORTH COUNTY FIRE PROTECTION DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
RAINBOW SUBZONE FUND - SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property taxes	\$ 209,900	\$ 209,900	\$ 201,503	\$ (8,397)
Interest income	2,500	2,500	1,979	(521)
Donations and grants	-	-	136,213	136,213
Other revenue	8,000	8,000	6,921	(1,079)
Total revenues	220,400	220,400	346,616	126,216
<b>Expenditures:</b>				
Salaries	5,000	5,000	2,133	2,867
Administrative	8,000	8,000	7,235	765
Equipment and supplies	25,000	25,000	24,065	935
Maintenance and operations	30,000	30,000	29,115	885
Insurance	30,000	30,000	25,597	4,403
Office supplies	1,000	1,000	649	351
Professional services	25,000	25,000	25,000	-
Safety	8,000	8,000	7,898	102
Training	4,000	4,000	3,760	240
Utilities	6,000	6,000	5,197	803
Uniforms	1,000	1,000	956	44
Equipment	165,000	165,000	146,970	18,030
Capital outlay	460,000	460,000	456,685	3,315
Total expenditures	768,000	768,000	735,260	32,740
Excess (deficiency) of revenues over (under) expenditures	(547,600)	(547,600)	(388,644)	93,476
<b>Other financing sources (uses):</b>				
Transfers out	(135,000)	(135,000)	(134,947)	(53)
Total other financing sources (uses)	(135,000)	(135,000)	134,947	(53)
Net change in fund balance	(682,600)	(682,600)	(523,591)	93,529
Fund balance, beginning	749,242	749,242	749,242	-
Fund balance, ending	\$ 66,642	\$ 66,642	\$ 225,651	\$ 93,529

**NORTH COUNTY FIRE PROTECTION DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
RAINBOW SUBZONE FIRE MITIGATION FUND - SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Mitigation fees	\$ 900	\$ 900	\$ 818	\$ (82)
Interest income	1,000	1,000	807	(193)
Total revenues	<u>1,900</u>	<u>1,900</u>	<u>1,625</u>	<u>(275)</u>
Expenditures:				
Capital outlay	13,000	13,000	12,617	383
Total expenditures	<u>13,000</u>	<u>13,000</u>	<u>12,617</u>	<u>383</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(11,100)</u>	<u>(11,100)</u>	<u>(10,992)</u>	<u>(658)</u>
Other financing sources (uses):				
Transfers in	7,000	7,000	6,875	125
Total other financing sources (uses)	<u>7,000</u>	<u>7,000</u>	<u>(6,875)</u>	<u>125</u>
Net change in fund balance	(4,100)	(4,100)	(4,117)	(783)
Fund balance, beginning	169,797	169,797	169,797	-
Fund balance, ending	<u>\$ 165,697</u>	<u>\$ 165,697</u>	<u>\$ 165,680</u>	<u>\$ (783)</u>



**NORTH COUNTY FIRE PROTECTION DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 SPECIAL RESERVE FUND FOR CAPITAL OUTLAY PROJECTS - CAPITAL PROJECTS FUND  
 FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest income	\$ 2,000	\$ 2,000	\$ 1,719	\$ (281)
Total revenues	<u>2,000</u>	<u>2,000</u>	<u>1,719</u>	<u>(281)</u>
Expenditures:				
Office supplies	1,000	1,000	350	650
Total expenditures	<u>1,000</u>	<u>1,000</u>	<u>350</u>	<u>650</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,000</u>	<u>1,000</u>	<u>1,369</u>	<u>(931)</u>
Other financing sources (uses):				
Transfers in	1,000	1,000	349	651
Total other financing sources (uses)	<u>1,000</u>	<u>1,000</u>	<u>349</u>	<u>651</u>
Net change in fund balance	2,000	2,000	1,718	(1,582)
Fund balance, beginning	365,728	365,728	365,728	-
Fund balance, ending	<u>\$ 367,728</u>	<u>\$ 367,728</u>	<u>\$ 367,446</u>	<u>\$ (1,582)</u>

**NORTH COUNTY FIRE PROTECTION DISTRICT  
ORGANIZATION STRUCTURE  
JUNE 30, 2012**

The North County Fire Protection District (District) was formed on January 1, 1987 when it reorganized to include the community of Rainbow. The District operates under the Health and Safety Code Sections 13801-13999 of the State of California. The District is approximately 90 square miles and provides fire protection and emergency services to an estimated population of 49,000. The District currently operates six (6) fire stations located at:

1. 315 E. Ivy Street, Fallbrook, CA
2. 2180 Winterwarm Drive, Fallbrook, CA
3. 4157 Olive Hill Road, Fallbrook, CA
4. 4375 Pala Mesa Drive, Fallbrook, CA
5. 31403 Old River Road, Bonsall, CA
6. 2309 Rainbow Valley Blvd., Fallbrook CA

The District's administrative office is located at 330 S Main Avenue, Fallbrook, California. The District is governed by a board consisting of five (5) Directors who are elected to a four (4) year term. Directors who are appointed serve a two (2) year term.

The Board of Directors for the fiscal year ended June 30, 2012, was comprised of the following members:

Name	Office	Term	Term Expires
Kathleen Thuner	President	4 years	November 2014
Kenneth Munson	Vice-President	4 years	November 2014
Wayne Hooper	Director	4 years	November 2012
Paul Schaden	Director	4 years	November 2012
Ruth Harris	Director	4 years	November 2012

Administration	
Name	Position
William Metcalf	CEO/Fire Chief
Ed Sprague	Deputy Fire Chief
<i>Vacant</i>	Finance Specialist

**NORTH COUNTY FIRE PROTECTION DISTRICT  
ASSESSED VALUATION  
JUNE 30, 2012**

Assessed valuation:

Secured property	\$ 6,218,637,412
Unsecured property	<u>62,647,018</u>
Total assessed valuation	<u><u>\$ 6,281,284,430</u></u>

**NORTH COUNTY FIRE PROTECTION DISTRICT  
OTHER INDEPENDENT AUDITORS' REPORTS SECTION  
JUNE 30, 2012**



**Hosaka, Rotherham & Company**  
Certified Public Accountants

hrccpa.com

James A. Rotherham, CPA  
CEO & Managing Partner

.....  
Roy T. Hosaka, CPA  
Retired

James C. Nagel, CPA  
Retired

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Directors  
North County Fire Protection District  
Fallbrook, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North County Fire Protection District, as of and for the year ended June 30, 2012, which collectively comprise the North County Fire Protection District's basic financial statements and have issued our report thereon dated December 20, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of North County Fire Protection District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered North County Fire Protection District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North County Fire Protection District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the North County Fire Protection District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North County Fire Protection District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of Management, Board of Directors, the Audit/Finance Committee, others within the entity, and federal awarding agencies and pass-through entities, where applicable, and is not intended to be and should not be used by anyone other than these specified parties.

*Hosaka, Rotherham & Company*

San Diego, California  
December 20, 2012



**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE**

Board of Directors  
 North County Fire Protection District  
 Fallbrook, California

We have audited North County Fire Protection District's (District) compliance with the types of compliance requirements described in the *Guide to Special District Laws and Related Codes*, issued by the California Special District Association that could have a direct and material effect on the District's state program for the fiscal year ended June 30, 2012. Compliance with the requirements of laws, regulations, contracts and grants, applicable to its state program, is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

The District's management is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

Description	Procedures In Audit Guide	Procedures Performed
GANN Limit Calculation	1	Yes

Based on our audit, we found that, for the item tested, North County Fire Protection District complied with the state laws and regulations referred to above. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the North County Fire Protection District had not complied with the state laws and regulations.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its state programs for the fiscal year ended June 30, 2012.

**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE**

**Page 2**

This report is intended solely for the information and use of the Management, Board of Directors, Audit/Finance Committee, State Controller's Office, pass-through entities, where applicable, and is not intended to be and should not be used by anyone other than these specified parties.

*Hosaka, Rotherham & Company*

San Diego, California  
December 20, 2012



**NORTH COUNTY FIRE PROTECTION DISTRICT  
FINDINGS AND RECOMMENDATIONS SECTION**

**JUNE 30, 2012**

**NORTH COUNTY FIRE PROTECTION DISTRICT  
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2012**

**A. Summary of Auditors' Results**

1. Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified?        Yes   X   No

One or more significant deficiencies identified that are not considered to be material weaknesses?        Yes   X   None Reported

Noncompliance material to financial statements noted?        Yes   X   No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified?        Yes   N/A   No

One or more significant deficiencies identified that are not considered to be material weaknesses?        Yes   N/A   None Reported

Type of auditors' report issued on compliance for major programs:           N/A          

Any audit findings disclosed that are required to be reported in accordance with section 510(a) or Circular A-133?        Yes   N/A   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
-----------------------	-------------------------------------------

*The District did not have over \$500,000 in Federal Expenditures.*

Dollar threshold used to distinguish between type A and type B programs:           N/A          

Auditee qualified as low-risk auditee?        Yes   N/A   No

**NORTH COUNTY FIRE PROTECTION DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**A. Summary of Auditors' Results (continued)**

3. State Awards

Internal control over state programs:

One or more material weaknesses identified?             Yes        X   No

One or more significant deficiencies identified that  
are not considered to be material weaknesses?             Yes        X   None Reported

Type of auditors' report issued on compliance  
for state programs:                        Unqualified                  

**B. Financial Statement Findings**

None

**C. Federal Award Findings and Questioned Costs**

None

**D. State Award Findings and Questioned Costs**

None

**NORTH COUNTY FIRE PROTECTION DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2012**

<b>Finding/Recommendation</b>	<b>Current Status</b>	<b>Management's Explanation If Not Implemented</b>
None	N/A	N/A