

GEYSERVILLE FIRE PROTECTION DISTRICT

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2010**

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THOMAS, PORCH & GULLICKSON

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL CORPORATION

Main Office

5213 El Mercado Parkway, Suite E
Santa Rosa, California 95403
Tel: 707-575-4236 / Fax: 707-575-4336
E-mail: office@tpgcpas.com

Montana Office

P.O. Box 566
Polson, Montana 59860
Toll free: 866-883-5235
Fax: 406-883-0805

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Geyserville Fire Protection District
Geyserville, California

We have audited the accompanying financial statements of the Geyserville Fire Protection District, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Geyserville Fire Protection District's management. Our responsibility is to express an opinion 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. 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 financial position of the Geyserville Fire Protection District, as of June 30, 2010, and the changes in financial position, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 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. 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

Independent Auditors' Report
Geyserville Fire Protection District
Page two

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.

Thomas, Porek & Gullikson

Santa Rosa, California
December 16, 2010

**GEYSERVILLE FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

FINANCIAL HIGHLIGHTS

- The assets of the Geyserville Fire Protection District exceeded its liabilities at the close of the most recent fiscal year by \$5,817,412. Of this amount, \$1,364,289 may be used to meet the District's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the Geyserville Fire Protection District's governmental funds reported combined ending fund balances of \$2,308,139, an increase of \$355,658 from the prior year.
- At the end of the current fiscal year, the unreserved fund balance for the general fund was \$1,310,637.
- At the end of the current fiscal year, the fund balance reserved for new fire station was \$90,031.
- At the end of the current fiscal year, the fund balance reserved for new apparatus was \$856,211.
- At the end of the current fiscal year, the fund balance restricted for training was \$51,260.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Geyserville Fire Protection District's basic financial statements. These statements include: government-wide financial statements, fund financial statements and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Geyserville Fire Protection District's finances, in a manner similar to private-sector business.

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

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets 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 expense are reported in this statement for some items that will only affect cash flows in future fiscal periods.

**GEYSERVILLE FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Both of the government-wide financial statements distinguish functions of the Geyserville Fire Protection District that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their cost through user fees and charges.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Geyserville Fire Protection District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's funds are governmental funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Geyserville Fire Protection District uses governmental funds to account for its activities which include fire protection services within the district boundaries. The District adopts an annual appropriated budget for its funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**GEYSERVILLE FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve as a useful indicator of a government’s financial position. In the case of the Geyserville Fire Protection District, assets exceeded liabilities by \$5,817,412 at the close of the most recent fiscal year.

The largest portion of the Geyserville Fire Protection District’s total assets (69%) is included in “Capital assets, net of accumulated depreciation”. Of this amount, \$4,094,586 is attributable to the construction of the new fire station that was placed in service in September, 2005.

Geyserville Fire Protection District’s Net Assets

	2009	2010
Current assets	\$ 1,082,316	\$ 1,338,400
Noncurrent assets:		
Reserved cash	777,162	946,242
Restricted cash	119,430	76,046
Due from other governments	-	53,652
Capital assets	5,545,225	5,339,176
Total noncurrent assets	6,441,817	6,415,116
Total assets	7,524,133	7,753,516
Current liabilities	120,727	151,808
Noncurrent liabilities	1,881,859	1,784,296
Total liabilities	2,002,586	1,936,104
Net assets:		
Invested in capital assets, net of related debt	3,569,066	3,455,621
Restricted	119,430	51,260
Reserved	777,162	946,242
Unreserved	1,055,889	1,364,289
Total net assets	\$ 5,521,547	\$ 5,817,412

The balance of unreserved net assets of \$1,364,289 at June 30, 2010 may be used to meet the District’s ongoing obligations to citizens and vendors.

At the end of the current fiscal year, the District reported positive balances in all categories of net assets. The same held true for the prior fiscal year.

**GEYSERVILLE FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Governmental activities. Governmental activities increased the District’s net assets by \$295,865. Key elements of this increase are as follows:

Geyserville Fire Protection District’s Change in Net Assets

	2009	2010
Revenues:		
Program revenues		
Charges for services	\$ 556,544	\$ 436,484
Grants, contributions and reimbursements	322,943	7,964
General revenues		
Property taxes	663,457	743,315
Investment earnings	34,538	18,567
Special items		
Gain on sale of equipment	-	9,000
Total revenues	1,577,482	1,215,330
Expenses:		
Public safety – fire protection	938,100	919,465
Increase in net assets	639,382	295,865
Net assets, beginning of the year	4,882,165	5,521,547
Net assets, end of the year	<u>\$ 5,521,547</u>	<u>\$ 5,817,412</u>

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

As noted earlier, the Geyserville Fire Protection District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Geyserville Fire Protection District’s governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Geyserville Fire Protection District’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

**GEYSERVILLE FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

At the end of the current fiscal year, the District’s governmental funds reported ending fund balances of \$2,308,139. Approximately 57% of the total amount constitutes an unreserved fund balance, which is available for spending at the District’s discretion. The remainders of the fund balances are restricted or reserved to indicate that they are not available for new spending because they have already been committed to new fire station expenditures, for the purchase of new apparatus and a new fund that was established in 2009 for a training grant received through the state-funded Casino Mitigation Fund.

The general fund is the main operating fund of the Geyserville Fire Protection District. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,310,637.

GENERAL FUND BUDGETARY HIGHLIGHTS

Overall positive fund balance variance was due primarily to cost cutting efforts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The Geyserville Fire Protection District’s investment in capital assets, as of June 30, 2010, amounts to \$5,339,176, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, furnishings and equipment.

The major capital asset event during the current fiscal year was depreciation of the fixed assets in accordance with GASB 34.

Geyserville Fire Protection District’s Capital Assets

	2009	2010
Land	\$ 505,144	\$ 505,144
Building and improvements	4,257,285	4,094,586
Furnishings	100,802	84,056
Equipment	681,994	655,390
Total, net of accumulated depreciation	5,545,225	5,339,176
Less related debt and accrued interest	1,976,159	1,883,555
Net assets invested in capital assets, net of related debt	\$ 3,569,066	\$ 3,455,621

Additional information on the Geyserville Fire Protection District’s capital assets can be found in Note III of this report.

**GEYSERVILLE FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Long-term debt. At the end of the current fiscal year, the Geyserville Fire Protection District had total long-term debt outstanding of \$1,784,296.

Geyserville Fire Protection District's Outstanding Debt

	2009	2010
Capital real property lease	\$ 1,942,679	\$ 1,851,125
Less current portion	60,820	66,829
Total long-term debt	<u>\$ 1,881,859</u>	<u>\$ 1,784,296</u>

The Geyserville Fire Protection District's total debt decreased by \$91,554 during the fiscal year due to principal payments made on the leases.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The District will continue to focus on new programs to increase volunteer recruitment and find ways to support levels of service expected by the community. This will include the continued use of the 24-hour paid staff and Fire Prevention Officer as well as the continued use of interns to work with the duty personnel who are seeking the training to fulfill their Firefighter training and earn their Firefighter I certification.
- This coming year the District will introduce the "Out of District" volunteer program in which qualified firefighters such as seasonal Cal Fire employees will volunteer a given set of hours each month in trade for continued training and honing their skills.
- Despite the continued state-wide down turn in property values and the District budgeting to reflect this, there continues to be a positive growth in the tax revenue of almost 4% which has been reflected county-wide in the unincorporated areas. In addition, while the County has a noted decrease or slow down in growth and sales of homes, there continues to be a positive track of new construction, slow but still continuing. This is centered mainly on new and expanding wineries in the area.
- The economy seems to still be affecting the local businesses with a few stores closing or changing owners. During the coming year with the continued uncertainty and fluctuation in the national and local economy, the District will need to continue to closely monitor the budget and revenues and be prepared to adjust expenditures if needed.

**GEYSERVILLE FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

- The Capital Campaign for the new station, which is managed by the Geyserville Volunteer Firefighters' Association, will be completed in this coming year. While over \$800,000 in pledges has been obtained, it will be a couple of years before the full impact or decision on how those funds will be used.
- The District's relationship with River Rock Casino and the Dry Creek Band of Pomo Indians continues to be steady and both the District and the Tribe are abiding by the original MOA under an Evergreen provision. At this time there are no firm plans in place and service to the Casino could terminate with proper notification from either party. This would lower the District's expenditures, but would also decrease revenue. The District will continue to work on the contract negotiations and adjust the budget as needed.
- The grant that the District received last year from the State of California as part of the Casino Mitigation Fund to put on an area-wide, multi-casualty drill involving tour buses was completed and also funded the purchase of new rescue equipment. Some reserves from this fund were rolled over into the 2010/2011 budget and will be spent in the coming year.
- This coming year, the District will be looking to replace a 40-year old engine with a new type I apparatus. Initial costs are estimated at \$550,000. The apparatus fund is fully funded to make this payment and will not affect the General Fund budget.

All of these factors, including financial history and estimates of long-term growth, were considered in preparing the Geyserville Fire Protection District's budget for fiscal year 2010/11.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Geyserville Fire Protection District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Geyserville Fire Protection District, P.O. Box 217, Geyserville, CA 95441.

GEYSERVILLE FIRE PROTECTION DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

ASSETS

Current assets

Cash and investments	\$ 1,337,011
Accounts receivable	1,389
Total current assets	<u>1,338,400</u>

Noncurrent assets

Reserved cash	946,242
Restricted cash	76,046
Due from other governments	53,652
	<u>1,075,940</u>

Capital assets, net of accumulated depreciation

Land	505,144
Building and improvements	4,094,586
Furnishings	84,056
Equipment	655,390
Total capital assets	<u>5,339,176</u>
Total noncurrent assets	<u>6,415,116</u>
Total assets	<u><u>7,753,516</u></u>

LIABILITIES

Current liabilities

Accounts payable	52,549
Accrued interest	32,430
Capital leases - current portion	66,829
Total current liabilities	<u>151,808</u>

Noncurrent liabilities

Capital leases	<u>1,784,296</u>
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Total liabilities	<u>1,936,104</u>
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NET ASSETS

Invested in capital assets, net of related debt	3,455,621
Restricted	51,260
Reserved	946,242
Unreserved	1,364,289

Total net assets	<u><u>\$ 5,817,412</u></u>
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See accompanying Notes to the Financial Statements.

**GEYSERVILLE FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

Public safety - fire protection	
Salaries and employee benefits	\$ 321,327
Services and supplies	258,568
Depreciation	243,839
Interest	95,731
Total program expenses	<u>919,465</u>
 Program revenues	
Charges for services	
Other charges for services	430,138
Intergovernmental	6,346
Total charges for services	<u>436,484</u>
 Grants, contributions and reimbursements	<u>7,964</u>
 Total program revenues	<u>444,448</u>
 Net program expenses	(475,017)
 General revenues	
Property taxes	743,315
Investment earnings	18,567
Special items	
Gain on sale of equipment	<u>9,000</u>
 Total general revenues and special items	<u>770,882</u>
 Increase in net assets	295,865
 Net assets, beginning of the year	<u>5,521,547</u>
 Net assets, end of the year	<u><u>\$ 5,817,412</u></u>

See accompanying Notes to the Financial Statements.

**GEYSERVILLE FIRE PROTECTION DISTRICT
BALANCE SHEET -
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	General	New Station	Apparatus	Training	Total Governmental Funds
ASSETS					
Cash and investments	\$ 1,337,011	\$ 90,031	\$ 856,211	\$ 76,046	\$ 2,359,299
Accounts receivable	1,389	-	-	-	1,389
Total assets	<u>\$ 1,338,400</u>	<u>\$ 90,031</u>	<u>\$ 856,211</u>	<u>\$ 76,046</u>	<u>\$ 2,360,688</u>
LIABILITIES					
Accounts payable	\$ 27,763	\$ -	\$ -	\$ 24,786	\$ 52,549
Total liabilities	<u>27,763</u>	<u>-</u>	<u>-</u>	<u>24,786</u>	<u>52,549</u>
Fund balances					
Restricted					
Training program	-	-	-	51,260	51,260
Reserved					
Reserved for new fire station	-	90,031	-	-	90,031
Reserved for apparatus	-	-	856,211	-	856,211
Unreserved	<u>1,310,637</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,310,637</u>
Total fund balances	<u>1,310,637</u>	<u>90,031</u>	<u>856,211</u>	<u>51,260</u>	<u>2,308,139</u>
Total liabilities and fund balances	<u>\$ 1,338,400</u>	<u>\$ 90,031</u>	<u>\$ 856,211</u>	<u>\$ 76,046</u>	<u>\$ 2,360,688</u>

Amounts reported for governmental activities in the statement of net assets differ because:

Total governmental fund balances \$ 2,308,139

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 5,339,176

Revenues that are earned and receivable in the current period and, therefore, are not reported in the governmental funds. 53,652

Liabilities that are not due and payable in the current period and, therefore, are not reported in the governmental funds.

 Capital lease obligation (1,851,125)

 Accrued interest payable (32,430)

Net assets of governmental activities \$ 5,817,412

See accompanying Notes to the Financial Statements.

**GEYSERVILLE FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	General	New Station	Apparatus	Training	Total Governmental Funds
REVENUES					
Property taxes	\$ 689,663	\$ -	\$ -	\$ -	\$ 689,663
Charges for services	430,138	-	-	-	430,138
Intergovernmental	6,346	-	-	-	6,346
Investment earnings	10,243	698	6,717	909	18,567
Grants, contributions and reimbursements	7,964	-	-	-	7,964
Total revenues	1,144,354	698	6,717	909	1,152,678
EXPENDITURES					
Current					
Salaries and employee benefits	321,327	-	-	-	321,327
Services and supplies	228,279	-	-	30,289	258,568
Capital outlay	-	-	-	38,790	38,790
Debt service	-	-	-	-	-
Principal	-	91,554	-	-	91,554
Interest	-	96,781	-	-	96,781
Total expenditures	549,606	188,335	-	69,079	807,020
Excess of revenues over expenditures	594,748	(187,637)	6,717	(68,170)	345,658
OTHER FINANCING SOURCES (USES)					
Proceeds on sale of equipment	10,000	-	-	-	10,000
Operating transfers from other funds	-	200,000	150,000	-	350,000
Operating transfers to other funds	(350,000)	-	-	-	(350,000)
Total other financing (uses) sources	(340,000)	200,000	150,000	-	10,000
Net change in fund balances	254,748	12,363	156,717	(68,170)	355,658
Fund balance, beginning of the year	1,055,889	77,668	699,494	119,430	1,952,481
Fund balance, end of the year	<u>\$ 1,310,637</u>	<u>\$ 90,031</u>	<u>\$ 856,211</u>	<u>\$ 51,260</u>	<u>\$ 2,308,139</u>

See accompanying Notes to the Financial Statements.

**GEYSERVILLE FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

Net change in fund balances - total governmental funds \$ 355,658

Amounts reported for governmental activities in the statement of activities differ as follows:

Governmental funds report capital outlays as expenditures.

In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital assets	38,790
Current year depreciation	(243,839)

In the statement of activities, property tax revenues are recognized in the fiscal year for which they are levied, whereas in the governmental funds, these revenues are not recognized until they are received.

53,652

In the statement of activities, only the gain on sale of equipment is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of equipment sold.

(1,000)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal	91,554
Accrued interest, current year	(32,430)
Accrued interest, prior year	33,480

Change in net assets of governmental activities	\$ 295,865
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See accompanying Notes to the Financial Statements.

**GEYSERVILLE FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 614,060	\$ 614,060	\$ 689,663	\$ 75,603
Charges for services	480,000	480,000	430,138	(49,862)
Intergovernmental	7,000	7,000	6,346	(654)
Investment earnings	20,000	20,000	10,243	(9,757)
Grants, contributions and reimbursements	-	-	7,964	7,964
Total revenues	<u>1,121,060</u>	<u>1,121,060</u>	<u>1,144,354</u>	<u>23,294</u>
EXPENDITURES				
Current				
Salaries and employee benefits	419,140	416,840	321,327	95,513
Services and supplies	288,456	291,352	228,279	63,073
Capital outlay	46,700	46,700	-	46,700
Total expenditures	<u>754,296</u>	<u>754,892</u>	<u>549,606</u>	<u>205,286</u>
Excess of revenues over expenditures	<u>366,764</u>	<u>366,168</u>	<u>594,748</u>	<u>228,580</u>
OTHER FINANCING SOURCES (USES)				
Proceeds on sale of equipment	-	-	10,000	10,000
Operating transfers from other funds	-	-	-	-
Operating transfers to other funds	<u>(350,000)</u>	<u>(350,000)</u>	<u>(350,000)</u>	<u>-</u>
Total other financing (uses) sources	<u>(350,000)</u>	<u>(350,000)</u>	<u>(340,000)</u>	<u>10,000</u>
Net change in fund balances	16,764	16,168	254,748	238,580
Fund balance, beginning of the year	<u>1,055,889</u>	<u>1,055,889</u>	<u>1,055,889</u>	<u>-</u>
Fund balance, end of the year	<u><u>\$ 1,072,653</u></u>	<u><u>\$ 1,072,057</u></u>	<u><u>\$ 1,310,637</u></u>	<u><u>\$ 238,580</u></u>

See accompanying Notes to the Financial Statements.

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The Geyserville Fire Protection District (the “District”) is a California special district governed by a five-member board of directors. The District provides coordinated fire protection services, rescue services, emergency medical services, and hazardous material response services to taxpayers and residents in a specific unincorporated area in Sonoma County. The District was formed on July 1, 1996 under Health and Safety Code Sections 13800-13970 and the Cortese-Knox Local Government Reorganization Act of 1985, Government Code Section 5600. Prior to July 1, 1996, the District was a volunteer association.

The District’s financial statements exclude the accounts of the Geyserville Volunteer Firefighters’ Association, Inc., which is a separate non-profit organization. The Geyserville Volunteer Firefighters’ Association, Inc.’s members perform fund-raising activities for the benefit of the District.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remaining Notes are organized to provide explanations, including required disclosures, of the District’s financial activities for the fiscal year ended June 30, 2010.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as *general revenues*.

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current *financial resources measurement focus* and the *modified accrual basis of accounting*. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available resources during a given period.

When both restricted and unrestricted resources are available for use, the restricted resources are used first and then the unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

Cash and investments

The District maintains its operating cash in accounts with the County of Sonoma which acts as a disbursing agent. The County pools the cash and investments of certain funds. Interest earned on these pooled investments is allocated and apportioned quarterly to the District, based on the average daily balance for each quarter.

Interfund transactions

Operating transfers are reported as “Other Financing Sources (Uses)” in the governmental funds. During the year, the District made operating transfers in the amount of \$350,000 from their “General” fund to their “New Station” and “Apparatus” funds.

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities and Net Assets or Equity (continued)

Capital assets

Capital assets generally result from expenditures in the governmental funds. These assets, which include land, buildings and improvements, furnishings and equipment are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are recorded at cost and are updated for additions and retirements during the year. The cost of a fixed asset may also include ancillary charges necessary to place the asset in its intended location and condition for use. The District maintains a capitalization threshold of \$5,000. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings and improvements and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	30 years
Furnishings	5 - 15 years
Equipment	5 - 20 years

Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets.

Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts which are legally segregated for a specific future use which do not represent available expendable resources and, therefore, are not available for appropriations in future periods.

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Property tax revenue

The District receives property tax revenue from the County of Sonoma (the “County”). The County is responsible for assessing, collecting and distributing property taxes in accordance with state law. Taxes are levied annually on July 1st, and one-half are due by November 1st and one-half by February 1st. Taxes are delinquent after December 10th and April 10th, respectively. Supplemental property taxes are levied on a pro-rata basis when changes in assessed valuation occur due to the completion of construction or sales transactions. Liens on real property are established on January 1st for the ensuing fiscal year.

Since the passage of California’s Proposition 13, general property taxes are based either on a flat 1% rate applied to the 1975/1976 full value, or on 1% of the sales price of the property on sales transactions and construction after the 1975/1976 valuation. Taxable values on properties (excluding increases related to sales and construction) can increase at a maximum rate of 2% per year.

On June 30, 1993, the Board of Supervisors adopted the “Teeter” method of property tax allocation. This method allocates property taxes based on the total property tax billed. At year-end, the County advances cash to each taxing jurisdiction equal to its current year delinquent taxes. Once the delinquent taxes are collected, the revenue from penalties and interest remains with the County and is used to pay the interest cost of borrowing the cash used for the advances.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**NOTES TO FINANCIAL STATEMENTS
GEYSERVILLE FIRE PROTECTION DISTRICT**

June 30, 2010

NOTE II. BUDGETARY DATA

Annual budgets are adopted on a basis not in accordance with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year-end.

Each fund's appropriated budget is prepared by character and sub-object. Budget revisions and transfers between characters may be made with majority board member approval to give consideration to unanticipated income and expenditures. Expenditures may not exceed appropriations at the legal level of control, which is the character level.

Revisions to the budget and transfers between appropriations were made throughout the year.

NOTE III. DETAILED NOTES ON ALL FUNDS

Cash and investments

Cash is primarily held in pooled accounts with the County of Sonoma (the County).

Cash in bank, unreserved	\$ 3,749
Cash in County treasury, unreserved	1,333,262
Cash in County treasury, reserved	946,242
Cash in County treasury, restricted	<u>76,046</u>
	<u>\$ 2,359,299</u>

The County's pooled cash and investments are invested pursuant to investment policy guidelines established by the County Treasurer and approved by the Board of Supervisors. The objectives of the policy are, in order of priority, safety of capital, liquidity and maximum rate of return. The policy addresses the soundness of financial institutions in which the County will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio which may be invested in certain instruments with longer terms to maturity.

The County investments consist of cash equivalents including investments that are insured or registered, or for which the securities are held by the County or

**NOTES TO FINANCIAL STATEMENTS
GEYSERVILLE FIRE PROTECTION DISTRICT**

June 30, 2010

NOTE III. DETAILED NOTES ON ALL FUNDS (continued)

Cash and investments (continued)

its agent in the County's name. The County's investments consist primarily of U.S. government and agency securities, corporate notes and commercial paper. Investment balances are reported at market value.

As a means of limiting its exposure to fair value losses arising from rising interest rates, one of the ways that the County manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturing evenly over time, as necessary, to provide the cash flow and liquidity needed for operations.

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 County does not have a rating provided by a nationally recognized statistical rating organization.

Capital assets

	June 30, 2009	Increases	Decreases	June 30, 2010
Capital assets, not being depreciated:				
Land	\$ 505,144	\$ -	\$ -	\$ 505,144
Capital assets, being depreciated:				
Buildings and improvements	4,880,964	-	-	4,880,964
Furnishings	162,202	-	-	162,202
Equipment	<u>1,115,222</u>	<u>38,790</u>	<u>(5,956)</u>	<u>1,148,056</u>
Total capital assets being depreciated	<u>6,158,388</u>	<u>38,790</u>	<u>(5,956)</u>	<u>6,191,222</u>
Less accumulated depreciation for:				
Buildings and improvements	(623,679)	(162,699)	-	(786,378)
Furnishings	(61,400)	(16,746)	-	(78,146)
Equipment	<u>(433,228)</u>	<u>(64,394)</u>	<u>4,956</u>	<u>(492,666)</u>
Total accumulated depreciation	<u>(1,118,307)</u>	<u>(243,839)</u>	<u>4,956</u>	<u>(1,357,190)</u>
Total capital assets, being depreciated, net	<u>5,040,081</u>	<u>(205,049)</u>	<u>(1,000)</u>	<u>4,834,032</u>
Governmental activities capital assets, net	<u>\$ 5,545,225</u>	<u>\$ (205,049)</u>	<u>\$ (1,000)</u>	<u>\$ 5,339,176</u>

**NOTES TO FINANCIAL STATEMENTS
GEYSERVILLE FIRE PROTECTION DISTRICT**

June 30, 2010

NOTE III. DETAILED NOTES ON ALL FUNDS (continued)

Capital assets (continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities	
Public safety - fire protection	<u>\$ 243,839</u>

Capital leases

On February 26, 2004, the District entered into a twenty-year Municipal Lease and Option Agreement with a financial institution (the "Lessor") to finance the construction of a new fire station in exchange for a leasehold interest in the real property owned by the District. Obligations under this capital lease have been recorded in the accompanying financial statements at the present value of future minimum lease payments, discounted at 4.84 percent interest.

The future minimum lease payments under the capital lease and municipal lease and the net present value of the future minimum lease payments are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2011	\$ 188,334
2012	188,334
2013	188,334
2014	188,334
2015	188,334
2016 – 2020	941,671
2021 – 2024	<u>749,638</u>
Total future minimum lease payments	2,632,979
Less, amount representing interest	<u>(781,854)</u>
	1,851,125
Less, current portion	<u>(66,829)</u>
	<u>\$ 1,784,296</u>

**NOTES TO FINANCIAL STATEMENTS
GEYSERVILLE FIRE PROTECTION DISTRICT**

June 30, 2010

NOTE III. DETAILED NOTES ON ALL FUNDS (continued)

Capital leases (continued)

Details of interest cost incurred for the fiscal year is as follows:

Interest cost charged to program expense \$ 95,731

The following is a summary of change in the capital lease for the year ended June 30, 2010:

	<u>Balance on June 30, 2009</u>	<u>Reductions</u>	<u>Balance on June 30, 2010</u>
Municipal lease	<u>\$ 1,942,679</u>	<u>\$ 91,554</u>	<u>\$ 1,851,125</u>

NOTE IV. OTHER INFORMATION

Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the government provides coverage through its participation with other area fire districts in the Fire Agencies Insurance Risk Authority (FAIRA) system. As a member of a public entity risk pool, the District is responsible for appointing an employee as a liaison between the District and FAIRA, implementing all policies of FAIRA, promptly paying all contributions, and cooperating with FAIRA and any insurer of FAIRA. FAIRA is responsible for providing insurance coverage as agreed upon, assisting the District with implementation, providing claims adjusting and defense of any civil action brought against the officer of FAIRA.

The District also is a member of the Fire District Association of California/Fire Agency Self-Insurance System (FDAC/FASIS) for workers' compensation coverage.

Proposition 1A Borrowing by the State of California

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in-lieu sales tax, and supplemental property tax, apportioned to cities,

NOTE IV. OTHER INFORMATION (continued)

Proposition 1A Borrowing by the State of California (continued)

counties and special districts (excluding redevelopment agencies). The State is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the Geyserville Fire Protection District was \$53,652.

This borrowing by the State of California was recognized as a receivable in the accompanying financial statements. Under the modified accrual basis of accounting, the borrowed tax revenues are not permitted to be recognized as revenue in the governmental fund financial statements until the tax revenues are received from the State of California (expected to be fiscal year 2012-13). In the government-wide financial statements, the tax revenues were recognized in the fiscal year for which they were levied (fiscal year 2009-10).