

GEYSERVILLE FIRE PROTECTION DISTRICT

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2011**

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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, 2011, 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, 2011, 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 10 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
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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, Poreh & Gullikson

Santa Rosa, California
December 8, 2011

**GEYSERVILLE FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FINANCIAL HIGHLIGHTS

- The assets of the Geyserville Fire Protection District exceeded its liabilities at the close of the most recent fiscal year by \$5,961,983. Of this amount, \$1,473,213 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 \$2,125,243, a decrease of \$182,896 from the prior year.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$1,419,561.
- At the end of the current fiscal year, the fund balance restricted for new fire station was \$102,282.
- At the end of the current fiscal year, the fund balance restricted for new apparatus was \$566,673.
- At the end of the current fiscal year, the fund balance restricted for training was \$36,727.

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, 2011**

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, 2011**

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 \$5,961,983 at the close of the most recent fiscal year.

The largest portion of the Geyserville Fire Protection District's total assets (72%) is included in "Capital assets, net of accumulated depreciation". Of this amount, \$3,931,888 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

	2010	2011
Current assets	\$ 1,338,400	\$ 1,442,526
Noncurrent assets:		
Restricted cash	1,022,288	705,682
Due from other governments	53,652	53,652
Capital assets	5,339,176	5,569,386
Total noncurrent assets	6,415,116	6,328,720
Total assets	7,753,516	7,771,246
Current liabilities	151,808	126,869
Noncurrent liabilities	1,784,296	1,682,394
Total liabilities	1,936,104	1,809,263
Net assets:		
Invested in capital assets, net of related debt	3,455,621	3,783,088
Restricted	997,502	705,682
Unassigned	1,364,289	1,473,213
Total net assets	\$ 5,817,412	\$ 5,961,983

The balance of unassigned net assets of \$1,473,213 at June 30, 2011 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, 2011**

Governmental activities. Governmental activities increased the District’s net assets by \$144,571. Key elements of this increase are as follows:

Geyserville Fire Protection District’s Change in Net Assets

	2010	2011
Revenues:		
Program revenues		
Charges for services	\$ 436,484	\$ 348,932
Grants, contributions and reimbursements	7,964	48,428
General revenues		
Property taxes	743,315	683,938
Investment earnings	18,567	12,955
Special items		
Gain on sale of equipment	9,000	-
Total revenues	1,215,330	1,094,253
Expenses:		
Public safety – fire protection	919,465	949,682
Increase in net assets	295,865	144,571
Net assets, beginning of the year	5,521,547	5,817,412
Net assets, end of the year	\$ 5,817,412	\$ 5,961,983

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, unassigned 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, 2011**

At the end of the current fiscal year, the District’s governmental funds reported ending fund balances of \$2,125,243. Approximately 67% of the total amount constitutes an unassigned fund balance, which is available for spending at the District’s discretion. The remainders of the fund balances are restricted 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, unassigned fund balance of the general fund was \$1,419,561.

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, 2011, amounts to \$5,569,386, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, furnishings and equipment.

The major capital asset events during the current fiscal year was depreciation of the fixed assets in accordance with GASB 34 and the purchase of a Type I engine.

Geyserville Fire Protection District’s Capital Assets

	2010	2011
Land	\$ 505,144	\$ 505,144
Building and improvements	4,094,586	3,931,888
Furnishings	84,056	71,454
Equipment	655,390	1,060,900
Total, net of accumulated depreciation	5,339,176	5,569,386
Less related debt and accrued interest	1,883,555	1,786,298
Net assets invested in capital assets, net of related debt	\$ 3,455,621	\$ 3,783,088

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, 2011**

Long-term debt. At the end of the current fiscal year, the Geyserville Fire Protection District had total long-term debt outstanding of \$1,682,394.

Geyserville Fire Protection District's Outstanding Debt

	2010	2011
Capital real property lease	\$ 1,851,125	\$ 1,755,500
Less current portion	66,829	73,106
Total long-term debt	<u>\$ 1,784,296</u>	<u>\$ 1,682,394</u>

The Geyserville Fire Protection District's total debt decreased by \$95,625 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. A lack of volunteerism, especially in the southern portion of the district, continues to have a negative impact on the effectiveness of response to emergencies. This has been most noticeable during the daytime when volunteers are at work or out of the district, or when multiple calls are working simultaneously. Repeated attempts at volunteer recruitment have been largely unsuccessful, owing to the inability of prospective trainees to commit to the time requirements necessary to complete their training. The current state of the economy, coupled with the associated cost of living in our district, are certainly factors in the decision whether or not to pledge the time. The dynamic nature of "community" these days directly correlates to a decline in the "give back to" spirit. It is a sign of the times, to be certain.
- The close of the 2011 calendar year will see the end of the intern program at Geyserville Fire. The program has overall been a success, but the time required for in-house training of interns has outweighed the benefits gained. The Out-of-District program, on the other hand, has been hugely successful, both in quantity and quality of participants. This program will continue for the foreseeable future. Credit must be given to Chief Pigoni for the implementation and management of this program.

**GEYSERVILLE FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

- Property tax revenues fell slightly in the fiscal year. This drop will not affect the District's day-to-day operations. Property tax revenues will be closely monitored to determine if this decrease is trending in subsequent years and, if so, what budget adjustments need to be made to maintain our level of service. Home sales are flat, but construction, both residential and commercial, seems to be holding its' own. The benefits of the agricultural based nature of the local economy cannot be overstated. Commercial retail businesses, especially those not tied to viticultural endeavors, continue to be affected by the economic downturn. District revenues must always be closely monitored as budgetary needs are considered.
- The Capital Campaign, initiated and managed by the Geyserville Volunteer Firefighters Association, has completed its five year run. Total revenues are yet to be announced, but the fund raiser proved to be very successful. The Association came close to meeting its stated goal of one million dollars. The Association plans to donate to the District \$500,000 which the District will match and use to further pay down the municipal lease on the main station. This will serve to both significantly reduce the annual payment amount and the length of time necessary to pay the lease off in full.
- The Memorandum of Agreement with the River Rock Casino and the Dry Creek Band of Pomo Indians remains unchanged despite declining revenues at the Casino. The arrangement continues to benefit both parties. Income from the MOA allows the District to continue providing the level of service expected at both the Rancheria and throughout the district.
- This year's State sponsored Casino Mitigation Grant and Cal Fire grant coupled with last year's rollover, will be spent on low and high angle rope rescue training, personal protection equipment and other equipment to be used in the suppression of wild land fire.
- The District has taken possession of the new Type I engine ordered last year. Our fleet of engines and support vehicles is now state of the art, with no large purchases foreseen in the near future.
- A Memorandum of Understanding (MOA) between the District and the newly organized Geyserville Firefighter Employee Association has been drafted. Both parties have tentatively approved this agreement, which covers salaries, benefits, and procedures. Final approval and signing is expected before the end of the 2011 calendar year.

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 2011/2012.

**GEYSERVILLE FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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, 2011

ASSETS

Current assets	
Unassigned cash and investments	\$ 1,440,674
Accounts receivable	1,852
Total current assets	<u>1,442,526</u>
Noncurrent assets	
Restricted cash	705,682
Due from other governments	53,652
	<u>759,334</u>
Capital assets, net of accumulated depreciation	
Land	505,144
Building and improvements	3,931,888
Furnishings	71,454
Equipment	1,060,900
Total capital assets	<u>5,569,386</u>
Total noncurrent assets	<u>6,328,720</u>
Total assets	<u>7,771,246</u>

LIABILITIES

Current liabilities	
Accounts payable	22,965
Accrued interest	30,798
Capital leases - current portion	73,106
Total current liabilities	<u>126,869</u>
Noncurrent liabilities	
Capital leases	<u>1,682,394</u>
Total liabilities	<u>1,809,263</u>

NET ASSETS

Invested in capital assets, net of related debt	3,783,088
Restricted	705,682
Unassigned	1,473,213
Total net assets	<u>\$ 5,961,983</u>

See accompanying Notes to the Financial Statements.

**GEYSERVILLE FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Public safety - fire protection	
Salaries and employee benefits	\$ 336,749
Services and supplies	270,650
Depreciation	251,206
Interest	91,077
Total program expenses	<u>949,682</u>
Program revenues	
Charges for services	
Other charges for services	342,483
Intergovernmental	6,449
Total charges for services	<u>348,932</u>
Grants, contributions and reimbursements	<u>48,428</u>
Total program revenues	<u>397,360</u>
Net program expenses	(552,322)
General revenues	
Property taxes	683,938
Investment earnings	12,955
Total general revenues and special items	<u>696,893</u>
Increase in net assets	144,571
Net assets, beginning of the year	<u>5,817,412</u>
Net assets, end of the year	<u>\$ 5,961,983</u>

See accompanying Notes to the Financial Statements.

**GEYSERVILLE FIRE PROTECTION DISTRICT
BALANCE SHEET -
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	General	New Station	Apparatus	Training	Total Governmental Funds
ASSETS					
Cash and investments	\$ 1,440,674	\$ 102,282	\$ 566,673	\$ 36,727	\$ 2,146,356
Accounts receivable	1,852	-	-	-	1,852
Total assets	<u>\$ 1,442,526</u>	<u>\$ 102,282</u>	<u>\$ 566,673</u>	<u>\$ 36,727</u>	<u>\$ 2,148,208</u>
LIABILITIES					
Accounts payable	\$ 22,965	\$ -	\$ -	\$ -	\$ 22,965
Total liabilities	<u>22,965</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,965</u>
Fund balances					
Restricted	-	102,282	566,673	36,727	705,682
Unassigned	1,419,561	-	-	-	1,419,561
Total fund balances	<u>1,419,561</u>	<u>102,282</u>	<u>-</u>	<u>36,727</u>	<u>2,125,243</u>
Total liabilities and fund balances	<u>\$ 1,442,526</u>	<u>\$ 102,282</u>	<u>\$ -</u>	<u>\$ 36,727</u>	<u>\$ 2,148,208</u>

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

Total governmental fund balances	\$ 2,125,243
Revenues earned in the prior year are still receivable in the current period and, therefore are not reportable in the government funds.	53,652
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	5,569,386
Liabilities that are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Capital lease obligation	(1,755,500)
Accrued interest payable	<u>(30,798)</u>
Net assets of governmental activities	<u>\$ 5,961,983</u>

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, 2011**

	General	New Station	Apparatus	Training	Total Governmental Funds
REVENUES					
Property taxes	\$ 683,938	\$ -	\$ -	\$ -	\$ 683,938
Charges for services	342,483	-	-	-	342,483
Intergovernmental	6,449	-	-	-	6,449
Investment earnings	8,777	585	3,440	153	12,955
Grants, contributions and reimbursements	18,428	-	-	30,000	48,428
Total revenues	<u>1,060,075</u>	<u>585</u>	<u>3,440</u>	<u>30,153</u>	<u>1,094,253</u>
EXPENDITURES					
Current					
Salaries and employee benefits	336,749	-	-	-	336,749
Services and supplies	264,402	-	4,923	1,325	270,650
Capital outlay	-	-	438,055	43,361	481,416
Debt service					
Principal	-	95,625	-	-	95,625
Interest	-	92,709	-	-	92,709
Total expenditures	<u>601,151</u>	<u>188,334</u>	<u>442,978</u>	<u>44,686</u>	<u>1,277,149</u>
Excess of revenues over expenditures	<u>458,924</u>	<u>(187,749)</u>	<u>(439,538)</u>	<u>(14,533)</u>	<u>(182,896)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers from other funds	-	200,000	150,000	-	350,000
Operating transfers to other funds	<u>(350,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(350,000)</u>
Total other financing (uses) sources	<u>(350,000)</u>	<u>200,000</u>	<u>150,000</u>	<u>-</u>	<u>-</u>
Net change in fund balances	108,924	12,251	(289,538)	(14,533)	(182,896)
Fund balance, beginning 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>
Fund balance, end of the year	<u>\$ 1,419,561</u>	<u>\$ 102,282</u>	<u>\$ 566,673</u>	<u>\$ 36,727</u>	<u>\$ 2,125,243</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, 2011**

Net change in fund balances - total governmental funds \$ (182,896)

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	481,416
Current year depreciation	(251,206)

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	95,625
Accrued interest, current year	(30,798)
Accrued interest, prior year	32,430

Change in net assets of governmental activities	<u>\$ 144,571</u>
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**GEYSERVILLE FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 664,060	\$ 664,060	\$ 683,938	\$ 19,878
Charges for services	416,000	416,000	342,483	(73,517)
Intergovernmental	7,000	7,000	6,449	(551)
Investment earnings	7,500	7,500	8,777	1,277
Grants, contributions and reimbursements	-	-	18,428	18,428
Total revenues	<u>1,094,560</u>	<u>1,094,560</u>	<u>1,060,075</u>	<u>(34,485)</u>
EXPENDITURES				
Current				
Salaries and employee benefits	406,700	406,700	336,749	69,951
Services and supplies	271,471	271,471	264,402	7,069
Capital outlay	<u>48,800</u>	<u>48,800</u>	-	<u>48,800</u>
Total expenditures	<u>726,971</u>	<u>726,971</u>	<u>601,151</u>	<u>125,820</u>
Excess of revenues over expenditures	<u>367,589</u>	<u>367,589</u>	<u>458,924</u>	<u>91,335</u>
OTHER FINANCING SOURCES (USES)				
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>(350,000)</u>	<u>-</u>
Net change in fund balances	17,589	17,589	108,924	91,335
Fund balance, beginning of the year	<u>1,310,637</u>	<u>1,310,637</u>	<u>1,310,637</u>	<u>-</u>
Fund balance, end of the year	<u>\$ 1,328,226</u>	<u>\$ 1,328,226</u>	<u>\$ 1,419,561</u>	<u>\$ 91,335</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 have performed fund-raising activities for the benefit of the District; however, it does not meet the criteria that would require it to be reported as a component unit.

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, 2011.

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

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.

Fund balance reporting (GASB 54)

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

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund balance reporting (GASB 54) (continued)

1. *Nonspendable*, such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),
2. *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,
3. *Committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Board of Directors (the District's highest level of decision-making authority),
4. *Assigned* fund balance classification is intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and
5. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

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, transfers, and construction) can increase at a maximum rate of 2% per year.

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Property tax revenue (continued)

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.

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.

Certain revisions to the budget in the training fund were made during the year. No revisions were made in the general fund.

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, unassigned	\$ 425
Cash in County treasury, unassigned	1,440,249
Cash in County treasury, restricted	<u>705,682</u>
	<u>\$ 2,146,356</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 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.

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

June 30, 2011

NOTE III. DETAILED NOTES ON ALL FUNDS (continued)

Capital assets

	June 30, 2010	Increases	June 30, 2011
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>1,148,056</u>	<u>481,416</u>	<u>1,629,472</u>
Total capital assets being depreciated	<u>6,191,222</u>	<u>481,416</u>	<u>6,672,638</u>
Less accumulated depreciation for:			
Buildings and improvements	(786,378)	(162,698)	(949,076)
Furnishings	(78,146)	(12,602)	(90,748)
Equipment	<u>(492,666)</u>	<u>(75,906)</u>	<u>(568,572)</u>
Total accumulated depreciation	<u>(1,357,190)</u>	<u>(251,206)</u>	<u>(1,608,396)</u>
Total capital assets, being depreciated, net	<u>4,834,032</u>	<u>230,210</u>	<u>5,064,242</u>
Governmental activities capital assets, net	<u>\$ 5,339,176</u>	<u>\$ 230,210</u>	<u>\$ 5,569,386</u>

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

Governmental activities	
Public safety - fire protection	<u>\$ 251,206</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.

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

June 30, 2011

NOTE III. DETAILED NOTES ON ALL FUNDS (continued)

Capital leases (continued)

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>
2012	\$ 188,334
2013	188,334
2014	188,334
2015	188,334
2016	188,334
2017 – 2021	941,671
2022 – 2024	<u>561,431</u>
Total future minimum lease payments	2,444,772
Less, amount representing interest	<u>(689,272)</u>
	1,755,500
Less, current portion	<u>(73,106)</u>
	<u>\$ 1,682,394</u>

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

Interest cost charged to program expense	<u>\$ 91,077</u>
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The following is a summary of change in the capital lease for the year ended June 30, 2011:

	<u>Balance on June 30, 2010</u>	<u>Reductions</u>	<u>Balance on June 30, 2011</u>
Municipal lease	<u>\$ 1,851,125</u>	<u>\$ 95,625</u>	<u>\$ 1,755,500</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; and, 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, 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 prior year 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).

NOTE V. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 8, 2011, the date the financial statements were available to be issued, and has deemed that no additional disclosures were necessary.