

GEYSERVILLE FIRE PROTECTION DISTRICT

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2012**

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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, 2012, 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, 2012, and the respective changes in financial position 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 & Gullickson

Santa Rosa, California
March 16, 2013

**GEYSERVILLE FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

FINANCIAL HIGHLIGHTS

- The assets of the Geyserville Fire Protection District exceeded its liabilities at the close of the most recent fiscal year by \$6,021,630. Of this amount, \$2,123,639 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 \$2,316,588, an increase of \$191,345 from the prior year.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$1,514,392.
- At the end of the current fiscal year, the fund balance restricted for fire station debt service fund was \$205,213.
- At the end of the current fiscal year, the fund balance restricted for the training special revenue fund was \$28,775.

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, 2012**

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, 2012**

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 \$6,021,630 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, \$3,769,189 is attributable to the fire station that was placed in service in September, 2005.

Geyserville Fire Protection District’s Net Assets

	2011	2012
Current assets	\$ 2,009,199	\$ 2,117,294
Noncurrent assets:		
Restricted cash (As restated)	139,009	233,988
Due from other governments	53,652	53,652
Capital assets	5,569,386	5,348,371
Total noncurrent assets	5,762,047	5,636,011
Total assets	7,771,246	7,753,305
Current liabilities	126,869	154,100
Noncurrent liabilities	1,682,394	1,577,575
Total liabilities	1,809,263	1,731,675
Net assets:		
Invested in capital assets, net of related debt	3,783,088	3,664,003
Restricted (As restated)	139,009	233,988
Unrestricted (As restated)	2,039,886	2,123,639
Total net assets	\$ 5,961,983	\$ 6,021,630

The balance of unrestricted net assets of \$2,123,639 at June 30, 2012 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, 2012**

Governmental activities. Governmental activities increased the District’s net assets by \$59,647. Key elements of this increase are as follows:

Geyserville Fire Protection District’s Change in Net Assets

	2011	2012
Revenues:		
Program revenues		
Charges for services	\$ 348,932	\$ 344,461
Grants, contributions and reimbursements	48,428	5,504
General revenues		
Property taxes	683,938	700,692
Investment earnings	12,955	20,916
Total revenues	1,094,253	1,071,573
Expenses:		
Public safety – fire protection	949,682	1,011,926
Increase in net assets	144,571	59,647
Net assets, beginning of the year	5,817,412	5,961,983
Net assets, end of the year	\$ 5,961,983	\$ 6,021,630

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, 2012**

At the end of the current fiscal year, the District’s governmental funds reported ending fund balances of \$2,316,588. Approximately 65% 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 the new fire station debt service expenditures and a special revenue 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 \$1,514,392.

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, 2012, amounts to \$5,348,371, 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

	2011	2012
Land	\$ 505,144	\$ 505,144
Building and improvements	3,931,888	3,769,189
Furnishings	71,454	60,923
Equipment	1,060,900	1,013,115
Total, net of accumulated depreciation	5,569,386	5,348,371
Less related debt and accrued interest	1,786,298	1,684,368
Net assets invested in capital assets, net of related debt	\$ 3,783,088	\$ 3,664,003

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, 2012**

Long-term debt. At the end of the current fiscal year, the Geyserville Fire Protection District had total long-term debt outstanding of \$1,577,575.

Geyserville Fire Protection District's Outstanding Debt

	2011	2012
Capital real property lease	\$ 1,755,500	\$ 1,656,921
Less current portion	73,106	79,346
Total long-term debt	\$ 1,682,394	\$ 1,577,575

The Geyserville Fire Protection District's total debt decreased by \$98,579 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. 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 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. Paid firefighters, now represented by Geyserville Firefighter Employee Association, are the backbone of the department. Paid staff, out of district volunteers and some local volunteers now make up the first response teams.

Property tax revenues increased slightly in the fiscal year. Property tax revenues will be closely monitored to determine if this increase is trending in subsequent years and, if so, what budget adjustments can 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.

**GEYSERVILLE FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The Geyserville Volunteer Firefighters Association plans to donate \$300,000 to the District for the 2012/2013 fiscal year. The District will use this money to help pay off the municipal lease on the main station. This will serve to eliminate the annual payment and free up that money for operational use.

The Memorandum of Agreement with River Rock Casino and the Dry Creek Band of Pomo Indians remains unchanged despite rumors to the contrary. The Dry Creek Band of Pomo Indians have purchased some used firefighting equipment and plan to form their own Fire Department. Talks are ongoing between GFPD and the Tribe, on how to train their personnel and the costs involved.

This year's State sponsored Casino Mitigation Grant of \$14,000 and the Sonoma County Tourism Grant of \$20,000 will be used to purchase a new 1/2 ton pickup (quick response vehicle).

A Memorandum of Understanding (MOU) between the District and the newly organized Geyserville Firefighter Employee Association has been approved. This agreement covers salaries, benefits and procedures.

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 the fiscal year 2012/2013.

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, 2012

ASSETS

Current assets	
Cash and investments	\$ 2,117,294
Total current assets	<u>2,117,294</u>
Noncurrent assets	
Restricted cash	233,988
Due from other governments	53,652
	<u>287,640</u>
Capital assets, net of accumulated depreciation	
Land	505,144
Building and improvements	3,769,189
Furnishings	60,923
Equipment	1,013,115
Total capital assets	<u>5,348,371</u>
Total noncurrent assets	<u>5,636,011</u>
Total assets	<u><u>7,753,305</u></u>

LIABILITIES

Current liabilities	
Accounts payable	34,694
Accrued compensated absences	12,613
Accrued interest	27,447
Capital leases - current portion	79,346
Total current liabilities	<u>154,100</u>
Noncurrent liabilities	
Capital leases	<u>1,577,575</u>
Total liabilities	<u>1,731,675</u>

NET ASSETS

Invested in capital assets, net of related debt	3,664,003
Restricted for debt service and special revenue funds	233,988
Unrestricted	<u>2,123,639</u>
Total net assets	<u><u>\$ 6,021,630</u></u>

See accompanying Notes to the Financial Statements.

**GEYSERVILLE FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

Public safety - fire protection	
Salaries and employee benefits	\$ 438,552
Services and supplies	227,406
Depreciation	259,563
Interest	86,405
Total program expenses	<u>1,011,926</u>
Program revenues	
Charges for services	
Other charges for services	337,852
Intergovernmental	6,609
Total charges for services	<u>344,461</u>
Grants, contributions and reimbursements	<u>5,504</u>
Total program revenues	<u>349,965</u>
Net program expenses	(661,961)
General revenues	
Property taxes	700,692
Investment earnings	20,916
Total general revenues and special items	<u>721,608</u>
Increase in net assets	59,647
Net assets, beginning of the year	<u>5,961,983</u>
Net assets, end of the year	<u><u>\$ 6,021,630</u></u>

See accompanying Notes to the Financial Statements.

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

	General	New Station Debt Service Fund	Training Special Revenue Fund	Total Governmental Funds
ASSETS				
Cash and investments	\$ 2,117,294	\$ 205,213	\$ 28,775	\$ 2,351,282
Total assets	<u>\$ 2,117,294</u>	<u>\$ 205,213</u>	<u>\$ 28,775</u>	<u>\$ 2,351,282</u>
LIABILITIES				
Accounts payable	\$ 34,694	\$ -	\$ -	\$ 34,694
Total liabilities	<u>34,694</u>	<u>-</u>	<u>-</u>	<u>34,694</u>
Fund balances				
Restricted	-	205,213	28,775	233,988
Committed	568,208	-	-	568,208
Unassigned	1,514,392	-	-	1,514,392
Total fund balances	<u>2,082,600</u>	<u>205,213</u>	<u>28,775</u>	<u>2,316,588</u>
Total liabilities and fund balances	<u>\$ 2,117,294</u>	<u>\$ 205,213</u>	<u>\$ 28,775</u>	<u>\$ 2,351,282</u>

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

Total governmental fund balances	\$ 2,316,588
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.	5,348,371
Liabilities that are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Capital lease obligation	(1,656,921)
Accrued interest payable	(27,447)
Accrued compensated absences	<u>(12,613)</u>
Net assets of governmental activities	<u>\$ 6,021,630</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, 2012**

	General	New Station Debt Service Fund	Apparatus	Training Special Revenue Fund	Total Governmental Funds
REVENUES					
Property taxes	\$ 700,692	\$ -	\$ -	\$ -	\$ 700,692
Charges for services	337,852	-	-	-	337,852
Intergovernmental	6,609	-	-	-	6,609
Investment earnings	19,336	1,266	-	314	20,916
Grants, contributions and reimbursements	5,504	-	-	-	5,504
	<u>1,069,993</u>	<u>1,266</u>	<u>-</u>	<u>314</u>	<u>1,071,573</u>
EXPENDITURES					
Current					
Salaries and employee benefits	425,939	-	-	-	425,939
Services and supplies	219,140	-	-	8,266	227,406
Capital outlay	38,548	-	-	-	38,548
Debt service					
Principal	-	98,579	-	-	98,579
Interest	-	89,756	-	-	89,756
	<u>683,627</u>	<u>188,335</u>	<u>-</u>	<u>8,266</u>	<u>880,228</u>
Excess of revenues over expenditures	<u>386,366</u>	<u>(187,069)</u>	<u>-</u>	<u>(7,952)</u>	<u>191,345</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers from other funds	-	290,000	-	-	290,000
Operating transfers to other funds	(290,000)	-	-	-	(290,000)
	<u>(290,000)</u>	<u>290,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	96,366	102,931	-	(7,952)	191,345
Fund balance, beginning of the year	1,419,561	102,282	566,673	36,727	2,125,243
Restatement (Note I)	566,673	-	(566,673)	-	-
	<u>\$2,082,600</u>	<u>\$ 205,213</u>	<u>\$ -</u>	<u>\$28,775</u>	<u>\$ 2,316,588</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, 2012**

Net change in fund balances - total governmental funds \$ 191,345

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	38,548
Current year depreciation	(259,563)

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	98,579
Accrued interest, current year	(27,447)
Accrued interest, prior year	30,798

Long-term liabilities are not due and payable in the current period and therefore are not reported in the government funds.

Compensated absences	<u>(12,613)</u>
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Change in net assets of governmental activities	<u><u>\$ 59,647</u></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, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 649,360	\$ 649,360	\$ 700,692	\$ 51,332
Charges for services	416,000	416,000	337,852	(78,148)
Intergovernmental	3,500	3,500	6,609	3,109
Investment earnings	7,000	7,000	19,336	12,336
Grants, contributions and reimbursements	-	-	5,504	5,504
Total revenues	<u>1,075,860</u>	<u>1,075,860</u>	<u>1,069,993</u>	<u>(5,867)</u>
EXPENDITURES				
Current				
Salaries and employee benefits	488,940	478,465	425,939	52,526
Services and supplies	257,300	267,775	219,140	48,635
Capital outlay	<u>53,700</u>	<u>53,700</u>	<u>38,548</u>	<u>15,152</u>
Total expenditures	<u>799,940</u>	<u>799,940</u>	<u>683,627</u>	<u>116,313</u>
Excess of revenues over expenditures	<u>275,920</u>	<u>275,920</u>	<u>386,366</u>	<u>110,446</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers from other funds	-	-	-	-
Operating transfers to other funds	<u>(250,000)</u>	<u>(300,000)</u>	<u>(290,000)</u>	<u>10,000</u>
Total other financing (uses) sources	<u>(250,000)</u>	<u>(300,000)</u>	<u>(290,000)</u>	<u>10,000</u>
Net change in fund balances	25,920	(24,080)	96,366	120,446
Fund balance, beginning of the year	1,419,561	1,419,561	1,419,561	-
Restatement (Note I)	<u>566,673</u>	<u>566,673</u>	<u>566,673</u>	<u>-</u>
Fund balance, end of the year	<u>\$ 2,012,154</u>	<u>\$ 1,962,154</u>	<u>\$ 2,082,600</u>	<u>\$ 120,446</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, 2012.

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 \$290,000 from their “General” fund to their “New Station” debt service fund.

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 fund balance categories 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)

Restatement

The apparatus fund has been combined with the general fund in accordance with the requirements of GASB 54 for the year ended June 30, 2012.

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Restatement (continued)

The following restatements relating to prior years' fund balances were made to comply with GASB 54:

General fund	\$568,208
Apparatus Fund	(\$568,208)

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

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,

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Property tax revenue (continued)

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.

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

NOTE II. BUDGETARY DATA (continued)

expenditures. Expenditures may not exceed appropriations at the legal level of control, which is the character level. Certain revisions to the budgets were made during 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, unassigned	\$ 5,867
Cash in County treasury, unassigned	2,111,427
Cash in County treasury, restricted	<u>233,988</u>
	<u>\$ 2,351,282</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

NOTE III. DETAILED NOTES ON ALL FUNDS

Cash and investments (continued)

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

Capital assets

	June 30, 2011	Increases	June 30, 2012
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>1,629,472</u>	<u>38,548</u>	<u>1,668,020</u>
Total capital assets being depreciated	<u>6,672,638</u>	<u>38,548</u>	<u>6,711,186</u>
Less accumulated depreciation for:			
Buildings and improvements	(949,076)	(162,699)	(1,111,775)
Furnishings	(90,748)	(10,531)	(101,279)
Equipment	<u>(568,572)</u>	<u>(86,333)</u>	<u>(654,905)</u>
Total accumulated depreciation	<u>(1,608,396)</u>	<u>(259,563)</u>	<u>(1,867,959)</u>
Total capital assets, being depreciated, net	<u>5,064,242</u>	<u>(221,015)</u>	<u>4,843,227</u>
Governmental activities capital assets, net	<u>\$ 5,569,386</u>	<u>\$ (221,015)</u>	<u>\$ 5,348,371</u>

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

Governmental activities	
Public safety - fire protection	<u>\$ 259,563</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.

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>
2013	\$ 188,334
2014	188,334
2015	188,334
2016	188,334
2017	188,334
2018 – 2021	941,671
2022 – 2024	<u>373,097</u>
Total future minimum lease payments	2,256,438
Less, amount representing interest	<u>(599,517)</u>
	1,656,921
Less, current portion	<u>(79,346)</u>
	<u>\$ 1,577,575</u>

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

Interest cost charged to program expense	<u>\$ 86,405</u>
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The following is a summary of change in the capital lease for the year ended June 30, 2012:

	<u>Balance on June 30, 2011</u>	<u>Reductions</u>	<u>Balance on June 30, 2012</u>
Municipal lease	<u>\$ 1,755,500</u>	<u>\$ 98,579</u>	<u>\$ 1,656,921</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

In December, 2012 the District received a donation of \$300,000 from the Geyserville Volunteer Firefighters Association. These funds were used as part of the payoff of the capital lease which occurred in January, 2013.

Management has evaluated subsequent events through March 16, 2013, the date the financial statements were available to be issued, and has deemed that no additional disclosures were necessary.