

**Bennett Valley Fire Protection District
Annual Report
For the Fiscal Year Ending
June 30, 2010**



RODNEY A. DOLE
SONOMA COUNTY
AUDITOR-CONTROLLER
TREASURER-TAX COLLECTOR

Bennett Valley Fire Protection District

**Annual Report
For the Fiscal Year Ended
June 30, 2010**

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RODNEY A. DOLE
AUDITOR-CONTROLLER
TREASURER -TAX COLLECTOR



DONNA M. DUNK
ASSISTANT
AUDITOR-CONTROLLER

ROBERT BOITANO
ASSISTANT
TREASURER

PAM JOHNSTON
ASSISTANT
TAX COLLECTOR / AUDITOR

Board of Directors
Bennett Valley Fire Protection District
Santa Rosa, CA

Auditor-Controller's Report

We have audited the accompanying basic financial statements of the Bennett Valley Fire Protection District (the District), as of and for the year ended June 30, 2010, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on the 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 misstatements. 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.

As described in Note IV.C of the Notes to the Basic Financial Statements, the Auditor-Controller is mandated by various statutes within the California Government Code to perform certain accounting, auditing and financial reporting functions. These activities, in themselves, necessarily impair the auditor's independence. However, we believe adequate safeguards and divisions of responsibility exist.

In our opinion, except for the effects, if any, of the impairment to auditor independence, the basic financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2010, and the respective changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The District's management has not presented the management's discussion and analysis information that the Government Accounting Standards Board has determined is required to supplement, although not required to be a part of, the basic financial statements.

Sonoma County Auditor-Controller

February 15, 201

Bennett Valley Fire Protection District
Statement of Net Assets
June 30, 2010

Assets

Cash and investments	\$	532,655
Cash with fiscal agent		300
Due from other governments		512
Flat charges receivable		7,853
Capital assets (net of depreciation)		
Non-depreciable		1,936
Depreciable, net		1,134,516
		1,134,516
Total assets		1,677,772

Liabilities

Accounts payable		24,610
Interest payable		7,401
Capital leases payable - Due within one year		51,750
Non-current liabilities:		
Compensated absences		10,457
Capital leases payable - Due in more than one year		402,694
		402,694
Total liabilities		496,912

Net Assets

Invested in capital assets, net of related debt		682,008
Unrestricted		498,852
		498,852
Total net assets	\$	1,180,860

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

Bennett Valley Fire Protection District
Statement of Activities
For the Fiscal Year Ended June 30, 2010

Program Expenses

Public safety - fire prevention	
Salaries and employee benefits	\$ 440,967
Services and supplies	273,568
Depreciation	73,824
Debt service - interest	25,374
Total program expenses	813,733

Program Revenues

Charges for services	
Intergovernmental revenue	36,790
Charges for services	10
License and permits	335
Total program revenues	37,135
Net program revenues (expenses)	(776,598)

General Revenues

Property taxes	676,712
Investment earnings	3,855
Rental income	20,500
Donations	499
Miscellaneous	528
Total general revenues	702,094

Change in net assets	(74,504)
Net assets, beginning of year	1,255,364
Net assets, end of year	\$ 1,180,860

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

Bennett Valley Fire Protection District
Balance Sheet
Governmental Fund
June 30, 2010

Assets

Cash and investments	\$ 532,655
Cash with fiscal agent	300
Due from other governments	512
Flat charges receivable	<u>7,853</u>
Total assets	<u><u>\$ 541,320</u></u>

Liabilities and Fund Balance

Liabilities:

Accounts payable	\$ 24,610
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Fund balance:

Unreserved, designated for debt service	454,444
Unreserved, undesignated	<u>62,266</u>
Total fund balances	<u>516,710</u>

Total liabilities and fund balance	\$ <u><u>541,320</u></u>
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Reconciliation of Balance Sheet to Statement of Net Assets

Fund balance - total government funds	\$ 516,710
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Amount reported for governmental activities in the statement of net assets is different because:

Capital assets (net of accumulated depreciation and long-term debt) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	1,136,452
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Compensated absences	(10,457)
Capital leases payable	(454,444)
Interest payable	<u>(7,401)</u>

Net assets of governmental activities	\$ <u><u>1,180,860</u></u>
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The notes to the basic financial statements are an integral part of this statement.

**Bennett Valley Fire Protection District
Statement of Revenues, Expenditures and
Changes in Fund Balance
Governmental Fund
For the Fiscal Year Ended June 30, 2010**

Revenues

Property taxes	\$ 676,712
Investment earnings	3,855
Intergovernmental revenue	36,790
Charges for services	10
Rental income	20,500
Donations	499
Permits and licenses	335
Miscellaneous	528
	739,229
Total revenues	739,229

Expenditures

Current:	
Salaries and employee benefits	436,472
Services and supplies	273,568
Debt service	
Principal	88,038
Interest	31,078
	829,156
Total expenditures	829,156
Net change in fund balance	(89,927)
Fund balance, beginning of year	606,637
	516,710
Fund balance, end of year	\$ 516,710

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

**Bennett Valley Fire Protection District
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of the Governmental Fund to the
Statement of Activities
For the Fiscal Year Ended June 30, 2010**

**Amounts reported for governmental activities in the statement of activities
are different because:**

Net change in fund balance - total governmental fund	\$ (89,927)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Current year depreciation	(73,824)
<p>Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Activities. While repayment of lease principal is an expenditure in the governmental funds, it reduces long-term liabilities in the Statement of Activities.</p>	
Principal payments	88,038
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.</p>	
Accrued interest payable	5,704
<p>Change in compensated absences reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds.</p>	
	<u>(4,495)</u>
Change in net assets of governmental activities	<u>\$ (74,504)</u>

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

Bennett Valley Fire Protection District
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budgets and Actual
General Fund
For the Fiscal Year Ended June 30, 2010

Revenues	<u>Budgeted Amounts</u>		<u>Actual</u> Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Property taxes	\$ 672,843	\$ 717,166	\$ 676,712	\$ (40,454)
Investment earnings	13,000	13,000	3,855	(9,145)
Intergovernmental revenue	54,650	54,677	36,790	(17,887)
Charges for services	220	220	10	(210)
Rental income	18,000	20,500	20,500	0
Donations	100	500	499	(1)
Licenses and permits	50	335	335	0
Miscellaneous	120	618	528	(90)
Total revenues	<u>758,983</u>	<u>807,016</u>	<u>739,229</u>	<u>(67,787)</u>
Expenditures				
Current:				
Salaries and employee benefits	489,865	490,646	436,472	54,174
Services and supplies	281,885	284,315	273,568	10,747
Debt service:				
Principal	62,816	82,816	88,038	(5,222)
Interest	13,745	13,745	31,078	(17,333)
Capital outlay	15,000	15,000	0	15,000
Appropriations for contingency	30,502	47,324	0	47,324
Total expenditures	<u>893,813</u>	<u>933,846</u>	<u>829,156</u>	<u>104,690</u>
Excess (deficiency) of revenues over (under) expenditures	(134,830)	(126,830)	(89,927)	36,903
Other financing sources (uses)				
Sale of capital assets	8,000	0	0	0
Net change in fund balance	(126,830)	(126,830)	(89,927)	36,903
Fund balance, beginning of year	606,637	606,637	606,637	0
Fund balance, end of year	<u>\$ 479,807</u>	<u>\$ 479,807</u>	<u>\$ 516,710</u>	<u>\$ 36,903</u>

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

Bennett Valley Fire Protection District
Notes to the Basic Financial Statements
June 30, 2010

I. Summary of Significant Accounting Policies

A. Reporting Entity

Bennett Valley Fire Protection District (the District) was formed under Health and Safety Code Section 13816 through 13822 to provide fire protection services to taxpayers and residents in a specific unincorporated area of the County of Sonoma. The District's governmental powers are exercised through a five member Board of Directors.

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 non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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 section and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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 the 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. Under

Bennett Valley Fire Protection District
Notes to the Basic Financial Statements
June 30, 2010

this method, revenues are recognized when measurable and available. Taxes, interest, and charges for services are accrued when receipt occurs within 365 days of the end of the accounting period so as to be both measurable and available. Licenses, permits, fines, forfeitures, and other revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Property taxes are accrued when their receipt occurs within sixty days of the end of the accounting period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims judgments are recorded only when payment is due.

Amounts recorded as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided and 2) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Investments

The District reports certain investments at fair value in the balance sheet and recognizes the corresponding change in the fair value of investments in the year in which the change occurred.

2. Receivables and Payables

a. Flat Charges Receivable

Flat charges collected are apportioned to the District to supplement property taxes collected for operating costs. Not all of the assessments are collected as of June 30, 2010; therefore, the remainder of the uncollected assessments are considered flat charges receivable.

b. Property Taxes

The County of Sonoma is responsible for assessing, collecting and distributing property taxes in accordance with state law. Liens on real property are established January 1 for the ensuing fiscal year. The property tax is levied as of July 1 on all taxable property located in the County of Sonoma.

Bennett Valley Fire Protection District
Notes to the Basic Financial Statements
June 30, 2010

Secured property taxes are due in two installments, on November 1 and February 1, and are delinquent after December 10 and April 10, respectively. Additionally, supplemental property taxes are levied on a pro rata basis when changes in assessed valuation occur due to sales transactions or the completion of construction.

Since the passage of California's Proposition 13, beginning with the fiscal year 1978/1979, 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 (exclusive of increases related to sales and construction) can rise at a maximum of 2% per year.

Included within the property tax revenue is \$182,860 in Special Taxes, Fees or Assessments collected. Special Taxes, Fees or Assessments are types of flat charges applied to each parcel of property within the District, exclusive of the property value.

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 property taxes. In exchange, the County receives the penalties and interest on delinquent taxes when collected. The penalties and interest are used to pay the interest cost of borrowing the cash used for the advances.

3. Capital Assets

Capital assets, which include land, buildings and improvements, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$3,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

**Bennett Valley Fire Protection District
Notes to the Basic Financial Statements
June 30, 2010**

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

Assets	Years
Buildings and improvements	5 – 50
Equipment	5 – 20

4. Compensated Absences

It is the District’s policy to permit employees to accumulate earned but unused vacation benefits. All vacation pay is accrued when incurred in the government-wide financial statements. A current liability for this amount is reported in the governmental funds only if they have matured, for example, as a result of employee resignation and retirements.

5. Net Assets

Net assets are classified into three components – invested in capital assets (net of related debt), restricted and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted net assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net assets – This category represents net assets of the entity, not restricted for any other project or purpose.

When both restricted and unrestricted net assets are available, restricted resources are used only after the unrestricted resources are depleted.

Bennett Valley Fire Protection District
Notes to the Basic Financial Statements
June 30, 2010

6. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reports amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

Budgetary revenue estimates represent original estimates modified for any authorized adjustment which was contingent upon new or additional revenue sources. Budgetary expenditure amounts represent original appropriations adjusted by budget transfers and authorized appropriation adjustments made during the year. All budgets are adopted on a non-GAAP basis. The District's budgetary information was amended during the year by resolution of the Board of Directors.

III. Detailed Notes

A. Cash and Investments

The District follow's the County's practice of pooling cash and investments of all funds with the County Treasurer, except for funds held by Exchange Bank (for the purpose of payroll remittances) and cash on hand used as a petty cash fund. Deposits with Exchange Bank are FDIC insured up to \$250,000.

**Bennett Valley Fire Protection District
Notes to the Basic Financial Statements
June 30, 2010**

The amount of cash at June 30, 2010 is as follows:

Cash in County Treasury	\$	532,455
Cash with fiscal agent		300
Cash on Hand		<u>200</u>
Total	\$	<u><u>532,955</u></u>

Investment in the Sonoma County Treasurer’s Investment Pool

As authorized by Health and Safety Code 13854 (a) the District’s cash is pooled with the Sonoma County Treasurer, who acts as a disbursing agent for the District. The fair value of the District’s investment in this pool is reported in the accompanying financial statements at amounts based upon the District’s pro-rata share of the fair value provided by the Treasury Pool for the entire Treasury Pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on accounting records maintained by the Treasury Pool, which are recorded on an amortized cost basis. Interest earned on investments pooled with the County is allocated quarterly to the appropriate fund based on its respective average daily balance for that quarter. The Treasury Oversight Committee has regulatory oversight for all monies deposited into the Treasury Pool.

Investment Guidelines

The District’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 53601, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity.

A copy of the Treasury Pool investment policy is available upon request from the Sonoma County Treasurer at 585 Fiscal Drive, Room 100-F, Santa Rosa, California, 95403-2871.

Bennett Valley Fire Protection District
Notes to the Basic Financial Statements
June 30, 2010

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, one of the ways that the Treasury Pool 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.

As of June 30, 2010, approximately 65 percent of the securities in the Treasury Pool had maturities of one year or less. Of the remainder, only 6 percent had a maturity of more than five years.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Treasury Pool does not have a rating provided by a nationally recognized statistical rating organization.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Treasury Pool's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits and securities lending transactions:

➤ The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by depository regulated under stated law. The market

Bennett Valley Fire Protection District
Notes to the Basic Financial Statements
June 30, 2010

value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

➤ The California Government Code limits the total of all securities lending transactions to 20% of the fair value of the investment portfolio.

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as the Treasury Pool).

Concentration of Credit Risk

The investment policy of the County contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. For a listing of investments in any one issuer (other than U.S. Treasury securities, mutual funds, or external investment pools) that represent 5% or more of total County investments, refer to the 2010 Sonoma County CAFR.

**Bennett Valley Fire Protection District
Notes to the Basic Financial Statements
June 30, 2010**

B. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers & Adjustments</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:					
Land	\$ 1,936	\$	\$	\$	\$ 1,936
Total capital assets, not being depreciated	<u>1,936</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,936</u>
Capital assets, being depreciated:					
Buildings and improvements	181,684				181,684
Equipment	1,435,032				1,435,032
Total capital assets, being depreciated	<u>1,616,716</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,616,716</u>
Less accumulated depreciation for:					
Buildings and improvements	(32,732)	(4,188)			(36,920)
Equipment	(375,644)	(69,636)			(445,280)
Total accumulated depreciation	<u>(408,376)</u>	<u>(73,824)</u>	<u>0</u>	<u>0</u>	<u>(482,200)</u>
Total capital assets, being depreciated, net	<u>1,208,340</u>	<u>(73,824)</u>	<u>0</u>	<u>0</u>	<u>1,134,516</u>
Capital assets, net	<u>\$ 1,210,276</u>	<u>\$ (73,824)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,136,452</u>

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

Governmental activities:

 Public safety - fire protection \$ 73,824

**Bennett Valley Fire Protection District
Notes to the Basic Financial Statements
June 30, 2010**

C. Long-term Debt

Changes in long-term debt

Long-term liability activity for the year ended June 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-term liabilities:					
Compensated absences	\$ 5,962	\$ 4,495	\$	\$ 10,457	\$ 0
Capital lease	<u>542,482</u>		<u>(88,038)</u>	<u>454,444</u>	<u>51,750</u>
Total long-term liabilities	<u>\$ 548,444</u>	<u>\$ 4,495</u>	<u>\$ (88,038)</u>	<u>\$ 464,901</u>	<u>\$ 51,750</u>

D. Capital Lease

In August 2007 the District refinanced their three existing capital leases into one capital lease for \$450,345 with an interest rate of 4.47%. The new principal value includes existing principal of \$427,405 and accrued interest and interest prepayment penalties of \$22,940.

During Fiscal Year 2008/2009 the District signed a \$235,000 lease-purchase agreement with Municipal Services Group, Inc. in order to finance the purchase of a new 2008 Rosenbauer Type 1 fire engine. The terms of this lease agreement require the District to pay off the lease in 11 annual installments at an interest rate of 5.11%

<u>Type of Indebtedness (Purpose)</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding as of June 30, 2010</u>
Various capital assets (Refinance)	6/15/2017	4.47%	\$32,816-72,993	\$450,345	\$ 274,666
2009 Rosenbauer Type 1	8/1/2018	5.11%	\$16,931-23,998	\$235,000	<u>179,778</u>
Total					<u>\$ 454,444</u>

**Bennett Valley Fire Protection District
Notes to the Basic Financial Statements
June 30, 2010**

The annual debt service requirements on the outstanding loans are as follows:

Year Ending June 30	Principal	Interest
2011	\$ 51,750	\$ 20,036
2012	52,746	19,039
2013	55,212	16,573
2014	57,793	13,992
2015	60,497	11,288
2016-2019	176,446	17,572
Total	\$ 454,444	\$ 98,500

IV. Other Information

A. Risk Management

The District receives automobile and general liability coverage as a member of the Fire Agencies Insurance Risk Authority (FAIRA). The District is also a member of the Fire Districts Association of California-Fire Association Self Insurance System (FDAC-FASIS) through which it receives workers' compensation coverage.

As a member of a public entity risk pool, the District is responsible for appointing an employee as a liaison between the District and the system, implementing all policies of the system, promptly paying all contributions, and cooperating with the system and any insurer of the system. The system 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 an officer of the system.

B. Employee Retirement Plan

Beginning on July 1, 2004 California Public Employees' Retirement System (PERS) required all participants with fewer than 100 employees to convert from an agent multiple-employer Defined Benefit Pension Plan to a cost-sharing multiple-employer Defined Benefit Pension Plan. In cost-sharing multiple-employer plans the benefit obligations are pooled. A single actuarial valuation is performed covering all participants, all employers contribute at the same rate, and all plan assets are available to pay plan benefits pertaining to the employees and retirees of any employer.

Bennett Valley Fire Protection District
Notes to the Basic Financial Statements
June 30, 2010

Plan Description

All full-time employees are eligible to participate in the Public Employees' Retirement Fund (the "Fund") of the State of California's Public Employees' Retirement System ("CalPERS") under the Safety Plan of the Bennett Valley Fire Protection District. The Fund is a cost-sharing multiple-employer Defined Benefit Pension Plan (DBPP) administered by CalPERS. The Fund provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions and all other requirements are established by state statute and Resolution of the Board.

Copies of CalPERS' annual financial report may be obtained from their Executive Office by writing or calling the Plan: California PERS, P.O. Box 942709, Sacramento, CA 94229-2709, (916) 326-3420.

Funding Policy

The Plan's funding policy provides for periodic District contributions at actuarially determined amounts sufficient to accumulate the necessary assets to pay benefits when due as specified by contractual agreements. The individual entry age normal cost method is used to determine the normal cost. Under this method, projected benefits are determined for all members and the associated liabilities are spread in a manner that produces level annual cost as a percentage of pay in each year from the age of hire (entry age) to the assumed retirement age.

Safety Plan members are required to contribute 7.00% of their annual covered salary. The District is required to contribute at an actuarially determined rate. The contribution rate for the fiscal year ending June 30, 2010 is 9.797% of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by CalPERS.

**Bennett Valley Fire Protection District
Notes to the Basic Financial Statements
June 30, 2010**

The three year trend information for the Fund of the actuarially required employer contribution is as follows:

**Schedule of Employer Contributions
Safety Plan**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/08	\$12,558	100%	0
06/30/09	\$16,983	100%	0
06/30/10	\$21,889	100%	0

Funded Status and Funding Progress of the Plan

As of June 30, 2009, based on CalPERS most recent actuarial report the Safety Plan is 85.7% funded. The actuarial accrued liability for benefits was \$73,625,106, and the actuarial value of the asset was \$63,095,026, resulting in a unfunded liability of \$10,530,080. The covered payroll (annual payroll of active safety employees covered by the plan) was \$21,879,598, and the ratio of the unfunded liability to the covered payroll was 48.1%.

The Schedule of Funding Progress, presented as Required Supplementary Information (RSI), following the Notes to Financial Statements, presents three-year trend information about whether the actuarial value of the plan assets of the Safety Plan are increasing or decreasing over time relative to the actuarial liability for benefits.

Actuarial Assumptions and Methods

CalPERS uses the rate stabilization methodologies in its actuarial valuations which have been shown to be very effective in mitigating rate volatility. A summary of principal assumptions and methods used by CalPERS to determine the District's annual required contributions to the Safety Plan is shown below:

**Bennett Valley Fire Protection District
Notes to the Basic Financial Statements
June 30, 2010**

Valuation date	June 30, 2009	June 30, 2008	June 30, 2007
Actuarial cost method	Entry age actuarial cost method	Entry age actuarial cost method	Entry age actuarial cost method
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
Average remaining period	Closed; 17 years as of the valuation date.	Closed; 16 years as of the valuation date.	Closed; 15 years as of the valuation date.
Asset valuation method	15 year smoothed market	15 year smoothed market	15 year smoothed market
Investment rate of return	7.75% (net of administrative expenses)	7.75% (net of administrative expenses)	7.75% (net of administrative expenses)
Projected salary increases	3.55% to 14.45% depending on age, service and type of employment	3.25% to 14.45% depending on age, service and type of employment	3.25% to 14.45% depending on age, service and type of employment
Inflation	3.00%	3.00%	3.00%
Payroll growth	3.25%	3.25%	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%

C. Auditor Independence

As required by various statutes within the California Government Code, County Auditor-Controllers are mandated to perform certain accounting, auditing and financial reporting functions. These activities, in themselves, necessarily impair the auditor's independence. Specifically, "Auditors should not audit their own work or provide non audit services in situations where the amounts or services involved are significant or material to the subject matter of the audit." Although the office of the Auditor-Controller is statutorily obligated to maintain accounts of departments, districts or funds that are contained within the County Treasury, we believe that adequate safeguards and divisions of responsibility exist. Therefore, we believe that subject to this qualification and disclosure, the reader can rely on the auditor's opinion contained in this report.

D. 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

Bennett Valley Fire Protection District
Notes to the Basic Financial Statements
June 30, 2010

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 Bennett Valley Fire Protection District was \$40,643.

Authorized with the 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the Proposition 1A receivables and issued bonds ("Prop 1A Bonds") to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The Bennett Valley Fire Protection District participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.

E. Administrative Services Provided by Gold Ridge Fire Protection District

The District entered into a Memorandum of Understanding (MOU) with Gold Ridge Fire Protection District (GRFPD) on July 1, 2009. This MOU states that GRFPD will provide Fire Chief services to the District. In addition, it is agreed that GRFPD Battalion Chiefs will also provide administrative and operational services to the District. For Fiscal Year 2009/2010 the District paid GRFPD a total of \$93,982 for these administrative services.

**Bennett Valley Fire Protection District
Required Supplementary Information
June 30, 2010**

**Schedule of Funding Progress-
CalPERS Safety 2% at 55 Risk Pool**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL As a Percentage of Covered Payroll ((B-A)/C)
06/30/07	\$ 69,523,793	\$ 77,117,539	\$ 7,593,746	90.2%	\$ 22,403,563	33.9%
06/30/08	\$ 62,163,959	\$ 69,011,153	\$ 6,847,194	90.1%	\$ 21,538,000	31.8%
06/30/09	\$ 63,095,026	\$ 73,625,106	\$ 10,530,080	85.7%	\$ 21,879,598	48.1%

**Bennett Valley Fire Protection District
Roster of Board Members**

As of February 15, 2011, the District Board consisted of the following members:

<u>Directors:</u>	<u>Office</u>	<u>Term Expires</u>
Mark Richardson	Chairman	November, 2013
Marilee Jensen		November, 2011
Joe Mazeau.....		November, 2011
Arnie Tognozzi		November, 2013
Don D'Avanzo		November, 2011

Regular Meetings:

The regular meeting of the Board of Directors is held at 7:00 P.M. on the second Tuesday of each month at the Bennett Valley Fire Station, located at 6161 Bennett Valley Road, Santa Rosa, California. (707) 578-7761.