

Gold Ridge Fire Protection District

**Annual Report
For the Fiscal Year Ended
June 30, 2011**



DONNA DUNK
Interim Auditor-Controller
Treasurer-Tax Collector

Gold Ridge Fire Protection District

**Annual Report
For the Fiscal Year Ended
June 30, 2011**

Table of Contents

	<u>Page</u>
Auditor-Controller's Report	
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet – Governmental Fund	3
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance Of Governmental Fund to the Statement of Activities	5
Statement of Revenues, Expenditures and Changes in Fund Balance – Budgets and Actual	6
Notes to the Basic Financial Statements	7 - 19
Required Supplementary Information	
Schedule of Funding Progress – Miscellaneous Plan	20
Schedule of Funding Progress – Safety Plan (Tier 1)	20
Schedule of Funding Progress – Safety Plan (Tier 2)	20
Roster of Board Members	21

**Auditor-Controller
Treasurer-Tax Collector**
County of Sonoma
585 FISCAL DRIVE
SUITE 100
SANTA ROSA, CALIFORNIA
95403-2819
(707) 565-2631
FAX (707) 565-3489

DONNA DUNK
INTERIM AUDITOR-CONTROLLER
TREASURER -TAX COLLECTOR

PAM JOHNSTON
ASSISTANT
TAX COLLECTOR/AUDITOR

JONATHAN KADLEC
ASSISTANT
TREASURER

Board of Directors
Gold Ridge Fire Protection District
Sebastopol, CA

Auditor-Controller's Report

We have audited the accompanying basic financial statements of the Gold Ridge Fire Protection District (the District), as of and for the year ended June 30, 2011, 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 required by various statutes within the California Government Code, County Auditor-Controller's 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. The staff in charge of performing audits within the Auditor-Controller Department has no other responsibility for the accounts and records being audited. This would therefore enable the reader of this report to rely on the information contained herein.

In our opinion the basic financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2011, 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

December 9, 2011

Gold Ridge Fire Protection District
Statement of Net Assets
June 30, 2011

Assets

Cash and investments	\$ 1,054,121
Accounts receivable	1,442
Flat charges receivable	11,120
Capital assets (net of accumulated depreciation)	
Non-depreciable	40,066
Depreciable	1,851,295
Total assets	2,958,044

Liabilities

Accounts payable	33,818
Interest payable	8,871
Capital leases payable - Due within one year	64,714
Non-current liabilities:	
Compensated absences	82,019
Capital leases payable - Due in more than one year	409,425
Total liabilities	598,847

Net Assets

Invested in capital assets, net of related debt	1,417,222
Unrestricted	941,975
Total net assets	\$ 2,359,197

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

Gold Ridge Fire Protection District
Statement of Activities
For the Fiscal Year Ended June 30, 2011

Program Expenses

Public safety - fire prevention	
Salaries and employee benefits	\$ 1,243,675
Services and supplies	300,208
Depreciation	88,449
Debt service - interest	23,232
Other charges	1,606
	<u>1,657,170</u>
Total program expenses	<u>1,657,170</u>

Program Revenues

Charges for services	
Intergovernmental revenue	121,603
Charges for services	3,226
Donations	9,757
Miscellaneous	260
	<u>134,846</u>
Total program revenues	<u>134,846</u>
Net program revenues (expenses)	<u>(1,522,324)</u>

General Revenues

Property taxes	1,466,617
Investment earnings	3,383
Rental income	35,270
	<u>1,505,270</u>
Total general revenues	<u>1,505,270</u>
Change in net assets	(17,054)
Net assets, beginning of year	<u>2,376,251</u>
Net assets, end of year	<u>\$ 2,359,197</u>

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

**Gold Ridge Fire Protection District
Balance Sheet
Governmental Fund
June 30, 2011**

Assets

Cash and investments	\$ 1,054,121
Accounts receivable	1,442
Flat charges receivable	11,120
Prepaid interest	<u>591</u>
Total assets	<u><u>\$ 1,067,274</u></u>

Liabilities and Fund Balance

Liabilities:	
Accounts payable	\$ 33,818
Fund balance:	
Unassigned	<u>1,033,456</u>
Total liabilities and fund balance	<u><u>\$ 1,067,274</u></u>

Reconciliation of Balance Sheet to Statement of Net Assets

Fund balance - total government funds	\$ 1,033,456
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.	1,417,222
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Compensated absences	(82,019)
Interest payable	<u>(9,462)</u>
Net assets of governmental activities	<u><u>\$ 2,359,197</u></u>

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

Gold Ridge Fire Protection District
Statement of Revenues, Expenditures and
Changes in Fund Balance
Governmental Fund
For the Fiscal Year Ended June 30, 2011

Revenues

Property taxes	\$ 1,466,617
Investment earnings	3,383
Intergovernmental revenue	121,603
Charges for services	3,226
Donations	9,757
Rental income	35,270
Miscellaneous	<u>260</u>
Total revenues	<u>1,640,116</u>

Expenditures

Current:	
Salaries and employee benefits	1,236,299
Services and supplies	300,208
Other charges	1,606
Debt service	
Principal	62,454
Interest	21,951
Capital outlay	<u>62,869</u>
Total expenditures	<u>1,685,387</u>

Excess (deficiency) of revenues over (under) expenditures	(45,271)
--	----------

Other financing sources (uses)

Capital lease proceeds	<u>26,372</u>
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Net change in fund balance	(18,899)
Fund balance, beginning of year	<u>1,052,355</u>
Fund balance, end of year	<u><u>\$ 1,033,456</u></u>

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

Gold Ridge 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, 2011

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

Net change in fund balance - total governmental fund	\$	(18,899)
<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>		
Expenditures for capital assets		62,869
Proceeds from capital lease		(26,372)
Current year depreciation		<u>(88,449)</u>
		(51,952)
<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		62,454
<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		(1,281)
<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>(7,376)</u>
Change in net assets of governmental activities	\$	<u><u>(17,054)</u></u>

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

Gold Ridge Fire Protection District
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budgets and Actual
General Fund
For the Fiscal Year Ended June 30, 2011

Revenues	<u>Budgeted Amounts</u>		<u>Actual</u> Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Property taxes	\$ 1,502,375	\$ 1,506,665	\$ 1,466,617	\$ (40,048)
Investment earnings	10,000	10,000	3,383	(6,617)
Intergovernmental revenue	116,128	133,251	121,603	(11,648)
Charges for services	2,780	3,575	3,226	(349)
Donations	3,000	8,500	9,757	1,257
Rental income	36,840	36,840	35,270	(1,570)
Miscellaneous	85	85	260	175
Total revenues	<u>1,671,208</u>	<u>1,698,916</u>	<u>1,640,116</u>	<u>(58,800)</u>
Expenditures				
Current:				
Salaries and employee benefits	1,343,274	1,330,274	1,236,299	93,975
Services and supplies	310,554	328,251	300,208	28,043
Other charges	2,900	2,900	1,606	1,294
Debt service:				
Principal	59,417	63,039	62,454	585
Interest	20,857	21,958	21,951	7
Capital outlay	131,000	131,000	62,869	68,131
Appropriations for contingency	7,914	21,202	0	21,202
Total expenditures	<u>1,875,916</u>	<u>1,898,624</u>	<u>1,685,387</u>	<u>213,237</u>
Excess (deficiency) of revenues over (under) expenditures	(204,708)	(199,708)	(45,271)	154,437
Other financing sources (uses)				
Capital lease proceeds	0	0	26,372	26,372
Sale of capital assets	5,000	0	0	0
Total other financing sources (uses)	5,000	0	26,372	26,372
Net change in fund balance	(199,708)	(199,708)	(18,899)	180,809
Fund balance, beginning of year	<u>1,052,355</u>	<u>1,052,355</u>	<u>1,052,355</u>	<u>0</u>
Fund balance, end of year	<u>\$ 852,647</u>	<u>\$ 852,647</u>	<u>\$ 1,033,456</u>	<u>\$ 180,809</u>

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

Gold Ridge Fire Protection District
Notes to the Basic Financial Statements
June 30, 2011

I. Summary of Significant Accounting Policies

A. Reporting Entity

On June 29, 1993 the Sonoma County Board of Supervisors ordered the reorganization of the Hessel and Twin Hills Fire Protection Districts under Resolution No. 93-0888. The resulting District was renamed the Gold Ridge Fire Protection District (the District) under the District's Resolution No. 92-93-05. The District operates under Health and Safety Code Sections 13816 through 13822. The District's governmental powers are exercised through a seven 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 this method, revenues are recognized when they are both measurable and available. Taxes, interest, and charges for services are considered to be available when receipt is expected to occur within 365 days of the end of the accounting period so as to be both

Gold Ridge Fire Protection District
Notes to the Basic Financial Statements
June 30, 2011

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 market value on the balance sheet and recognizes the corresponding change in the fair market value of investments in the year in which the change occurred.

2. Receivables and Payables

a. 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. 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 \$339,836 in Benefit Assessments collected. Benefit Assessments are a type of flat charge

Gold Ridge Fire Protection District
Notes to the Basic Financial Statements
June 30, 2011

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 \$4,000 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.

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	30-50
Equipment	5-20

4. Compensated Absences

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

5. Net Assets

Net assets are classified into three components: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. These classifications are defined as follows:

Gold Ridge Fire Protection District
Notes to the Basic Financial Statements
June 30, 2011

- 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 project or other purpose.

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

6. Fund Equity

In the fund financial statements, governmental funds report fund balance using the classifications listed in *GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions*. Initial distinction is made in reporting fund balance information identifying amounts that are considered non-spendable, such as fund balance associated with inventories. Spendable fund balance for the governmental fund consists of the following classifications:

a. *Restricted Fund Balance* – the portion of fund balance that can only be spent for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

b. *Committed Fund Balance* – the portion of fund balance whose use is subject to formal action of the government’s highest level decision making authority. These commitments remain binding unless changed or removed by formal action of the Board as the formal authority that imposed the constraint. The underlying action that imposed, modified, or removed the limitation would need to occur no later than the close of the reporting period.

c. *Assigned* – the portion of fund balance that is intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

d. *Unassigned* – the residual amount of all general fund spendable resources not contained in the other classifications.

Gold Ridge Fire Protection District
Notes to the Basic Financial Statements
June 30, 2011

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 follows 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 tax remittances) and cash on hand used as a petty cash fund. Deposits with Exchange Bank are FDIC insured up to \$250,000.

The amount of cash at June 30, 2011 is as follows:

Cash in County Treasury	\$ 1,053,621
Cash with fiscal agent	200
Cash on Hand	<u>300</u>
Total	<u><u>\$ 1,054,121</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

Gold Ridge Fire Protection District
Notes to the Basic Financial Statements
June 30, 2011

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.

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

Gold Ridge Fire Protection District
Notes to the Basic Financial Statements
June 30, 2011

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 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.

Gold Ridge Fire Protection District
Notes to the Basic Financial Statements
June 30, 2011

B. Capital Assets

Capital asset activity for the year ended June 30, 2011 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	\$ 40,066	\$	\$	\$	\$ 40,066
Capital assets, being depreciated:					
Buildings and improvements	1,153,394				1,153,394
Equipment	<u>1,785,779</u>	<u>62,869</u>			<u>1,848,648</u>
Total capital assets, being depreciated	<u>2,939,173</u>	<u>62,869</u>	<u>0</u>	<u>0</u>	<u>3,002,042</u>
Less accumulated depreciation for:					
Buildings and improvements	(415,506)	(24,395)			(439,901)
Equipment	<u>(646,792)</u>	<u>(64,054)</u>			<u>(710,846)</u>
Total accumulated depreciation	<u>(1,062,298)</u>	<u>(88,449)</u>	<u>0</u>	<u>0</u>	<u>(1,150,747)</u>
Total capital assets, being depreciated, net	<u>1,876,875</u>	<u>(25,580)</u>	<u>0</u>	<u>0</u>	<u>1,851,295</u>
Capital assets, net	<u>\$ 1,916,941</u>	<u>\$ (25,580)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,891,361</u>

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

Governmental activities:

Public safety - fire protection	<u>\$ 88,449</u>
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Gold Ridge Fire Protection District
Notes to the Basic Financial Statements
June 30, 2011

C. Long-term Debt

Changes in long-term debt

Long-term liability activity for the year ended June 30, 2011, was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Long-term liabilities:					
Compensated absences	\$ 74,643	\$ 7,376	\$	\$ 82,019	\$ 0
Capital lease	510,221	26,372	(62,454)	474,139	64,714
Total long-term liabilities	<u>\$ 584,864</u>	<u>\$ 33,748</u>	<u>\$ (62,454)</u>	<u>\$ 556,158</u>	<u>\$ 64,714</u>

D. Capital Leases Payable

In May 2007 the District refinanced their three existing capital leases into one capital lease with Municipal Services Group for \$507,071 with an interest rate of 4.29%. This loan is to be repaid in ten annual payments of \$90,000 for the first two payments and \$55,262 for the remainder.

During Fiscal Year 2008/2009 the District signed a \$245,000 lease-purchase agreement with Municipal Services Group, Inc. in order to finance the purchase of a new 2009 Rosenbauer Type 3 fire engine. The terms of this lease require the District to pay off the lease in 11 annual installments at an interest rate of 4.67%.

In November 2010 the District signed a \$ 26,372 lease-purchase agreement with Platinum Chevrolet in order to finance the purchase of a 2011 Chevy Silverado 1500. The terms of this lease require the District to pay off the lease in 59 monthly installments at an interest rate of 6.54%.

<u>Type of</u> <u>Indebtedness (Purpose)</u>	<u>Maturity</u>	<u>Interest</u> <u>Rate</u>	<u>Annual</u> <u>Principal</u> <u>Installments</u>	<u>Original</u> <u>Issue</u> <u>Amount</u>	<u>Outstanding</u> <u>as of</u> <u>June 30, 2011</u>
2011 Chevy Silverado 1500	11/5/2015	6.54%	\$4,633-\$5,984	\$ 26,372	\$ 23,335
Various capital assets (Refinance)	5/15/2017	4.29%	\$39,490-71,174	\$ 507,071	286,976
2009 Rosenbauer Type 3 engine	7/15/2018	4.67%	\$15,862-30,348	\$ 245,000	163,828
Total					<u>\$ 474,139</u>

Gold Ridge Fire Protection District
Notes to the Basic Financial Statements
June 30, 2011

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

Year Ending June 30	Principal	Interest
2012	\$ 64,714	\$ 21,242
2013	68,075	17,309
2014	71,190	14,538
2015	74,450	11,646
2016	74,187	8,627
2017-2019	121,523	8,771
Total	\$ <u>474,139</u>	\$ <u>82,133</u>

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 (CalPERS) 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.

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'

Gold Ridge Fire Protection District
Notes to the Basic Financial Statements
June 30, 2011

Retirement System (“CalPERS”) under the Miscellaneous Plan, the Safety Plan 3% at 50 (tier one) and the Safety Plan 3% at 55 (tier two) of the Gold Ridge 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.

Miscellaneous Plan and Safety Plan members are required to contribute 8.00% and 9.00%, respectively, of their annual covered salary. On November 5, 2008 the District’s Board adopted Resolution 08-09-03 which authorized the District to pay 100% of the employee’s required contribution. The District is required to contribute at an actuarially determined rate. The contribution rate for the fiscal year ending June 30, 2011 was 17.124% for miscellaneous employees of annual covered payroll. The contribution rate was 50.222% and 20.158% for tier one and two safety employees, respectively, of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by CalPERS.

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

Miscellaneous Plan

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
06/30/09	\$18,493	100%	0
06/30/10	\$17,305	100%	0
06/30/11	\$16,966	100%	0

**Gold Ridge Fire Protection District
Notes to the Basic Financial Statements
June 30, 2011**

**Schedule of Employer Contributions
Safety Plan - 3% at 50 (Tier 1)**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/09	\$47,213	100%	0
06/30/10	\$45,775	100%	0
06/30/11	\$59,734	100%	0

**Schedule of Employer Contributions
Safety Plan - 3% at 55 (Tier 2)**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/09	\$85,244	100%	0
06/30/10	\$121,217	100%	0
06/30/11	\$113,545	100%	0

Funded Status and Funding Progress of the Plan

Miscellaneous Plan

As of June 30, 2010, based on CalPERS most recent actuarial report the Miscellaneous Plan is 79.9% funded. The actuarial accrued liability for benefits was \$945,221,095, and the actuarial value of the asset was \$754,858,961, resulting in an unfunded liability of \$190,362,134. The covered payroll (annual payroll of active miscellaneous employees covered by the plan) was \$159,156,834, and the ratio of the unfunded liability to the covered payroll was 119.6%.

Safety Plan - 3% at 50 (Tier 1)

As of June 30, 2010, based on CalPERS most recent actuarial report, the Safety Plan – 3% at 50 is 83.3% funded. The actuarial accrued liability for benefits was \$10,165,475,166, and the actuarial value of the asset was \$8,470,235,152, resulting in an unfunded liability of \$1,695,240,014. The covered payroll (annual payroll of active safety employees covered by the plan) was \$955,980,815, and the ratio of the unfunded liability to the covered payroll was 177.3%.

Gold Ridge Fire Protection District
Notes to the Basic Financial Statements
June 30, 2011

Safety Plan - 3% at 55 (Tier 2)

As of June 30, 2010, based on CalPERS most recent actuarial report, the Safety Plan – 3% at 55 is 85.1% funded. The actuarial accrued liability for benefits was \$1,915,095,826, and the actuarial value of the asset was \$1,628,915,283, resulting in an unfunded liability of \$286,180,543. The covered payroll (annual payroll of active safety employees covered by the plan) was \$224,562,008, and the ratio of the unfunded liability to the covered payroll was 127.4%.

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 both the Miscellaneous Plan and the Safety Plans 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 Miscellaneous Plan and the Safety Plans is shown below:

Valuation date	June 30, 2010	June 30, 2009	June 30, 2008
Actuarial cost method	Entry age normal 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	17 years as of the valuation date for the Miscellaneous Plan and Safety Plan (Tier 2); and 19 years as of the valuation date for the Safety Plan (Tier 1).	18 years as of the valuation date for the Miscellaneous Plan and Safety Plan (Tier 1); and 17 years as of the valuation date for the Safety Plan (Tier 2).	Closed; 16 years as of the valuation date for the Miscellaneous Plan; and 16 years as of the valuation date for the Safety Plans.
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	3.55% to 14.45% depending on age, service and type of employment	3.25% to 14.45% depending on age, service and type of employment
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%

**Gold Ridge Fire Protection District
Required Supplementary Information
June 30, 2011**

**Schedule of Funding Progress-
CalPERS Miscellaneous 3% at 60 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)
06/30/08	\$ 641,167,624	\$ 776,166,719	\$ 134,999,095	82.6%	\$ 155,155,302	87.0%
06/30/09	\$ 694,384,975	\$ 883,394,429	\$ 189,009,454	78.6%	\$ 161,972,631	116.7%
06/30/10	\$ 754,858,961	\$ 945,221,095	\$ 190,362,134	79.9%	\$ 159,156,834	119.6%

**Schedule of Funding Progress-
CalPERS Safety 3% at 50 Risk Pool (Tier 1)**

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)
06/30/08	\$ 7,464,927,716	\$ 8,700,467,733	\$ 1,235,540,017	85.8%	\$ 914,840,596	135.1%
06/30/09	\$ 8,027,158,724	\$ 9,721,675,347	\$ 1,694,516,623	82.6%	\$ 973,814,168	174.0%
06/30/10	\$ 8,470,235,152	\$ 10,165,475,166	\$ 1,695,240,014	83.3%	\$ 955,980,815	177.3%

**Schedule of Funding Progress-
CalPERS Safety 3% at 55 Risk Pool (Tier 2)**

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)
06/30/08	\$ 1,517,609,609	\$ 1,755,559,311	\$ 237,949,702	86.5%	\$ 210,590,567	113.0%
06/30/09	\$ 1,520,081,328	\$ 1,802,882,330	\$ 282,801,002	84.3%	\$ 221,600,192	127.6%
06/30/10	\$ 1,628,915,283	\$ 1,915,095,826	\$ 286,180,543	85.1%	\$ 224,562,008	127.4%

**Gold Ridge Fire Protection District
Roster of Board Members**

As of December 9, 2011 the District Board consisted of the following members:

<u>Directors:</u>	<u>Office</u>	<u>Term Expires</u>
Alfred Fiori	Chairman	November, 2012
Robert Gloeckner	Secretary, Clerk	November, 2014
Ronald Balzer		November, 2012
Domenic Carinalli		November, 2014
Patrick Farrell		November, 2014
Charles Lachman		November, 2012
Steve Petrucci		November, 2014

Regular Meetings:

The regular meeting of the Board of Directors is held at 7:00 P.M. on the first Wednesday of each month on a rotating schedule at the Hessel and Twin Hills stations. Contact Ruth Newman at (707) 823-1084 for further location information.