

**CLOVERDALE FIRE PROTECTION DISTRICT**

**ANNUAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2008**



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

**CLOVERDALE FIRE PROTECTION DISTRICT**

**Annual Report  
For the Fiscal Year Ended  
June 30, 2008**

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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  
Cloverdale Fire Protection District  
Cloverdale, CA

### **Auditor-Controller's Report**

We have audited the accompanying basic financial statements of the Cloverdale Fire Protection District (the District), as of and for the year ended June 30, 2008, 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, 2008, 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 Management's Discussion and Analysis (MD&A) is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Sonoma County Auditor-Controller*

March 17, 2009

## Management's Discussion and Analysis

As management of the Cloverdale Fire Protection District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the District's financial statements and the accompanying notes to the basic financial statements.

### Financial Highlights

- The assets of the District exceeded their liabilities at the close of the most recent fiscal year by \$2,264,839 (net assets). Of this amount, \$684,146 (unrestricted net assets) may be used to meet the District's ongoing operations.
- The District's total net assets increased by \$334,522. This increase is the result of revenues exceeding expenses in the governmental activities.
- As of the close of the current fiscal year, the district reported an ending fund balance of \$786,025, an increase of \$131,883, in comparison with the prior year. Approximately 52.6% of this amount is available for spending at the District's discretion (unreserved fund balance).
- At the end of the year, unreserved fund balance was \$413,341 or 29% of the total general fund expenditures of \$1,422,337.
- The District's long-term liabilities decreased by \$251.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic 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 District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the 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 District is improving or deteriorating.

The statement of activities presents information showing how the government'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 expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected rental revenue and earned but unused vacation leave).

**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 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 in 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, as well as on balances 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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District uses governmental funds to account for its activities, which include fire protection services in 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 basic 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.

### **Government-Wide Financial Analysis**

The District applied Governmental Accounting Standards Board (GASB) Statement No. 34 in this report.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$2,264,839 at the close of the most recent fiscal year.

A large portion of the District's net assets (69.8%) reflects its investment in capital assets (e.g., land, construction in progress, buildings and improvements and equipment). The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

**Net Assets**  
**June 30, 2008**

	<u>2008</u>	<u>2007</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Current and other assets	\$ 870,806	\$ 678,773	\$ 192,033	28.3%
Capital assets	<u>2,072,024</u>	<u>1,870,388</u>	<u>201,636</u>	<u>10.8%</u>
Total assets	<u>2,942,830</u>	<u>2,549,161</u>	<u>393,669</u>	<u>15.4%</u>
Long-term liabilities outstanding	499,462	110,499	388,963	352.0%
Other liabilities	<u>178,529</u>	<u>508,345</u>	<u>(329,816)</u>	<u>-64.9%</u>
Total liabilities	<u>677,991</u>	<u>618,844</u>	<u>59,147</u>	<u>9.6%</u>
Net assets:				
Invested in capital assets, net of related debt	1,580,693	1,333,853	246,840	18.5%
Unrestricted	<u>684,146</u>	<u>596,464</u>	<u>87,682</u>	<u>14.7%</u>
Total net assets	<u>\$ 2,264,839</u>	<u>\$ 1,930,317</u>	<u>\$ 334,522</u>	<u>17.3%</u>

The balance of unrestricted net assets (\$684,146) may be used to meet the District's ongoing obligations to citizens and vendors.

At the end of the current fiscal year, the District is able to report positive balances in both categories of net assets. The same held true for the prior fiscal year.

The District has substantial cash balances which are committed to specific purposes as follows:

	<u>2008</u>	<u>2007</u>
General operations	\$ 234,487	\$ 165,372
Building fund	264,851	433,922
Apparatus fund	107,833	61,492
Held by trustee for payroll account	<u>3,131</u>	<u>827</u>
Total cash	<u>\$ 610,302</u>	<u>\$ 661,613</u>

**Governmental Activities:** Governmental activities increased the District's net assets by \$334,522. This increase is the result of revenues exceeding expenses in the governmental activities.

**Changes in Net Assets  
For the Fiscal Year Ended June 30, 2008**

	<u>2008</u>	<u>2007</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Revenues:				
Program Revenues:				
Public safety - fire protection	\$ 280,536	\$ 663,482	\$ (382,946)	-57.7%
Capital Grants and Contributions				
City of Cloverdale - Impact fees	464,000		464,000	100.0%
General Revenues:				
Property taxes	766,038	724,736	41,302	5.7%
Investment income and other	18,527	23,703	(5,176)	-21.8%
Total revenues	<u>1,529,101</u>	<u>1,411,921</u>	<u>117,180</u>	<u>8.3%</u>
Expenses:				
Program Expenses:				
Public safety - fire protection	1,174,386	1,215,349	(40,963)	-3.4%
General Expenses:				
Debt service - interest and other	20,193	21,234	(1,041)	-4.9%
Total expenses	<u>1,194,579</u>	<u>1,236,583</u>	<u>(42,004)</u>	<u>-3.4%</u>
Change in Net Assets	334,522	175,338	159,184	90.8%
Net assets - beginning of the year	<u>1,930,317</u>	<u>1,754,979</u>	<u>175,338</u>	<u>10.0%</u>
Net assets - end of the year	<u>\$ 2,264,839</u>	<u>\$ 1,930,317</u>	<u>\$ 334,522</u>	<u>17.3%</u>

**Financial Analysis of the Government's Funds**

The District uses fund accounting to ensure and demonstrate compliance with legal and governmental accounting requirements.

**Governmental funds:** The focus of the 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 District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental fund reported ending fund balance of \$786,025, an increase of \$131,883 in comparison with the prior year. Approximately 52.6% of the total amount constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is designated for capital projects.

As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 29% of total general fund expenditures.

### **General Fund Budgetary Highlights**

There were no changes to the original adopted budget.

### **Capital Asset and Debt Administration**

**Capital Assets:** The District's investment in capital assets, as of June 30, 2008, amounts to \$2,072,024 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements and equipment. The total increase in the District's investment in capital assets for the current fiscal year was \$201,636.

Major capital asset events during the current fiscal year included the following:

- Depreciation of the capital assets (\$ 65,020)
- Purchase of equipment \$ 37,997
- Costs incurred towards construction in progress \$228,659

Additional information on the District's capital assets can be found in note III.B

**Debt administration:** At the end of the fiscal year the District had total long-term obligations of \$578,417. This amount is comprised of \$87,086 of compensated absences and \$491,331 of notes payable. During the current fiscal year, the District's long-term debt decreased by \$251.

### **Request for Additional Information**

This financial report is designed to provide a general overview of 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 District, P.O. Box 382, Cloverdale, California 95425.

**CLOVERDALE FIRE PROTECTION DISTRICT**  
**Statement of Net Assets**  
**June 30, 2008**

<b>Assets</b>	
Cash and investments	\$ 607,171
Cash with fiscal agent	3,131
Accounts receivable	1,038
Flat charges receivable	28,457
Due from other governments	231,009
Capital assets (net of accumulated depreciation)	
Land	270,377
Construction in progress - Fire Station	738,170
Building and improvements	15,606
Equipment	<u>1,047,871</u>
Total assets	<u>2,942,830</u>
<b>Liabilities</b>	
Accounts payable	84,781
Accrued interest payable	14,793
Capital leases payable - Due within one year	78,955
Non-current liabilities:	
Compensated absences	87,086
Capital leases payable - Due in more than one year	<u>412,376</u>
Total liabilities	<u>677,991</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	1,580,693
Unrestricted	<u>684,146</u>
Total net assets	<u>\$ 2,264,839</u>

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

**CLOVERDALE FIRE PROTECTION DISTRICT**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2008**

**Program Expenses**

Public safety - fire prevention	
Salaries and employee benefits	\$ 759,497
Services and supplies	349,869
Depreciation	65,020
Debt service - interest	20,193
Total program expenses	<u>1,194,579</u>

**Program Revenues**

Charges for services	
Intergovernmental revenue	198,009
Licenses and permits	82,497
Charges for services	30
Total charges for services	<u>280,536</u>
Capital Grant and Contributions	
City of Cloverdale - Impact fees	464,000
Net program revenues (expenses)	<u>(450,043)</u>

**General Revenues**

Property taxes	766,038
Investment earnings	18,527
Total general revenues	<u>784,565</u>

Change in net assets	334,522
Net assets, beginning of year	<u>1,930,317</u>
Net assets, end of year	<u><u>\$ 2,264,839</u></u>

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

**CLOVERDALE FIRE PROTECTION DISTRICT**

**Balance Sheet  
Governmental Fund  
June 30, 2008**

**Assets**

Cash and investments	\$ 607,171
Cash with fiscal agent	3,131
Accounts receivable	1,038
Flat charges receivable	28,457
Due from other governments	231,009
Total assets	<u>\$ 870,806</u>

**Liabilities and Fund Balance**

Liabilities:	
Accounts payable	\$ 84,781
Fund balance:	
Designated for capital projects	372,684
Unreserved:	413,341
Total fund balance	<u>786,025</u>
Total liabilities and fund balance	<u>\$ 870,806</u>

**Reconciliation of Balance Sheet to Statement of Net Assets**

Fund balance - total government funds	\$ 786,025
Amount reported for governmental activities in the statement of net assets is different because:	
Capital assets, net of accumulated depreciation and capital leases, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	1,580,693
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Compensated absences	(87,086)
Accrued interest payable	(14,793)
Net assets of governmental activities	<u>\$ 2,264,839</u>

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

**CLOVERDALE FIRE PROTECTION DISTRICT**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance**  
**Governmental Fund**  
**For the Fiscal Year Ended June 30, 2008**

**Revenues**

Property taxes	\$ 766,038
Investment earnings	18,527
Licenses and permits	82,497
Intergovernmental revenue	662,009
Charges for services	30
	1,529,101
Total revenues	1,529,101

**Expenditures**

Current:	
Salaries and employee benefits	714,544
Services and supplies	349,869
Debt service	
Principal	70,323
Interest	20,945
Capital outlay	266,656
	1,422,337
Total expenditures	1,422,337

Excess (deficiency) of revenues over (under) expenditures	106,764
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**Other financing sources (uses)**

Capital lease	25,119
	25,119
Total Other financing sources (uses)	25,119

Net change in fund balance	131,883
Fund balance, beginning of year	654,142
	786,025
Fund balance, end of year	\$ 786,025

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

**CLOVERDALE 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, 2008**

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

Net change in fund balance - total governmental fund	\$	131,883
<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		(65,020)
The net effect of various miscellaneous transactions involving capital leases payable (i.e. principal payment, accrued interest) is to increase net assets.		45,956
The net effect of various transactions involving the purchase and sale of capital assets is to increase net assets		266,656
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.		<u>(44,953)</u>
Change in net assets of governmental activities	\$	<u><u>334,522</u></u>

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

**CLOVERDALE FIRE PROTECTION DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balance -**  
**Budgets and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2008**

<b>Revenues</b>	<u>Budgeted Amounts</u>		<u>Actual</u> Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Property taxes	\$ 726,090	\$ 726,090	\$ 766,038	\$ 39,948
Investment earnings	11,000	11,000	18,527	7,527
Intergovernmental revenue	523,887	523,887	662,009	138,122
Intergovernmental revenue	40,000	40,000	82,497	42,497
Charges for services	30	30	30	0
Miscellaneous	600	600		(600)
<b>Total revenues</b>	<u>1,301,607</u>	<u>1,301,607</u>	<u>1,529,101</u>	<u>227,494</u>
<b>Expenditures</b>				
Current:				
Salaries and employee benefits	784,021	784,021	714,544	69,477
Services and supplies	433,050	433,050	349,869	83,181
Debt service:				
Principal	67,181	67,181	70,323	(3,142)
Interest	24,088	24,088	20,945	3,143
Capital outlay	255,000	255,000	266,656	(11,656)
Appropriations for contingency	58,500	58,500		58,500
<b>Total expenditures</b>	<u>1,621,840</u>	<u>1,621,840</u>	<u>1,422,337</u>	<u>199,503</u>
Excess (deficiency) of revenues over (under) expenditures	(320,233)	(320,233)	106,764	426,997
<b>Other financing sources (uses)</b>				
Capital lease			25,119	25,119
<b>Total Other finan. sources (uses)</b>	<u>0</u>	<u>0</u>	<u>25,119</u>	<u>25,119</u>
Net change in fund balance	(320,233)	(320,233)	131,883	452,116
Fund balance, beginning of year	654,142	654,142	654,142	0
Fund balance, end of year	<u>\$ 333,909</u>	<u>\$ 333,909</u>	<u>\$ 786,025</u>	<u>\$ 452,116</u>

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

**CLOVERDALE FIRE PROTECTION DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Cloverdale Fire Protection District (the District) was formed in April 1994 under provisions of the California Fire Protection District Law of 1987 (Health and Safety Code Section 13800 et. seq.) to provide the citizens of the District fire protection, rescue, emergency medical, and hazardous material emergency response services. 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 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 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.

**CLOVERDALE FIRE PROTECTION DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

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 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 on 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, 2008; therefore, the remainder of the uncollected assessments is considered flat charges receivable.

**CLOVERDALE FIRE PROTECTION DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

**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. 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 \$505,885 in Benefit Assessments collected. Benefit 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.

**c. Impact fees**

Impact fees are new development fees collected by the City of Cloverdale and passed through to the District. These fees are used to offset future capital asset purchases and improvements related to the increased need for services.

**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

**CLOVERDALE FIRE PROTECTION DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

as assets with an initial, individual cost of more than \$5,000 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
Building and improvements	10
Equipment	10-20

**4. Compensated Absences**

It is the District's policy to permit employees to accumulate earned but unused vacation, administrative leave and sick pay benefits. All vacation and administrative leave and 50% of sick 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:

- 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 of 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.

**CLOVERDALE FIRE PROTECTION DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

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 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.

**E. Implementation of Governmental Accounting Standards Board (GASB) Statements**

Effective July 1, 2007, Cloverdale Protection District implemented the following new GASB Statement:

**GASB Statement No. 50**

GASB Statement No. 50 - *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27* establishes and modifies requirements related to financial reporting by pension plans and by employers that provide defined benefit and defined contribution pensions. The effective date is for financial statements for periods beginning after June 15, 2007.

**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.

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

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The amount of cash at June 30 is as follows:

Cash in County Treasury	\$ 607,071
Cash with Exchange Bank	3,131
Cash on Hand	<u>100</u>
Total	<u><u>\$ 610,302</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 Auditor-Controller Treasurer-Tax Collector 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

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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, 2008, approximately 63 percent of the securities in the Treasury Pool had maturities of one year or less. Of the remainder, only 4 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 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).

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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 2008 Sonoma County CAFR.

**B. Capital Assets**

Capital asset activity for the year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers &amp; Adjustments</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:					
Land	\$ 270,377	\$	\$	\$	\$ 270,377
Construction in progress	509,511	228,659			738,170
Total capital assets, not being depreciated	<u>779,888</u>	<u>228,659</u>	<u>0</u>	<u>0</u>	<u>1,008,547</u>
Capital assets, being depreciated:					
Buildings and improvements	22,293				22,293
Equipment	1,401,112	37,997			1,439,109
Total capital assets, being depreciated	<u>1,423,405</u>	<u>37,997</u>	<u>0</u>	<u>0</u>	<u>1,461,402</u>
Less accumulated depreciation for:					
Buildings and improvements	(4,458)	(2,229)			(6,687)
Equipment	(328,447)	(62,791)			(391,238)
Total accumulated depreciation	<u>(332,905)</u>	<u>(65,020)</u>	<u>0</u>	<u>0</u>	<u>(397,925)</u>
Total capital assets, being depreciated, net	<u>1,090,500</u>	<u>(27,023)</u>	<u>0</u>	<u>0</u>	<u>1,063,477</u>
Capital assets, net	<u>\$ 1,870,388</u>	<u>\$ 201,636</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,072,024</u>

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

Governmental activities:

    Public safety - fire protection \$ 65,020

**CLOVERDALE FIRE PROTECTION DISTRICT**  
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**C. Long-term Debt**

Changes in long-term debt

Long-term liability activity for the year ended June 30, 2008, was as follows:

	<u>Beginning</u>		<u>Additions</u>		<u>Reductions</u>		<u>Ending</u>		<u>Due Within</u>
	<u>Balance</u>						<u>Balance</u>		<u>One Year</u>
Long-term liabilities:									
Compensated absences	\$ 42,133	\$	44,953	\$		\$	87,086	\$	0
Capital lease	<u>536,535</u>		<u>25,119</u>		<u>(70,323)</u>		<u>491,331</u>		<u>78,955</u>
Total long-term liabilities	<u>\$ 578,668</u>	<u>\$</u>	<u>70,072</u>	<u>\$</u>	<u>(70,323)</u>	<u>\$</u>	<u>578,417</u>	<u>\$</u>	<u>78,955</u>

**D. Capital Leases Payable**

In April 2008 the District signed a lease-purchase agreement with Exchange Bank for \$25,119 with an interest rate of 4.75% in order to finance the acquisition of a 2008 Chevrolet Silverado. This loan is to be repaid in eight semi-annual payments of \$3,485.

<u>Type of</u>		<u>Interest</u>	<u>Annual</u>	<u>Original</u>	<u>Outstanding</u>
<u>Indebtedness (Purpose)</u>	<u>Maturity</u>	<u>Rate</u>	<u>Principal</u>	<u>Issue</u>	<u>as of</u>
			<u>Installments</u>	<u>Amount</u>	<u>June 30, 2008</u>
Engines #6570 and #6580	9/15/2011	3.95%	\$11,322-\$14,600	\$ 180,561	\$ 96,450
Engines #6560 and #6530	7/30/2014	3.95%	\$41,742-\$59,155	500,000	369,762
Chevy Silverado #6500	4/1/2012	4.75%	\$2,888-\$3,323	25,119	<u>25,119</u>
Total					<u>\$ 491,331</u>

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

Year Ending June 30	Principal	Interest
2009	\$ 78,955	\$ 17,216
2010	82,134	13,958
2011	85,441	10,561
2012	73,993	7,202
2013	54,745	4,765
2014-2015	<u>116,063</u>	<u>2,719</u>
Total	<u>\$ 491,331</u>	<u>\$ 56,421</u>

**E. Designated Fund Balances**

At June 30, 2008 the District has designated fund balance for the following purposes:

Purpose	Amount
Equipment	\$ 107,833
New fire station	264,851
Total	<u>\$ 372,684</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.

**CLOVERDALE FIRE PROTECTION DISTRICT**  
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**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 Definer 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' Retirement System ("CalPERS") under the Safety Plan 3% at 50 of the Cloverdale 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.

Participants are required to contribute 1.00% of their annual covered salary. The District is required to contribute at an actuarially determined rate. The current rate is 23.868% of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by PERS.

**CLOVERDALE FIRE PROTECTION DISTRICT**  
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The three year trend information for the Fund of the actuarially required employer contribution is as follows:

**Schedule of Employer Contributions**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/06	60,636	100%	0
06/30/07	83,971	100%	0
06/30/08	79,960	100%	0

Funded Status and Funding Progress of the Plan

Safety Plan - 3% at 50

As of June 30, 2007, based on CalPERS most recent actuarial report, the Safety Plan – 3% at 50 is 85.5% funded. The actuarial accrued liability for benefits was \$7,986,055,176, and the actuarial value of the asset was \$6,826,599,459, resulting in a unfunded liability of \$1,159,455,717. The covered payroll (annual payroll of active safety employees covered by the plan) was \$831,607,658, and the ratio of the unfunded liability to the covered payroll was 139.4%.

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 the Safety Plan are increasing or decreasing over time relative to the actuarial liability for benefits.

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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 Plans is shown below:

Valuation date	June 30, 2007	June 30, 2006	June 30, 2005
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; 16 years as of the valuation date.	Closed; 17 years as of the valuation date.	Closed; 17 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	3.25% to 14.45% depending on age, service and type of employment	3.25% to 14.45% depending on age, service and type of employment	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 Subsequent Event – Cloverdale JPA**

On October 16, 2007 the District signed a Joint Powers Agreement (JPA) with the City of Cloverdale Community Development Agency (Agency). The Agency will act as the lead agency for the purposes of awarding and paying for the construction of a

**CLOVERDALE FIRE PROTECTION DISTRICT**  
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new fire station for the District. Upon acceptance of the completed project the District shall acquire title to the new station. Construction on the station began in July 2008 with the expected completion date of August 2009.

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**Schedule of Funding Progress-**  
**CalPERS Safety 3% at 50 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)
06/30/05	\$ 5,295,150,375	\$ 6,367,049,264	\$ 1,071,898,889	83.2%	\$ 664,147,796	161.4%
06/30/06	\$ 6,102,615,567	\$ 7,278,049,834	\$ 1,175,434,267	83.9%	\$ 754,730,438	155.7%
06/30/07	\$ 6,826,599,459	\$ 7,986,055,176	\$ 1,159,455,717	85.5%	\$ 831,607,658	139.4%

**CLOVERDALE FIRE PROTECTION DISTRICT  
Roster of Board Members**

As of March 17, 2009, the District Board consisted of the following members:

<u>Directors:</u>	<u>Office</u>	<u>Term Expires</u>
Nancy Avansino .....	President .....	November, 2010
Carol Giovanatto .....	Vice President .....	November, 2012
Dolph Green .....		November, 2012
Al Giodano .....		November, 2010
Jim Hill .....		November, 2012

Regular Meetings:

The regular meeting of the Board of Directors is held at 7:00 P.M. on the second Monday of each month at the Cloverdale Fire Station, located at 116 Broad St., Cloverdale, California.