

**WINDSOR FIRE PROTECTION DISTRICT**

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



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

**WINDSOR 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  
Windsor Fire Protection District  
Windsor, CA

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

We have audited the accompanying basic financial statements of the Windsor 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 Windsor Fire Protection 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) on pages 1 through 5 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*

June 1, 2009

## Management's Discussion and Analysis

As management of the Windsor 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 (pages 6 – 12) and the accompanying notes to the basic financial statements (pages 13 – 25).

### Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$5,215,518 (net assets). Of this amount, \$1,748,289 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The District's total net assets increased by \$303,974. This increase is a result of revenues exceeding expenses in the governmental activities.
- As of the close of the current fiscal year, the District's governmental funds reported an ending fund balance of \$1,926,638, an increase of \$423,920, in comparison with the prior year. \$1,926,638 of this total amount is available for spending at the government's discretion (unreserved fund balance).
- As of the close of the current fiscal year, unreserved fund balance for the general fund was \$1,926,638 or 72% of total general fund expenditures which were \$2,663,352.
- The District's total long-term liabilities increased by \$26,623 during the current fiscal year.

### 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 basic financial statements comprise 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 taxes and earned but unused vacation leave).

The government-wide financial statements can be found on pages 6 – 7 of this report.

**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 as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, 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 statements 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.

The basic governmental fund financial statements can be found on pages 8 – 12 of this report.

**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. The notes to the basic financial statements can be found on pages 13 – 25 of this report.

## Government-wide Financial Analysis

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 \$5,215,818 at the close of the most recent fiscal year.

A large portion of the District's net assets (66%) reflects its investment in capital assets (e.g., land, 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

	2008	2007
Current and other assets	\$ 2,003,165	\$ 1,502,720
Capital assets	3,467,529	3,560,852
Total assets	5,470,694	5,063,572
Long-term liabilities outstanding	178,349	125,215
Liabilities due within one year	76,527	26,511
Total liabilities	254,876	151,726
Net assets:		
Invested in capital assets, net of related debt	3,467,529	3,534,341
Restricted for mitigation fund		2
Unrestricted	1,748,289	1,377,503
Total net assets	\$ 5,215,818	\$ 4,911,846

The balance of the unrestricted net assets (\$1,748,289) 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 all categories of net assets. The same held true for the prior fiscal year.

**Governmental activities.** Governmental activities increased the District's net assets by \$303,974. This increase is a result of revenues exceeding expenses in the governmental activities.

## Changes in Net Assets

	2008	2007
Revenues:		
Program revenues:		
Public safety - fire protection	\$ 249,936	\$ 212,407
General revenues:		
Property taxes	2,758,172	1,734,299
Investment income and other	84,921	98,082
Gain/(loss) on sale of capital asset	0	6,525
Total revenues	3,093,029	2,051,313
Expenses:		
Public safety - fire protection	2,789,055	3,110,755
Decrease in net assets	303,974	(1,059,442)
Net assets - beginning of the year	4,911,844	5,971,288
Net assets - end of the year	\$ 5,215,818	\$ 4,911,846

### Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related 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 a 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 funds reported ending fund balances of \$1,926,638, an increase of \$423,920 in comparison with the prior year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,926,638. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 72% of total general fund expenditures which were \$2,663,352.

#### General Fund Budgetary Highlights

Material differences between the original budget and the final amended budget can be briefly summarized as follows:

- \$47,682 increase in property tax revenue
- \$146,501 increase in intergovernmental revenue due to strike team revenue.
- \$79,334 increase in donations due to private cash donations.

### **Capital Assets**

**Capital assets.** The District's investment in capital assets, as of June 30, 2008, amounts to \$3,467,529 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and equipment. The total decrease in the District's investment in capital assets for the current fiscal year was \$93,323.

Additional information on the District's capital assets can be found in Note III.B on page 20 of this report.

### **Debt Administration**

At the end of the fiscal year the District had total long-term obligations of \$178,349 in compensated absences. During the fiscal year, the District's long-term debt increased by \$26,623.

### **Economic Factors and Next Year's Budgets and Rates**

All of these factors were considered in preparing the District's budget for the fiscal year ending June 30, 2009.

- The Town of Windsor will make the final payment on the Ladder Truck in 08/09 and the truck will be entered into service December 2008.
- The revised date for completion of the new fire station #2 will be completed between August and September 2009.

### **Request for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Windsor Fire Protection District, PO Box 530, Windsor, California 95492-0530.

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

**Assets**

Cash and investments	\$ 1,873,089
Cash with fiscal agent	58,224
Flat charges receivable	71,852
Capital assets (net of accumulated depreciation)	
Land	107,325
Building and improvements	2,485,812
Equipment	<u>874,392</u>
Total assets	<u>5,470,694</u>

**Liabilities**

Non-current liabilities:	
Accounts payable	76,527
Compensated absences	<u>178,349</u>
Total liabilities	<u>254,876</u>

**Net Assets**

Invested in capital assets, net of related debt	3,467,529
Unrestricted	<u>1,748,289</u>
Total net assets	<u>\$ 5,215,818</u>

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

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

**Program Expenses**

Public safety - fire protection	
Salaries and employee benefits	\$ 2,096,493
Services and supplies	518,738
Interest on long term debt	994
Depreciation	<u>172,830</u>
Total program expenses	<u>2,789,055</u>

**Program Revenues**

Charges for services	
Intergovernmental revenue	160,645
Other charges for services	<u>7,922</u>
Total charges for services	168,567
Operating grants and contributions	
Donations	<u>81,369</u>
Total program revenues	<u>81,369</u>
Net program revenues (expenses)	<u>(2,539,119)</u>

**General revenues**

Property taxes	2,758,172
Investment earnings	82,824
Miscellaneous	<u>2,097</u>
Total general revenues	<u>2,843,093</u>

Change in net assets	303,974
Net assets, beginning of year	<u>4,911,844</u>
Net assets, end of year	<u>\$ 5,215,818</u>

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

**WINDSOR FIRE PROTECTION DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2008**

<b>Assets</b>	
Cash and investments	\$ 1,873,089
Cash with fiscal agent	58,224
Flat charges receivable	<u>71,852</u>
Total assets	<u>\$ 2,003,165</u>
 <b>Liabilities and Fund Balances</b>	
Liabilities:	
Accounts payable	\$ <u>76,527</u>
Total liabilities	<u>76,527</u>
Fund Balances:	
Unreserved	<u>1,926,638</u>
Total fund balances	<u>1,926,638</u>
Total liabilities and fund balances	<u>\$ 2,003,165</u>

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

**WINDSOR FIRE PROTECTION DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Assets**  
**June 30, 2008**

Fund balances - total government funds	\$ 1,926,638
Amount reported for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	3,467,529
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Compensated absences	<u>(178,349)</u>
Net assets of governmental activities	<u>\$ 5,215,818</u>

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

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

**Revenues**

Property taxes	\$	2,758,172
Investment earnings		82,824
Intergovernmental revenue		160,645
Charges for services		7,922
Miscellaneous		2,097
Donations		81,369
		81,369
Total revenues		3,093,029

**Expenditures**

Current:		
Salaries and employee benefits		2,043,359
Services and supplies		518,738
Debt service:		
Principal		26,511
Interest		994
Capital outlay		79,507
		79,507
Total expenditures		2,669,109

Net change in fund balances		423,920
Fund balance, beginning of year		1,502,718
		1,502,718
Fund balance, end of year	\$	1,926,638

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

**WINDSOR FIRE PROTECTION DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures and**  
**Changes in Fund Balance of Governmental Funds to the**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2008**

**Amount reported for governmental activities in the statement of activities**  
**(page 7) is different because:**

Net change in fund balance - governmental funds (page 10)	\$	423,920
<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		(172,830)
Capital outlay		79,507
<p>Repayment of note's principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
Principal		26,511
<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>(53,134)</u>
Change in net assets of governmental activities (page 7)	\$	<u><u>303,974</u></u>

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

**WINDSOR 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**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 2,580,311	\$ 2,627,993	\$ 2,758,172	\$ 130,179
Investment earnings	29,240	32,470	82,824	50,354
Intergovernmental revenue	10,500	157,001	160,645	3,644
Charges for services	13,050	13,050	7,922	(5,128)
Miscellaneous	100	100	2,097	1,997
Donations	1,000	80,334	81,369	1,035
	2,634,201	2,910,948	3,093,029	182,081
<b>Expenditures</b>				
Current:				
Salaries and employee benefits	2,254,331	2,522,322	2,043,359	478,963
Services and supplies	356,630	484,837	518,738	(33,901)
Debt service:				
Principal			26,511	(26,511)
Interest			994	(994)
Capital outlay	277,653	314,659	79,507	235,152
	2,888,614	3,321,818	2,669,109	652,709
Net change in fund balance	(254,413)	(410,870)	423,920	834,790
Fund balance, beginning of year,	1,502,718	1,502,718	1,502,718	0
Fund balance, end of year	\$ 1,248,305	\$ 1,091,848	\$ 1,926,638	\$ 834,790

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

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Windsor Fire Protection District (the District) is a California special district governed by a five-member board of directors. The accompanying financial statements present the governmental activities for which the District is considered to be financially accountable. Prior to 1986, the fire district was all volunteer. In 1986, the voters of Windsor approved the formation of a special tax district, pursuant to Article XIII A, Section 4 of the California Constitution, and Government Code Section 50077(c), and the Windsor Fire Protection District was created. The District serves taxpayers and residents in a specific unincorporated area of the County of Sonoma, the boundaries of which are set by resolution of the Board of Supervisors, and a portion of the incorporated area of the Town of Windsor.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately.

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.

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

**2. Receivables and Payables**

**a. Flat Charges Receivable**

Flat charges collected are apportioned to the District to supplement property taxes collected for operating costs. Not all of the assessments are collected as of June 30, 2008; therefore, the remainder of the uncollected assessments is considered flat charges receivable.

**b. Property Taxes**

The County of Sonoma is responsible for assessing, collecting and distributing property taxes in accordance with state law. Liens on real property are established January 1 for the ensuing fiscal year. The property tax is levied as of July 1 on all taxable property located in the County of Sonoma. Secured property taxes are due in two installments, on November 1 and February 1, and are delinquent after December 10 and

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

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 one percent 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 two percent per year.

Included within the property tax revenue is \$1,716,343 in Special Taxes collected. Special Taxes are a type of direct charge applied to each parcel of property within the District for a specific dollar amount and for a specific purpose.

On June 30, 1993, the Board of Supervisors adopted the "Teeter" Method of property tax allocation. This method allocates property taxes based on the total property tax billed. At year-end, the County advances cash to each taxing jurisdiction equal to its current year delinquent property taxes. In exchange, the County receives the penalties and interest on delinquent taxes when collected. The penalties and interest are used to pay the interest cost of borrowing the cash used for the advances.

**3. Capital Assets**

Capital assets, which include land, buildings and improvements, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$3,000 and an estimated useful life in excess of five 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	50
Equipment	5 – 20

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

**4. Compensated Absences**

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Only 10% of unused sick leave is included in the accrual calculation. 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 resignation and retirements.

**5. Net Assets**

Net assets are classified into three components – invested in capital assets, restricted for mitigation fund and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets, net of accumulated depreciation and net of related debt if any.
- Unrestricted net assets – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

**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, Windsor Fire 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.

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

**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.

**III. DETAILED NOTES**

**A. Cash and Investments**

The District follows the County's practice of pooling cash and investments with the County Treasurer, except for a petty cash fund and payroll tax fund deposited with a Federally insured account at Exchange Bank.

The amount of cash at June 30 is as follows:

Cash and investments in County Treasury	\$	1,872,589
Cash in Exchange Bank		58,224
Petty Cash		<u>500</u>
Total	\$	<u><u>\$1,931,313</u></u>

Investment in 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.

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

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 the 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, 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.

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

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 requirement 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.

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 the total County investments, refer to the 2008 Sonoma County CAFR.

**WINDSOR FIRE PROTECTION DISTRICT**  
**Notes to the Basic Financial Statements**  
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**B. Capital Assets**

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

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers &amp;</u> <u>Adjustments</u>	<u>Ending</u> <u>Balance</u>
Capital assets, not being depreciated:					
Land	\$ 107,325	\$	\$	\$	\$ 107,325
Total capital assets, not being depreciated	<u>107,325</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>107,325</u>
Capital assets, being depreciated:					
Buildings and improvements	3,117,167				3,117,167
Equipment	<u>1,740,214</u>	<u>79,507</u>			<u>1,819,721</u>
Total capital assets, being depreciated	<u>4,857,381</u>	<u>79,507</u>	<u>0</u>	<u>0</u>	<u>4,936,888</u>
Less accumulated depreciation for:					
Buildings and improvements	(568,721)	(62,634)			(631,355)
Equipment	<u>(835,133)</u>	<u>(110,196)</u>			<u>(945,329)</u>
Total accumulated depreciation	<u>(1,403,854)</u>	<u>(172,830)</u>	<u>0</u>	<u>0</u>	<u>(1,576,684)</u>
Total capital assets, being depreciated, net	<u>3,453,527</u>	<u>(93,323)</u>	<u>0</u>	<u>0</u>	<u>3,360,204</u>
Capital assets, net	\$ <u>3,560,852</u>	\$ <u>(93,323)</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>3,467,529</u>

Depreciation expense was charged to functions/programs of the Windsor Fire Protection District government as follows:

Governmental activities:

Public safety - fire protection	\$ <u>172,830</u>
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**WINDSOR FIRE PROTECTION DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

**C. Long-term Liabilities**

Changes in long-term liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes payable	\$ 26,511	\$	\$ (26,511)	\$ 0	
Compensated absences	125,215	53,134		178,349	
Total long-term liabilities	\$ 151,726	\$ 53,134	\$ (26,511)	\$ 178,349	

**IV. OTHER INFORMATION**

**A. Risk Management**

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

As a member of a public entity risk pool, the District is responsible for appointing an employee as a liaison between the District and the system, implementing all policies of the system, promptly paying all contributions, and cooperating with the system and any insurer of the system. The system is responsible for providing insurance coverage as agreed upon, assisting the District with implementation, providing claims adjusting and defense of any civil action brought against an officer of the system.

**B. Employee Retirement Plan**

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

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

Plan Description

All full-time employees participate in a cost sharing multiple-employer Defined Benefit Pension Plan (DBPP) administered by the California Public Employees' Retirement System (CalPERS). The Fund is a cost-sharing multiple-employer Defined Benefit Pension Plan (DBPP) administered by CalPERS. CalPERS 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 PERS' annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, CA 95814.

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 9.00% of their annual covered salary for Safety and 7.00% for non-safety. The District makes the contributions required of District employees on their behalf and for their account. The District is required to contribute at an actuarially determined rate. The current rate is 18.596% for safety employees and 16.096% for non-safety employees of covered payroll. The contribution requirements of plan members and the District are established and may be amended by CalPERS.

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

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

**Schedule of Employer Contributions**  
**Safety Plan**

Fiscal Year Ending	Annual Pension Cost (APC)	Percent of APC Contributed	Net Pension Obligation
6/30/06	72,443	100%	0
6/30/07	88,582	100%	0
6/30/08	173,588	100%	0

Funded Status and Funding Progress of the Plan

Miscellaneous Plan

As of June 30, 2007, based on CalPERS most recent actuarial report the Miscellaneous Plan is 83.7% funded. The actuarial accrued liability for benefits was \$1,627,025,950 and the actuarial value of the asset was \$1,362,059,317, resulting in an unfunded liability of \$264,966,633. The covered payroll (annual payroll of active miscellaneous employees covered by the plan) was \$376,292,121, and the ratio of the unfunded liability to the covered payroll was 70.4%.

Safety Plan

As of June 30, 2007, based on CalPERS most recent actuarial report the Safety Plan is 86.3% funded. The actuarial accrued liability for benefits was \$1,648,159,522, and the actuarial value of the asset was \$1,422,143,206, resulting in a unfunded liability of \$226,016,417. The covered payroll (annual payroll of active safety employees covered by the plan) was \$200,537,256, and the ratio of the unfunded liability to the covered payroll was 112.7%.

The Schedule of Funding Progress, presented as 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 Plan are increasing or decreasing over time relative to the actuarial liability for benefits.

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

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 Plan is shown below:

Valuation date	June 30, 2007	June 30, 2006	June 30, 2005
Actuarial cost method	Entry age normal cost method	Entry age normal cost method	Entry age normal cost method
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
Average remaining period	16 years as of the valuation date	16 years as of the valuation date	16 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%

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

**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 - Contingent Liability**

On September 26, 2007, a Claim for Personal Injuries was presented to the District. On November 15, 2007, the claim was rejected by the District. It is not currently possible to predict the likely outcome or range of potential loss, if any.

**E. Subsequent Event – Fire Truck Purchase**

The Town of Windsor purchased a Quint ladder truck for the District. The truck will not be delivered and in use by the District until 2008/2009 fiscal year.

**WINDSOR FIRE PROTECTION DISTRICT**  
**Required Supplementary Information**  
**June 30, 2008**

**Schedule of Funding Progress**  
**CalPERS Safety 3.0% at 55 Plan**

<b>Valuation Date</b>	<b>Accrued Liabilities (AL)</b>	<b>Actuarial Value of Assets (AVA)</b>	<b>Unfunded Liabilities (UL)</b>	<b>Funded Ratio (AVA/AL)</b>	<b>Annual Covered Payroll</b>	<b>UL As a % of Payroll</b>
6/30/2005	1,325,510,754	1,105,298,221	220,212,533	83.4%	161,446,071	136.4%
6/30/2006	1,473,284,852	1,252,059,468	221,225,384	85.0%	177,088,890	124.9%
6/30/2007	1,648,159,522	1,422,143,105	226,016,417	86.3%	200,537,256	112.7%

**Schedule of Funding Progress**  
**CalPERS Miscellaneous 2.7% at 55 Plan**

<b>Valuation Date</b>	<b>Accrued Liabilities (AL)</b>	<b>Actuarial Value of Assets (AVA)</b>	<b>Unfunded Liabilities (UL)</b>	<b>Funded Ratio (AVA/AL)</b>	<b>Annual Covered Payroll</b>	<b>UL As a % of Payroll</b>
6/30/2005	872,346,612	729,556,809	142,789,803	83.6%	203,995,039	70.0%
6/30/2006	1,280,157,040	1,069,546,974	210,610,066	83.6%	304,989,179	69.1%
6/30/2007	1,627,025,950	1,362,059,317	264,966,633	83.7%	376,292,121	70.4%

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

As of June 1, 2009, the District Board consisted of the following members:

<u>Directors:</u>	<u>Office</u>	<u>Term Expires</u>
Pat McDowell .....	President .....	November, 2010
Adam Brolan .....		November, 2012
John S. Nelson .....		November, 2012
Victor Pozzi .....		November, 2012
John Doherty .....		November, 2010

Clerk of the Board:

Ronald L. Collier ..... Fire Chief ..... Continuous

Regular Meetings:

The regular meeting of the Board of Directors is held at 6:00 P.M. on the third Tuesday of each month at the Windsor Fire Station, located on 8200 Old Redwood Hwy, Windsor, California. (707) 838-1170.