

RINCON VALLEY FIRE PROTECTION DISTRICT

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



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

RINCON VALLEY 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
Rincon Valley Fire Protection District
Santa Rosa, CA

Auditor-Controller's Report

We have audited the accompanying basic financial statements of the Rincon Valley 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.

Sonoma County Auditor-Controller

February 10, 2009

Management's Discussion and Analysis

As management of the Rincon Valley 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 financial statements.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$4,239,088 (net assets). Of this amount, \$1,117,197 (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 \$486,482. 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 \$3,023,068, an increase of \$599,001, in comparison with the prior year. Approximately 49% of this total amount is available for spending at the government's discretion (unreserved fund balance).
- At the end of the year, unreserved fund balance for the general fund was \$1,474,785 or 35% of the total general fund expenditures of \$4,236,983.
- The District's total long-term debt increased by \$21,618 (6%) 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).

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.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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 \$4,239,088 at the close of the most recent fiscal year.

A large portion of the District's net assets (37%) 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
June 30, 2008

Current and other assets	\$	3,117,816
Capital assets		<u>1,573,608</u>
Total assets		<u>4,691,424</u>
Long-term liabilities outstanding		357,588
Other liabilities		<u>94,748</u>
Total liabilities		<u>452,336</u>
Net assets:		
Invested in capital assets		1,573,608
Restricted for capital replacement		1,493,159
Restricted for mitigation fund		55,124
Unrestricted		<u>1,117,197</u>
Total net assets	\$	<u><u>4,239,088</u></u>

The balance of unrestricted net assets (\$1,117,197) 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 \$486,482. This increase is a result of revenues exceeding expenses in the governmental activities.

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

Revenues:	
Program revenues:	
Public safety - fire protection	\$ 233,918
General revenues:	
Property taxes	4,507,706
Investment income and other	<u>94,360</u>
Total revenues	<u>4,835,984</u>
Expenses:	
Public safety - fire protection	<u>4,349,502</u>
Increase in net assets	486,482
Net assets - beginning of the year	<u>3,752,606</u>
Net assets - end of the year	<u>\$ 4,239,088</u>

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 fund 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 fund reported ending fund balance of \$3,023,068, an increase of \$599,001 in comparison with the prior year. Approximately 49% of the total amount constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved for capital improvements or in a special revenue fund.

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 \$1,474,785, while the total fund balance was \$2,967,944. 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 35% 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 \$1,573,608 (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 \$90,901.

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

- Depreciation of the capital assets (\$117,386)
- Purchase of equipment \$ 5,213
- Purchase in building improvements \$ 21,272

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

Debt Administration: At the end of the current fiscal year, the District had total long-term obligations outstanding of \$357,588 in compensated absences. During the current fiscal year, the District's total long-term debt increased by \$21,618.

Economic Factors and Next Year's Budgets and Rates

- Continuing increase in health insurance rates.
- Possible reduction of intergovernmental revenue due to State of California budget crisis.

All of these factors were considered in preparing the District's budget for the fiscal year ending June 30, 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 District, P.O. Box 530, Windsor, California 95492.

RINCON VALLEY FIRE PROTECTION DISTRICT
Statement of Net Assets
June 30, 2008

Assets	
Cash and investments	\$ 3,005,299
Due from other government	60,973
Flat charges receivable	51,544
Capital assets (net of accumulated depreciation)	
Non-depreciable	82,363
Depreciable, net of depreciation	<u>1,491,245</u>
Total assets	<u>4,691,424</u>
 Liabilities	
Accounts payable	94,748
Non-current liabilities:	
Compensated absences - Due in more than one year	<u>357,588</u>
Total liabilities	<u>452,336</u>
 Net Assets	
Invested in capital assets, net of related debt	1,573,608
Restricted for capital replacement	1,493,159
Restricted for mitigation fund	55,124
Unrestricted	<u>1,117,197</u>
Total net assets	<u>\$ 4,239,088</u>

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

RINCON VALLEY FIRE PROTECTION DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2008

Program Expenses

Public safety - fire protection	
Salaries and employee benefits	\$ 3,733,391
Services and supplies	498,725
Depreciation	117,386
	<u>117,386</u>
Total program expenses	<u>4,349,502</u>

Program Revenues

Charges for services	
Intergovernmental revenue	197,673
Licenses and permits	1,620
Other charges for services	18,947
	<u>18,947</u>
Total charges for services	218,240

Capital Grants and Contributions

FEMA grant revenue	9,058
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Operating Grants and Contributions

FEMA grant revenue	6,620
	<u>6,620</u>

Total program revenues	<u>233,918</u>
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Net program revenues (expenses)	<u>(4,115,584)</u>
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General revenues

Property taxes	4,507,706
Investment earnings	94,360
	<u>94,360</u>
Total general revenues	<u>4,602,066</u>

Change in net assets	486,482
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Net assets, beginning of year	<u>3,752,606</u>
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Net assets, end of year	<u>\$ 4,239,088</u>
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The notes to the basic financial statements are an integral part of this statement.

RINCON VALLEY FIRE PROTECTION DISTRICT
Balance Sheet
Governmental Funds
June 30, 2008

	General	Special Revenue	Total Governmental Funds
Assets			
Cash and investments	\$ 2,951,075	\$ 54,224	\$ 3,005,299
Due from other government	60,973		60,973
Flat charges receivable	50,644	900	51,544
Total assets	\$ 3,062,692	\$ 55,124	\$ 3,117,816
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 94,748		\$ 94,748
Fund balances:			
Unreserved	1,404,354		1,404,354
Unreserved, designated for unemployment insurance	70,431		70,431
Reserved for capital improvements	1,493,159		1,493,159
Reserved for mitigation		\$ 55,124	55,124
Total fund balances	2,967,944	55,124	3,023,068
Total liabilities and fund balances	\$ 3,062,692	\$ 55,124	\$ 3,117,816

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

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

Fund balances - total government funds	\$ 3,023,068
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.	1,573,608
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Compensated absences	<u>(357,588)</u>
Net assets of governmental activities	<u>\$ 4,239,088</u>

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

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

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
Revenues			
Property taxes	\$ 4,507,706	\$	\$ 4,507,706
Licenses and permits	1,620		1,620
Investment income	92,433	1,927	94,360
Intergovernmental revenue	197,673		197,673
Charges for services	506	18,441	18,947
Grant revenue	15,678		15,678
	<u>4,815,616</u>	<u>20,368</u>	<u>4,835,984</u>
Expenditures			
Current:			
Salaries and employee benefits	3,711,773		3,711,773
Services and supplies	498,725		498,725
Capital outlay	26,485		26,485
	<u>4,236,983</u>	<u>0</u>	<u>4,236,983</u>
Net change in fund balances	578,633	20,368	599,001
Fund balance, beginning of year	<u>2,389,311</u>	<u>34,756</u>	<u>2,424,067</u>
Fund balance, end of year	<u>\$ 2,967,944</u>	<u>\$ 55,124</u>	<u>\$ 3,023,068</u>

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

RINCON VALLEY 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
is different because:**

Net change in fund balance - governmental funds	\$	599,001
<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>		
Expenditure for capital assets		26,485
Current year depreciation		(117,386)
<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>		
		(21,618)
Change in net assets of governmental activities	\$	486,482

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

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

Revenues	<u>Budgeted Amounts</u>		<u>Actual</u> Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Property taxes	\$ 4,400,000	\$ 4,400,000	\$ 4,507,706	\$ 107,706
Licenses and permits			1,620	1,620
Investment income	47,000	47,000	92,433	45,433
Intergovernmental revenue	50,000	50,000	197,673	147,673
Charges for services			506	506
Miscellaneous	35,000	35,000		(35,000)
Grant revenue			15,678	15,678
Total revenues	<u>4,532,000</u>	<u>4,532,000</u>	<u>4,815,616</u>	<u>283,616</u>
Expenditures				
Current:				
Salaries and employee benefits	3,887,489	3,887,489	3,711,773	175,716
Services and supplies	608,000	608,000	498,725	109,275
Capital outlay	2,095,787	2,095,787	26,485	2,069,302
Appropriations for contingency	100,000	100,000		100,000
Total expenditures	<u>6,691,276</u>	<u>6,691,276</u>	<u>4,236,983</u>	<u>2,454,293</u>
Net change in fund balance	(2,159,276)	(2,159,276)	578,633	2,737,909
Fund balance, beginning of year	<u>2,389,311</u>	<u>2,389,311</u>	<u>2,389,311</u>	<u>0</u>
Fund balance, end of year	\$ <u>230,035</u>	\$ <u>230,035</u>	\$ <u>2,967,944</u>	\$ <u>2,737,909</u>

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

RINCON VALLEY FIRE PROTECTION DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budgets and Actual
Special Revenue Fund
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
Revenues	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Investment income	\$ 2,500	\$ 2,500	\$ 1,927	\$ (573)
Charges for services			18,441	18,441
Total revenues	2,500	2,500	20,368	17,868
 Expenditures				
Capital outlay	30,876	30,876		30,876
Net change in fund balance	(28,376)	(28,376)	20,368	48,744
Fund balance, beginning of year	34,756	34,756	34,756	0
Fund balance, end of year	\$ 6,380	\$ 6,380	\$ 55,124	\$ 48,744

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

RINCON VALLEY FIRE PROTECTION DISTRICT
Notes to the Basic Financial Statements
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Rincon Valley Fire Protection District (the District) was formed on January 15, 1948 by resolution of the Board of Supervisors of the County of Sonoma as a fire protection district under and pursuant to provisions of the Health and Safety Code of the State of California. The District serves taxpayers and residents in a specific unincorporated area of the County of Sonoma and a portion of the Town of Windsor, the boundaries of which are set by resolution of the Board of Supervisors. The District's governmental powers are exercised through a 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 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 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.

RINCON VALLEY 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 are considered flat charges receivable.

RINCON VALLEY 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 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 \$755,292 in Benefit Assessments collected. Benefit Assessments are a type of flat charge applied to each parcel of property within the District, exclusive of the property value.

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

3. Capital Assets

Capital assets, which include land, buildings and improvements, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,500 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.

RINCON VALLEY FIRE PROTECTION DISTRICT
Notes to the Basic Financial Statements
June 30, 2008

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	10 – 30
Equipment	5 – 20

4. Compensated Absences

It is the District’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay and 25% 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 – invested in capital assets, restricted, and unrestricted. These classifications are defined as follows:

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

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

RINCON VALLEY FIRE PROTECTION DISTRICT
Notes to the Basic Financial Statements
June 30, 2008

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, Rincon Valley 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.

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.

RINCON VALLEY FIRE PROTECTION DISTRICT
Notes to the Basic Financial Statements
June 30, 2008

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.

The amount of cash at June 30 is as follows:

Cash in County Treasury	\$	3,005,021
Cash with Exchange Bank		28
Cash on Hand		250
Total	\$	3,005,299

* Cash in County Treasury includes \$54,224 in funds restricted for mitigation and \$1,493,159 restricted for capital replacement

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

RINCON VALLEY FIRE PROTECTION DISTRICT
Notes to the Basic Financial Statements
June 30, 2008

permitted by the California Government Code 53601, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity.

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, one of the ways that the Treasury Pool manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations.

As of June 30, 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

RINCON VALLEY FIRE PROTECTION DISTRICT
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lending transactions:

- The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by depository regulated under stated law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.
- The California Government Code limits the total of all securities lending transactions to 20% of the fair value of the investment portfolio.

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

Concentration of Credit Risk

The investment policy of the County contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. For a listing of investments in any one issuer (other than U.S. Treasury securities, mutual funds, or external investment pools) that represent 5% or more of total County investments, refer to the 2008 Sonoma County CAFR.

RINCON VALLEY FIRE PROTECTION DISTRICT
Notes to the Basic Financial Statements
June 30, 2008

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 & Adjustments</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:					
Land	\$ 74,025	\$	\$	\$	\$ 74,025
Construction in progress		8,338			8,338
Total capital assets, not being depreciated	<u>74,025</u>	<u>8,338</u>	<u>0</u>	<u>0</u>	<u>82,363</u>
Capital assets, being depreciated:					
Buildings and improvements	601,250	12,934			614,184
Equipment	<u>2,182,052</u>	<u>5,213</u>			<u>2,187,265</u>
Total capital assets, being depreciated	<u>2,783,302</u>	<u>18,147</u>	<u>0</u>	<u>0</u>	<u>2,801,449</u>
Less accumulated depreciation for:					
Buildings and improvements	(342,932)	(17,051)			(359,983)
Equipment	<u>(849,886)</u>	<u>(100,335)</u>			<u>(950,221)</u>
Total accumulated depreciation	<u>(1,192,818)</u>	<u>(117,386)</u>	<u>0</u>	<u>0</u>	<u>(1,310,204)</u>
Total capital assets, being depreciated, net	<u>1,590,484</u>	<u>(99,239)</u>			<u>1,491,245</u>
Capital assets, net	<u>\$ 1,664,509</u>	<u>\$ (90,901)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,573,608</u>

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

Governmental activities:

Public safety - fire protection \$ 117,386

RINCON VALLEY FIRE PROTECTION DISTRICT
Notes to the Basic Financial Statements
June 30, 2008

C. Long-Term Obligations

Changes in long-term obligations

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Long-term liabilities:					
Compensated absences \$	\$ 335,970	\$ 21,618	\$ _____	\$ 357,588	0

IV. OTHER INFORMATION

A. Risk Management

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

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

B. Employee Retirement Plan

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

RINCON VALLEY FIRE PROTECTION DISTRICT
Notes to the Basic Financial Statements
June 30, 2008

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 Miscellaneous Plan and the Safety Plan of the Rincon Valley Fire Protection District. The Fund is a cost-sharing multiple-employer Defined Benefit Pension Plan (DBPP) administered by CalPERS. The Fund provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions and all other requirements are established by state statute and Resolution of the Board.

Copies of CalPERS' annual financial report may be obtained from their Executive Office by writing or calling the Plan: California PERS, P.O. Box 942709, Sacramento, CA 94229-2709, (916) 326-3420. A separate report for the District's plan is not available.

Funding Policy

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

Miscellaneous Plan and Safety Plan members are required to contribute 7.00% and 9.00%, respectively, of their annual covered salary. The District is required to contribute at an actuarially determined rate. The contribution rate for the fiscal year ending June 30, 2008 is 0% for miscellaneous employees, and 33.987% for safety employees of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by CalPERS.

RINCON VALLEY 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)	Percentage of APC Contributed	Net Pension Obligation
06/30/06	567,021	100%	0
06/30/07	596,963	100%	0
06/30/08	619,943	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 91.6% funded. The actuarial accrued liability for benefits was \$2,611,746,790, and the actuarial value of the asset was \$2,391,434,447, resulting in an unfunded liability of \$220,312,343. The covered payroll (annual payroll of active miscellaneous employees covered by the plan) was \$665,522,859, and the ratio of the unfunded liability to the covered payroll was 33.1%.

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 \$1,422,143,105, 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.

Actuarial Assumptions and Methods

RINCON VALLEY FIRE PROTECTION DISTRICT
Notes to the Basic Financial Statements
June 30, 2008

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	Closed; 16 years as of the valuation date for the Miscellaneous Plan; and 16 years as of the valuation date for the Safety Plan.	Closed; 16 years as of the valuation date for the Miscellaneous Plan; and 15 years as of the valuation date for the Safety Plan.	Closed; 17 years as of the valuation date for the Miscellaneous Plan; and 15 years as of the valuation date for the Safety Plan.
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.

RINCON VALLEY FIRE PROTECTION DISTRICT
Required Supplementary Information
June 30, 2008

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL As a Percentage of Covered Payrol (B-A)/C
06/30/05	\$ 2,588,713,000	\$ 2,891,460,651	\$ 302,747,651	89.5%	\$ 755,046,679	40.097%
06/30/06	\$ 2,492,226,176	\$ 2,754,396,608	\$ 262,170,432	90.5%	\$ 699,897,835	37.458%
06/30/07	\$ 2,391,434,447	\$ 2,611,746,790	\$ 220,312,343	91.6%	\$ 665,522,859	33.104%

Schedule of Funding Progress-
CalPERS Safety 3% at 55 Risk Pool

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL As a Percentage of Covered Payrol (B-A)/C
06/30/05	\$ 1,105,298,221	\$ 1,325,510,754	\$ 220,212,533	83.4%	\$ 161,446,071	136.400%
06/30/06	\$ 1,252,059,468	\$ 1,473,284,852	\$ 221,225,384	85.0%	\$ 177,088,890	124.923%
06/30/07	\$ 1,422,143,105	\$ 1,648,159,522	\$ 226,016,417	86.3%	\$ 200,537,256	112.705%

RINCON VALLEY FIRE PROTECTION DISTRICT
Roster of Board Members

As of February 10, 2009, the District Board consisted of the following members:

<u>Directors:</u>	<u>Office</u>	<u>Term Expires</u>
Darrel J. Mead.....	Chairman	November, 2012
Dan O'Donnell.....	Vice Chairman	November, 2010
James Bouler		November, 2012
Patricia Waldow		November, 2012
Don Wilson		November, 2010

Secretary:

Douglas Williams

Regular Meetings:

The regular meeting of the Board of Directors is held at 5:30 P.M. on the second Monday of each month at the Larkfield Station, located at 45 Lark Center Drive, Santa Rosa, California.
(707) 539-1801.