

**Monte Rio Fire Protection District**

**Annual Report  
For the Fiscal Year Ended  
June 30, 2009**



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

**Monte Rio Fire Protection District**

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For the Fiscal Year Ended  
June 30, 2009**

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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  
Monte Rio Fire Protection District  
Monte Rio, CA

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

We have audited the accompanying basic financial statements of the Monte Rio Fire Protection District (the District), as of and for the year ended June 30, 2009, 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.B 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, 2009, and the respective changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (MD&A) is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Sonoma County Auditor-Controller*

December 1, 2010

## Management's Discussion and Analysis

As management of the Monte Rio 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, 2009. We encourage readers to consider the information presented here in conjunction with the District's financial statements and the accompanying notes to the basic financial statements.

### Financial Highlights

- The assets of the District exceeded their liabilities at the close of the most recent fiscal year by \$1,038,224 (net assets). Of this amount, \$484,874 (unrestricted net assets) may be used to meet the District's ongoing operations.
- The District's total net assets increased by \$87,279. This increase is the result of revenues exceeding expenses in the governmental activities.
- As of the close of the current fiscal year, the district reported an ending fund balance of \$484,874, an increase of \$71,854, in comparison with the prior year. This amount is available for spending at the District's discretion (unreserved fund balance).
- At the end of the year, unreserved fund balance was \$484,874 or 141% of the total general fund expenditures of \$344,526.
- The District's long-term liabilities decreased by \$41,635.

### Overview of the Financial Statements

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

**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 strike team revenue).

**Fund financial statements:** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's funds are governmental funds.

**Governmental Funds:** Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District uses governmental funds to account for its activities, which include fire protection services in the district boundaries. The District adopts an annual appropriated budget for its funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

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

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

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

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$1,038,224 at the close of the most recent fiscal year.

A large portion of the District's net assets (71%) 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.

The balance of unrestricted net assets, \$484,874, may be used to meet the District's ongoing obligations to citizens and vendors.

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

**Net Assets**  
**June 30, 2009**

	<u>2009</u>	<u>2008</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Current and other assets	\$ 509,758	\$ 490,206	\$ 19,552	4.0%
Capital assets	<u>736,715</u>	<u>762,925</u>	<u>(26,210)</u>	<u>-3.4%</u>
Total assets	<u>1,246,473</u>	<u>1,253,131</u>	<u>(6,658)</u>	<u>-0.5%</u>
Long-term liabilities outstanding	183,365	225,000	(41,635)	100.0%
Other liabilities	<u>39,288</u>	<u>77,186</u>	<u>(37,898)</u>	<u>-49.1%</u>
Total liabilities	<u>222,653</u>	<u>302,186</u>	<u>(79,533)</u>	<u>-26.3%</u>
Net assets:				
Invested in capital assets, net of related debt	553,350	537,928	15,422	2.9%
Unrestricted	<u>484,874</u>	<u>413,020</u>	<u>71,854</u>	<u>17.4%</u>
Total net assets	<u>\$ 1,038,224</u>	<u>\$ 950,948</u>	<u>\$ 87,276</u>	<u>9.2%</u>

**Governmental Activities:** Governmental activities increased the District's net assets by \$87,279. This increase is the result of revenues exceeding expenses in the governmental activities.

**Changes in Net Assets  
For the Fiscal Year Ended June 30, 2009**

	<u>2009</u>	<u>2008</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Revenues:				
Program Revenues:				
Charges for services	\$ 131,669	\$ 44,422	\$ 87,247	196.4%
General Revenues:				
Property taxes	260,301	258,888	1,413	0.5%
Investment income and other	24,410	3,469	20,941	603.7%
Total revenues	<u>416,380</u>	<u>306,779</u>	<u>109,601</u>	<u>35.7%</u>
Expenses:				
Program Expenses:				
Public safety - fire protection	320,836	316,235	4,601	1.5%
General Expenses:				
Debt service - interest	8,265	408	7,857	1925.7%
Total expenses	<u>329,101</u>	<u>316,643</u>	<u>12,458</u>	<u>3.9%</u>
Change in Net Assets	87,279	(9,864)	97,143	-984.8%
Net assets - beginning of the year	<u>950,945</u>	<u>934,621</u>	<u>16,324</u>	<u>1.7%</u>
Net assets - end of the year	<u>\$ 1,038,224</u>	<u>\$ 924,757</u>	<u>\$ 113,467</u>	<u>12.3%</u>

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

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

**Governmental funds:** The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental fund reported ending fund balance of \$484,874, an increase of \$71,854 in comparison with the prior year. The total amount constitutes unreserved fund balance, which is available for spending at the government's discretion. 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 72% of total general fund expenditures.

## General Fund Budgetary Highlights

There were no material differences between the original budget and the final amended budget .

## Capital Asset and Debt Administration

**Capital Assets:** The District's investment in capital assets, as of June 30, 2009, amounts to \$736,715 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements and equipment. The total increase in the District's investment in capital assets for the current fiscal year was \$26,210.

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

- |                                      |             |
|--------------------------------------|-------------|
| • Depreciation of the capital assets | (\$ 50,935) |
| • Purchase of equipment              | \$ 24,725   |
| • Equipment sales                    | \$ 12,000   |

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

**Debt administration:** At the end of the fiscal year the District had total long-term obligations of \$183,365. During the current fiscal year, the District's long-term debt decreased by \$41,635.

## Request for Additional Information

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District, P.O. Box 279, Monte Rio, California 95462.

**Monte Rio Fire Protection District**  
**Statement of Net Assets**  
**June 30, 2009**

<b>Assets</b>	
Cash and investments	\$ 509,758
Prepaid expenses	14,404
Capital assets (net of accumulated depreciation)	
Land	41,480
Building and improvements	201,909
Equipment	493,326
Total assets	1,260,877
 <b>Liabilities</b>	
Accounts payable	39,288
Capital leases payable - Due within one year	43,253
Non-current liabilities:	
Capital leases payable - Due in more than one year	140,112
Total liabilities	222,653
 <b>Net Assets</b>	
Invested in capital assets, net of related debt	553,350
Unrestricted	484,874
Total net assets	\$ 1,038,224

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

**Monte Rio Fire Protection District**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2009**

**Program Expenses**

Public safety - fire prevention	
Salaries and employee benefits	\$ 66,246
Services and supplies	203,655
Depreciation	50,935
Debt service - interest	8,265
Total program expenses	329,101

**Program Revenues**

Charges for services	
Intergovernmental revenue	131,669
Operating Grants and Contributions	
Total program revenues	131,669
Net program revenues (expenses)	(197,432)

**General Revenues**

Property taxes	260,301
Investment earnings	9,246
Miscellaneous	3,164
Loss on sale of capital asset	12,000
Total general revenues	284,711

Change in net assets	87,279
Net assets, beginning of year	950,945
Net assets, end of year	\$ 1,038,224

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

**Monte Rio Fire Protection District  
Balance Sheet  
Governmental Fund  
June 30, 2009**

**Assets**

Cash and investments	\$ 509,758
Prepaid expenses	14,404
	14,404
Total assets	\$ 524,162
	524,162

**Liabilities and Fund Balance**

Liabilities:	
Accounts payable	\$ 39,288
Fund balance:	
Unreserved:	484,874
	484,874
Total liabilities and fund balance	\$ 524,162
	524,162

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

Fund balance - total government funds	\$ 484,874
Amount reported for governmental activities in the statement of net assets is different because:	
Capital assets (net of accumulated depreciation and long term debt) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	553,350
	553,350
Net assets of governmental activities	\$ 1,038,224
	1,038,224

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

**Monte Rio Fire Protection District  
Statement of Revenues, Expenditures and  
Changes in Fund Balance  
Governmental Fund  
For the Fiscal Year Ended June 30, 2009**

**Revenues**

Property taxes	\$ 260,301
Investment earnings	9,246
Intergovernmental revenue	131,669
Miscellaneous	3,164
	<u>404,380</u>
Total revenues	<u>404,380</u>

**Expenditures**

Current:	
Salaries and employee benefits	66,246
Services and supplies	203,655
Debt service	
Principal	41,635
Interest	8,265
Capital outlay	24,725
	<u>344,526</u>
Total expenditures	<u>344,526</u>

Excess (deficiency) of revenues over (under) expenditures	59,854
--	--------

**Other financing sources (uses)**

Sale of capital asset	12,000
	<u>12,000</u>
Total Other financing sources (uses)	<u>12,000</u>

Net change in fund balance	71,854
Fund balance, beginning of year	413,020
	<u>484,874</u>
Fund balance, end of year	\$ 484,874

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

**Monte Rio Fire Protection District**  
**Reconciliation of the Statement of Revenues, Expenditures and**  
**Changes in Fund Balance of the Governmental Fund to the**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2009**

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

Net change in fund balance - total governmental fund	\$	71,854
<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		(50,935)
<p>The net effect of various miscellaneous transactions involving capital leases payable (i.e. principal payment, accrued interest) is to decrease net assets.</p>		
		41,635
<p>The net effect of various transactions involving the purchase and sale of capital assets is to increase net assets</p>		
		<u>24,725</u>
Change in net assets of governmental activities	\$	<u><u>87,279</u></u>

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

**Monte Rio Fire Protection District**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

**Monte Rio Fire Protection District**  
**Statement of Revenues, Expenditures and Changes in Fund Balance -**  
**Budgets and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2009**

<b>Revenues</b>	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Property taxes	\$ 247,500	\$ 247,500	\$ 260,301	\$ 12,801
Investment earnings	5,700	5,700	9,246	3,546
Intergovernmental revenue	3,200	3,200	131,669	128,469
Miscellaneous			3,164	3,164
Total revenues	<u>256,400</u>	<u>256,400</u>	<u>404,380</u>	<u>147,980</u>
 <b>Expenditures</b>				
Current:				
Salaries and employee benefits	87,500	87,500	66,246	21,254
Services and supplies	380,500	380,500	203,655	176,845
Debt service:				
Principal			41,635	(41,635)
Interest			8,265	(8,265)
Capital outlay	60,000	60,000	24,725	35,275
Appropriations for contingency	21,372	21,372		21,372
Total expenditures	<u>549,372</u>	<u>549,372</u>	<u>344,526</u>	<u>204,846</u>
Excess (deficiency) of revenues over (under) expenditures	(292,972)	(292,972)	59,854	352,826
 <b>Other financing sources (uses)</b>				
Sale of capital asset			12,000	12,000
Total Other finan. sources (uses)	<u>0</u>	<u>0</u>	<u>12,000</u>	<u>12,000</u>
Net change in fund balance	(292,972)	(292,972)	71,854	364,826
Fund balance, beginning of year	413,020	413,020	413,020	0
Fund balance, end of year	<u>\$ 120,048</u>	<u>\$ 120,048</u>	<u>\$ 484,874</u>	<u>\$ 364,826</u>

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

**Monte Rio Fire Protection District**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

**I. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Monte Rio Fire Protection District (the District) was formed under Health and Safety Code Section 14271 and 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. The District's governmental powers are exercised through a Board of Directors.

On March 27, 1999, Jenner Fire Department was annexed to the Monte Rio Fire Protection District per Resolution No. 2321 of Local Agency Formation Commission (LAFCO) and Resolution No. 98-99-02 of the Monte Rio Fire Protection District.

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or section and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Monte Rio Fire Protection District**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

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

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

**D. Assets, Liabilities, and Net Assets or Equity**

**1. Cash and Investments**

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

**2. Receivables and Payables**

**a. Property Taxes**

The County of Sonoma is responsible for assessing, collecting and distributing property taxes in accordance with state law. Liens on real property are established January 1 for the ensuing fiscal year. The property tax is levied as of July 1 on all taxable property located in the County of Sonoma. Secured property taxes are due in two installments, on November 1 and February 1, and are delinquent after December 10 and April 10, respectively. Additionally, supplemental property taxes are levied on a pro rata basis when changes in assessed valuation occur due to sales transactions or the completion of construction.

Since the passage of California's Proposition 13, beginning with the fiscal year 1978/1979, general property taxes are based either on a flat 1% rate applied to the 1975/1976 full value, or on 1% of the sales price of the property on sales transactions and construction after the 1975/1976

**Monte Rio Fire Protection District**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

valuation. Taxable values on properties (exclusive of increases related to sales and construction) can rise at a maximum of 2% per year.

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

**3. Capital Assets**

Capital assets, which include land, buildings and improvements, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$3,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-40
Equipment	10-20

**4. Net Assets**

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

**Monte Rio Fire Protection District**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

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

**5. Fund Equity**

In the fund financial statements unreserved fund balance represents the portion of fund balance which the District has not reserved for a specific purpose.

**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. The District does not make use of encumbrance accounting when developing the budget. Therefore, budgetary amounts for the District are adopted on a GAAP basis. The District's budgetary information was amended during the year by resolution of the Board of Directors.

**III. Detailed Notes**

**A. Cash and Investments**

The District follows the County's practice of pooling cash and investments of all funds with the County Treasurer.

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

**Monte Rio Fire Protection District**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

value provided by the Treasury Pool for the entire Treasury Pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on accounting records maintained by the Treasury Pool, which are recorded on an amortized cost basis. Interest earned on investments pooled with the County is allocated quarterly to the appropriate fund based on its respective average daily balance for that quarter. The Treasury Oversight Committee has regulatory oversight for all monies deposited into the Treasury Pool.

Investment Guidelines

The District's pooled cash and investments are invested pursuant to investment policy guidelines established by the County Treasurer and approved by the Board of Supervisors. The objectives of the policy are, in order of priority: safety of capital, liquidity and maximum rate of return. The policy addresses the soundness of financial institutions in which the County will deposit funds, types of investment instruments as permitted by the California Government Code 53601, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity.

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, one of the ways that the Treasury Pool manages its exposure to interest rate risk is by 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, 2009, approximately 74 percent of the securities in the Treasury Pool had maturities of one year or less. Of the remainder, only 3 percent had a maturity of more than five years.

**Monte Rio Fire Protection District**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

Disclosures Relating to Credit Risk

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

Custodial Credit Risk

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

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

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

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 2009 Sonoma County CAFR.

**Monte Rio Fire Protection District**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

**B. Capital Assets**

Capital asset activity for the year ended June 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers &amp; Adjustments</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:					
Land	\$ 41,480	\$	\$	\$	\$ 41,480
Capital assets, being depreciated:					
Buildings and improvements	459,901				459,901
Equipment	839,214	24,725	(103,207)		760,732
Total capital assets, being depreciated	<u>1,299,115</u>	<u>24,725</u>	<u>(103,207)</u>	<u>0</u>	<u>1,220,633</u>
Less accumulated depreciation for:					
Buildings and improvements	(245,717)	(12,275)			(257,992)
Equipment	<u>(331,953)</u>	<u>(38,660)</u>	<u>103,207</u>		<u>(267,406)</u>
Total accumulated depreciation	<u>(577,670)</u>	<u>(50,935)</u>	<u>103,207</u>	<u>0</u>	<u>(525,398)</u>
Total capital assets, being depreciated, net	<u>721,445</u>	<u>(26,210)</u>	<u>0</u>	<u>0</u>	<u>695,235</u>
Capital assets, net	<u>\$ 762,925</u>	<u>\$ (26,210)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 736,715</u>

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

Governmental activities:

    Public safety - fire protection \$ 50,935

**C. Long-term Debt**

Changes in long-term debt

Long-term liability activity for the year ended June 30, 2009, 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:					
Capital lease	\$ 225,000	\$	\$ (41,635)	\$ 183,365	\$ 43,253

**Monte Rio Fire Protection District**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

**D. Capital Leases Payable**

In February 2008 the District signed a lease-purchase agreement with Municipal Finance Corporation for \$225,000 with an interest rate of 3.85% in order to finance the acquisition of a 2008 Ford F550 Rescue Truck and a 2008 Peterbilt Water Tanker. This loan is to be repaid in ten semi-annual payments of \$24,950.

Type of Indebtedness (Purpose)	Maturity	Interest Rate	Annual Principal Installments	Original Issue Amount	Outstanding as of June 30, 2009
Engines #5432 and #5490	3/24/2012	3.85%	\$20,619-\$24,479	\$ 225,000	\$ 183,365

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

Year Ending June 30	Principal	Interest
2010	\$ 43,253	\$ 6,647
2011	44,943	4,966
2012	46,681	3,219
2013	48,488	3,219
Total	\$ 183,365	\$ 18,051

**IV. Other Information**

**A. Risk Management**

The District is covered for general business, liability, automobile, and errors and omissions through the North West Insurance Agency. The District is also a member of the Fire District Association of California-Fire Agency Self-Insurance System (FDAC-FASIS) through which it receives Worker's 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.

**Monte Rio Fire Protection District**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

**B. 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.

**C. Related Party Transaction**

The District pays a vehicle allowance fee to the Fire Chief for the use of his personal truck. The payment under this agreement is \$900 per month.

**C. Prepaid Expenses**

The District paid a portion of their 2009/10 insurance premium in 2008/2009, therefore the item is considered prepaid for financial statement presentation purposes.

**MONTE RIO FIRE PROTECTION DISTRICT  
Roster of Board Members**

As of December 1, 2010, the District Board consisted of the following members:

<u>Directors:</u>	<u>Office</u>	<u>Term Expires</u>
William M. Atkinson .....	President .....	December, 2010
John A. Mino .....	Vice President .....	December, 2010
Paul A. Casini .....		December, 2012
Emil R. Alberigi .....		December, 2012
James J. Kokalis .....		December, 2010

Regular Meetings:

The regular meeting of the Board of Directors is held at 7:00 P.M. on the second Tuesday of each month at the Monte Rio Fire Station, located at 20385 Highway 116, Monte Rio, California.  
(707) 865-2067