

SOUTH PLACER FIRE DISTRICT

**FINANCIAL STATEMENTS
AND REQUIRED SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED
JUNE 30, 2011**

SOUTH PLACER FIRE DISTRICT
FINANCIAL STATEMENTS
AND REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED
JUNE 30, 2011

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
South Placer Fire District
Granite Bay, California

We have audited the accompanying financial statements of the governmental activities and business-type activities of South Placer Fire District, as of June 30, 2011 and for the year then ended, which collectively comprise the district's 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 these general purpose 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 general purpose financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities of the South Placer Fire district as of June 30, 2011, and the respective changes in financial position and cash flows, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the required supplementary information other than Management's Discussion and Analysis are not a required part of the basic financial statements but are supplementary information required by the Governmental 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 supplementary information. However, we did not audit the information and express no opinion on it.

Board of Directors
South Placer Fire District

In accordance with Government Auditing Standards, we have also issued our report, dated October 15, 2011, on our consideration of the South Placer Fire Protection District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Fechter & Company, CPAs

A large, stylized handwritten signature in black ink that reads "Fechter & Company, CPAs". The signature is written in a cursive, flowing style with a large initial 'F'.

October 15, 2011
Sacramento, CA

SOUTH PLACER FIRE DISTRICT
Management's Discussion and Analysis
June 30, 2011

Our discussion and analysis of the South Placer Fire District provides an overview of the district's financial activity for the fiscal year ended June 30, 2011. It should be read in conjunction with the financial statements that begin on page 7.

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 7 and 8) provide information about the activities of the district as a whole and present a longer-term view of the district's finances. Fund financial statements start on page 9. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report more detail than the government-wide statements by providing information about the district's most significant funds.

Reporting on the District as a Whole

Our analysis of the district as a whole begins on page 3. One of the most important questions asked about the district's finances is, "Is the district as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the district as a whole and about its activities in a way that help answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by the private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the district's net assets and changes in them. You can think of the district's net assets, the difference between assets and liabilities, as one way to measure the district's financial health or financial position. Over time, increases or decreases in the district's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the district's property tax base and the condition of the district's apparatus, equipment, and facilities to assess the overall health of the district.

In the Statement of Net Assets and the Statement of Activities, we divide the district into three kinds of activities:

- Governmental activities – Most of a district's basic services are reported here. Property taxes or special assessments finance governmental activities.
- Business-type activities – The cost of certain services provided by a district are financed by direct fees to the user. The district had no business-type activities in the current year.
- Component units – Although legally separate, component units (such as a redevelopment agency) are important because a district is financially accountable for them. The district had no component units in the current year.

SOUTH PLACER FIRE DISTRICT
Management's Discussion and Analysis
June 30, 2011

Reporting the District's Most Significant Funds

Our analysis of the district's major funds begins on page 3. The fund financial statements begin on page 9 and provide detailed information about the most significant funds – not the district as a whole. The district board establishes funds to help it control and manage money for particular purposes or to show that is meeting legal responsibilities for using certain taxes and other money.

- Governmental funds – most of the district's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the district's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the district's programs. We describe the relationship between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.

Financial Analysis

The net assets for the district as a whole decreased 5.8% from \$10,149,338 at June 30, 2010 to \$9,134,540 at June 30, 2011. This decrease of \$1,014,798 comes from the change in net assets as recorded in the Statement of Activities and flows through the Statement of Net Assets. Program expenses by function, general revenues by major source, deficiency of revenues over expenses and total assets are presented in the Statement of Activities and Changes in Net Assets.

SOUTH PLACER FIRE DISTRICT
Management's Discussion and Analysis
June 30, 2011

The district's combined Net Assets for fiscal years ended June 30, 2011 and 2010 were:

| | GOVERNMENTAL ACTIVITIES | |
|----------------------------|------------------------------------|----------------------|
| | 2011 | 2010 |
| Assets | | |
| Current assets | \$ 2,652,688 | \$ 2,962,253 |
| Capital assets | 7,596,965 | 8,229,526 |
| Total Assets | \$ 10,249,653 | \$ 11,191,779 |
| Liabilities | | |
| Current liabilities | \$ 286,067 | \$ 288,340 |
| Noncurrent liabilities | 829,046 | 754,101 |
| Total Liabilities | \$ 1,115,113 | \$ 1,042,441 |
| Net Assets: | | |
| Invested in capital assets | \$ 7,596,965 | \$ 8,206,503 |
| Unrestricted | 1,537,575 | 1,942,835 |
| Total Net Assets | \$ 9,134,540 | \$ 10,149,338 |

The district's programs for governmental activities include general government. The district has no business type activities. A comparison of each program's revenues and expenses for the current year and prior year is presented below.

| | GOVERNMENTAL ACTIVITIES | |
|--|------------------------------------|----------------------|
| | 2011 | 2010 |
| Revenues | | |
| Program Revenues | | |
| Charges for services | \$ 1,195,564 | 1,094,805 |
| General Revenues | | |
| Property taxes | 5,966,253 | 6,281,494 |
| Other general revenues | 301,956 | 336,165 |
| Total Revenues | 7,463,773 | 7,712,464 |
| Program Expenses | | |
| Public protection | 8,478,571 | 8,290,027 |
| Total Program Expenses | 8,478,571 | 8,290,027 |
| Increase (Decrease) in Net Assets | (1,014,798) | (577,563) |
| Net Assets, July 1 | 10,149,338 | 10,726,901 |
| Net Assets, June 30 | \$ 9,134,540 | \$ 10,149,338 |

SOUTH PLACER FIRE DISTRICT
Management's Discussion and Analysis
June 30, 2011

Operating Revenues

As shown above, the district's revenue decreased by \$248,691 or 3.2% during the year ended June 30, 2011. This is primarily due to continued erosion of the property tax base and a decline in strike team activity.

Budgetary Highlights

During the year the revenue was lower than projected. The variance is primarily reflected in reductions in security, property taxes, supplemental property taxes, interest received, and fees for service with an increase in OES reimbursements. The resources available for appropriation (revenues) were \$628,643 below the final budgeted amount.

Capital Assets

The District's investment in capital assets as of June 30, 2011, amounted to \$7,596,965 net of accumulated depreciation. Capital assets consist of land, buildings, fire trucks, and other vehicles and equipment. Depreciation expense was recorded at \$725,456.

Economic Factors and Future Outlook

The South Placer Fire District provided fire protection to the south-west portion of Placer County with a current population of 27,000. The population has stabilized and is only expected to increase slightly as the community nears build-out. The District staff expects the fire service to remain the same as more open range is developed. Any change in operating revenue will depend on increased assessments to developed property and fluctuations in property values. The operating expenses have increased over the last three years. From the FY2007-08 Budget of \$7.9 million, the estimated property tax revenues are expected to decrease for several more years before flattening. While the revenues are expected to decrease the cost of specific programs are expected to increase. Financing for capital asset purchases outlined in the District's Long Term Facilities Maintenance Plan and the Apparatus Replacement plan are currently stressed and several scheduled projects have been postponed.

The number of new homes built within the District has dropped from 61 in FY2005-06 to 16 in FY 2010-2011. This has caused a significant reduction on impact fees collected to fund the District Capital Facilities. Most prominent industry analysts expect this housing slowdown to persist through the end of the 2013 calendar year.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Finance Division, at The South Placer Fire District, 6900 Eureka Road, Granite Bay, California 95746.

SOUTH PLACER FIRE DISTRICT
STATEMENT OF NET ASSETS
June 30, 2011

ASSETS

| | |
|--------------------------|-----------------------|
| Cash and investments | \$ 2,399,778 |
| Accounts receivable, net | 252,910 |
| Capital assets: | |
| Depreciable, net | <u>7,596,965</u> |
| Total Assets | <u>10,249,653</u> |

LIABILITIES

| | |
|--------------------------------|----------------------|
| Accounts payable | 64,288 |
| Accrued payroll | <u>221,779</u> |
| Total Current Liabilities | 286,067 |
| Long-term liabilities: | |
| Compensated absences | 308,762 |
| Other post-employment benefits | <u>520,284</u> |
| Total Liabilities | <u>1,115,113</u> |

NET ASSETS

| | |
|---|-------------------------|
| Invested in capital assets, net of related debt | 7,596,965 |
| Restricted | 214,081 |
| Unrestricted | <u>1,323,494</u> |
| Total Net Assets | <u>\$ 9,134,540</u> |

The accompanying notes are an integral part of these financial statements

**SOUTH PLACER FIRE DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011**

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Change in Net Assets |
|-------------------------------|---------------------|-------------------------|--|--|---|
| | | Charges for Services | Operating Contributions and Grants | Capital Contributions and Grants | |
| Governmental Activities: | | | | | |
| Public Protection | \$ 8,478,571 | \$ 1,195,564 | \$ - | \$ - | \$ (7,283,007) |
| Total Governmental Activities | <u>\$ 8,478,571</u> | <u>\$ 1,195,564</u> | <u>\$ -</u> | <u>\$ -</u> | <u>(7,283,007)</u> |
| General Revenues | | | | | |
| | | | | | 5,966,253 |
| | | | | | 83,160 |
| | | | | | 87,770 |
| | | | | | 14,190 |
| | | | | | <u>116,836</u> |
| | | | | | 6,268,209 |
| | | | | | <u>(1,014,798)</u> |
| | | | | | <u>10,149,338</u> |
| | | | | | <u>\$ 9,134,540</u> |

The accompanying notes are an integral part of these financial statements

SOUTH PLACER FIRE DISTRICT
BALANCE SHEET
June 30, 2011

| | General Fund | Mitigation Fund | Combined Total |
|--------------------------------------|-----------------|--------------------|-------------------|
| ASSETS | | | |
| Cash and investments | \$ 2,185,697 | \$ 214,081 | \$ 2,399,778 |
| Accounts receivable, net | 252,910 | - | 252,910 |
| Total Assets | \$ 2,438,607 | \$ 214,081 | \$ 2,652,688 |
| LIABILITIES | | | |
| Accounts payable | \$ 64,288 | \$ - | \$ 64,288 |
| Accrued payroll | 221,779 | - | 221,779 |
| Total Liabilities | 286,067 | - | 286,067 |
| FUND BALANCES | | | |
| Fund Balances | | | |
| Designated | 1,376,484 | - | 1,376,484 |
| Unreserved, undesignated | 776,056 | 214,081 | 990,137 |
| Total Fund Balances | 2,152,540 | 214,081 | 2,366,621 |
| Total, liabilities and fund balances | \$ 2,438,607 | \$ 214,081 | \$ 2,652,688 |

The accompanying notes are an integral part of these financial statements

**SOUTH PLACER FIRE DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2011**

| | |
|--|--------------------------------|
| Total fund balances - governmental funds | \$ 2,366,621 |
| In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation. | |
| Capital assets at historical cost, net | 7,596,965 |
| Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds. Those liabilities consist of: | |
| Accrued compensated absences | (308,762) |
| Other post-employment benefits | <u>(520,284)</u> |
| Net assets of governmental activities | <u><u>\$ 9,134,540</u></u> |

The accompanying notes are an integral part of these financial statements

SOUTH PLACER FIRE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2011

| | General Fund | Mitigation Fund | Totals |
|-------------------------------|---------------------|--------------------|---------------------|
| Revenues: | | | |
| Taxes and assessments | \$ 5,966,253 | \$ - | \$ 5,966,253 |
| Charges for services | 1,195,564 | - | 1,195,564 |
| Reimbursements | 14,190 | - | 14,190 |
| Use of money and property | 84,435 | 3,335 | 87,770 |
| Miscellaneous | 116,836 | - | 116,836 |
| Mitigation fees | - | 83,160 | 83,160 |
| | <hr/> | <hr/> | <hr/> |
| Total revenues | 7,377,278 | 86,495 | 7,463,773 |
| Expenditures: | | | |
| Current | | | |
| Salaries and benefits | 6,629,972 | - | 6,629,972 |
| Services and supplies | 1,047,364 | - | 1,047,364 |
| Capital outlay | 34,371 | 58,524 | 92,895 |
| Debt service: | | | |
| Principal | 23,023 | - | 23,023 |
| Interest | 834 | - | 834 |
| | <hr/> | <hr/> | <hr/> |
| Total expenditures | 7,735,564 | 58,524 | 7,794,088 |
| | <hr/> | <hr/> | <hr/> |
| Net change in fund balances | (358,286) | 27,971 | (330,315) |
| | <hr/> | <hr/> | <hr/> |
| Fund balances - July 1, 2010 | 2,510,826 | 186,110 | 2,696,936 |
| | <hr/> | <hr/> | <hr/> |
| Fund balances - June 30, 2011 | <u>\$ 2,152,540</u> | <u>\$ 214,081</u> | <u>\$ 2,366,621</u> |

The accompanying notes are an integral part of these financial statements

**SOUTH PLACER FIRE DISTRICT
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011**

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures, and Change in Fund Balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

| | |
|-----------------------------|--------------|
| NET CHANGE IN FUND BALANCES | \$ (330,315) |
|-----------------------------|--------------|

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

| | |
|---|-----------|
| Capital outlay expenditures are therefore added back to fund balances | 92,895 |
| Depreciation expense not reported in governmental funds | (725,456) |

The amounts below included in the Statement of Activities do not provide or require the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

| | |
|--|------------------|
| Change in compensated absences | 185,197 |
| Long-term debt payments | 23,023 |
| Increase in other post-employment benefits payable | <u>(260,142)</u> |

| | |
|---|------------------------------|
| CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES | <u><u>\$ (1,014,798)</u></u> |
|---|------------------------------|

The accompanying notes are an integral part of these financial statements

SOUTH PLACER FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Reporting Entity

The South Placer Fire District was formed under Section 13801 of the California Health and Safety Code. The district operates under a Board of Directors and provides the following services: Fire protection and life safety services in the southwest portion of Placer County. Other descriptive information includes:

Address: 6900 Eureka Road
Granite Bay, California

Governing Board: Five-member Board of Directors are elected at-large within the district. Vacancies are filled by appointment of remaining members. Members at June 30, 2011 are:

Mike DeLaurentis
Dave Giblin
Craig Powell
Gary Grenfell
Madelaine Kiliany

Administrative Officer: Tony Corado, Chief
Secretary: Debbie Frick

Measurement Focus, Basis of Accounting, and Financial 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 related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financials statements are reported using the current financials resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the district considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The District uses an availability period of 1 year for its revenues for ambulance services. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, if any, are recorded only when payment is due.

SOUTH PLACER FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Measurement Focus, Basis of Accounting, and Financial Presentation – continued

Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the district.

The district reports the following major governmental fund:

The general fund is the district's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The district does not have a proprietary fund.

The financial statements are prepared on the basis of *Governmental Accounting Standards Board (GASB), Statement Number 34*, (Basic Financial Statements, Management Discussion and Analysis for State and Local Governments) and related standards. This new statement provides for significant changes in terminology and includes recognition of capital grants in the Statement of Revenues, Expenses and Changes in Net Assets; a presentation of net assets; as well as an inclusion of a management discussion and analysis; supplementary information; and other changes.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The district has elected not to follow subsequent private-sector guidance.

Permanent reallocation of resources between funds of the district are classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

SOUTH PLACER FIRE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

New pronouncements

Effective July 1, 2009, the District implemented the following accounting and financial reporting standards:

In June 2004, the GASB issued Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, which addresses how state and local governments should account for and report their costs and obligations related to post-employment healthcare and other non-pension benefits. Collectively, these benefits are commonly referred to as other post-employment benefits, or OPEB. The statement generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. This statement's provisions may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however the unfunded actuarial liability is required to be amortized over future periods. This statement also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time.

Assets, Liabilities and Net Assets

1. Deposits and investments – The district's cash and cash equivalents are considered to be cash-on-hand, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition.
2. Receivables
3. Capital Assets – Capital assets, which can include property, facilities and equipment are capitalized at total acquisition costs, provided such cost exceeds \$500 and the expected useful life of the asset is more than two years. Depreciation is recorded on all depreciable capital assets on a straight-line basis over the following estimated useful lives:

| <u>ASSET</u> | <u>YEARS</u> |
|----------------------------|--------------|
| Buildings | 30 |
| Fire Engines | 25 |
| Other vehicles & equipment | 5-15 |

SOUTH PLACER FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Assets, Liabilities and Net Assets - continued

4. Fund Balance – In the fund financial statements, governmental funds report reservation 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 management plans that are subject to change. At June 30, the district had the following fund balance designations:

| | |
|----------------------------|--------------------|
| Reserve for capital outlay | <u>\$1,376,484</u> |
| | <u>\$1,376,484</u> |

When both restricted and unrestricted funds are available for usage, it is the District's policy to use restricted funds first. The District reports restricted/reserved funds which are restricted for usage on only capital improvements due to increase in population.

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). For each legally adopted operating budget, expenditures may not exceed budgeted appropriations at the activity level. The legal appropriation basis is at the level called "Department" (e.g., Parks) or an entire fund. The general fund completed the year within its legally authorized budget as well as those special revenue funds with adopted budgets.

Compensated Absences

An employee accumulates vacation time in accordance with the employee's respective "Memorandum of Understanding". The amount of vacation and sick time vested and accrued depends on years of service and date of hire. Vacation vested may be accumulated up to various maximum hours and is paid in full upon termination or retirement. Sick leave time may be accumulated without limit and applied toward retirement. Upon termination, other than retirement from active service, sick leave is forfeited.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

SOUTH PLACER FIRE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Authorized Investments

California statutes authorize the District to invest idle or surplus funds in a variety of credit instruments as provided for in California Government Code Section 53600, Chapter 4 – Financial Affairs.

The Government Code allows investments in the following instruments:

- Securities of the United States Government, or its agencies
- Small Business Administration loans
- Certificates of Deposit (or Time Deposits) placed with commercial banks and/or savings and loan companies
- Negotiable Certificates of Deposit
- Banker's Acceptances
- Commercial paper and medium-term corporate notes
- Local Agency Investment Fund (State Pool and County Pool) Demand Deposits
- Repurchase Agreements (Repos)
- Passbook Savings Account Demand Deposits
- Reverse Repurchase Agreements
- County Cash Pool

Revenue Recognition

The District receives revenues for performing emergency medical and ambulatory services to District residents. The District's policy for recognizing these revenues is billing and recording revenues as services are performed. Patient service revenues (ambulance revenues) are reported net of provisions for contractual allowances in the basic and fund financial statements.

SOUTH PLACER FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Allowance for Doubtful Accounts

Management basis its allowance for doubtful accounts on the percentage of total collections to total amounts written off in past years.

At June 30, 2011, Accounts receivable consist of:

| Asset | |
|--------------------------------------|------------|
| Ambulance service receivables | \$ 315,682 |
| Less allowance for doubtful accounts | (62,772) |
| Total accounts receivable | \$ 252,910 |

NOTE 2: CASH DEPOSITS

The district maintains commercial bank and county treasurer accounts for general operating purposes and investment accounts for mitigation funds.

The agency's cash balances at June 30, 2011 are:

| | |
|---|--------------|
| Petty Cash | \$ 250 |
| Operating Cash – Wells Fargo Bank | 15,380 |
| Operating Cash – Placer County | 2,165,930 |
| Mitigation Cash – Wells Fargo Bank | 4,137 |
| County of Placer Treasurer - Mitigation | 214,081 |
| Total operating cash | \$ 2,399,778 |

Custodial Credit Risk

At June 30, 2011, the carrying amount of the deposits held at banks was \$19,517 and the bank balances totaled \$28,653. The bank balances are insured by the FDIC for \$250,000.

SOUTH PLACER FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 3: CAPITAL ASSETS

Capital assets are reported at historical cost. Depreciation is provided for all capital assets and assigned to various government and business type funds. A summary of changes in capital assets follows:

| | <u>7/1/2010</u> | <u>ADDITIONS</u> | <u>RETIREMENTS</u> | <u>6/30/2011</u> |
|--------------|---------------------|---------------------|--------------------|--------------------|
| Land | \$ 223,187 | \$ - | \$ - | \$ 223,187 |
| Buildings | 7,049,799 | - | - | 7,049,799 |
| Ambulances | 279,612 | - | - | 279,612 |
| Fire engines | 2,321,090 | - | - | 2,321,090 |
| Lt vehicles | 872,079 | - | (25,000) | 847,079 |
| Equipment | <u>3,084,322</u> | <u>92,895</u> | <u>-</u> | <u>3,177,217</u> |
| Total F/A | <u>13,830,089</u> | <u>92,895</u> | <u>(25,000)</u> | <u>13,897,984</u> |
| A/D | <u>(5,600,563)</u> | <u>(725,456)</u> | <u>25,000</u> | <u>(6,301,019)</u> |
| | <u>\$ 8,229,526</u> | <u>\$ (632,561)</u> | <u>\$ -</u> | <u>\$7,596,965</u> |

Total depreciation expense for the year was \$725,456, all charged to the public protection function.

NOTE 4: PROPERTY TAX AND ASSESSMENTS

Property taxes and assessments attach as an enforceable lien on property as of July 1. Taxes are levied on March 1 and are payable in two installments; April 10 and December 10. The County of Placer bills and collects property taxes and assessments and apportions collections to the district.

NOTE 5: CONTINGENCIES

As on June 30, 2011, the district did not have any pending litigation that management believes would have a material effect on the financial statements. The district, along with all FASIS pool members has been assessed additional charges by its workers compensation carrier. At June 30, 2002, the district's amount of assessment was \$98,541, payable over 9 years. However, the annual premium can vary from year to year depending on the claims experience by the carrier.

SOUTH PLACER FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 6: PENSION

Plan Description

The South Placer Fire District's defined benefit pension plans, Safety Plan and Miscellaneous Plan for South Placer Fire District, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The plans are part of the Public Agency portion of the California Public Employees Retirement Systems (CalPERS), an agency multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employees within the State of California. A menu of benefit provisions as well as their requirements are established by State statutes within the Public Employee's Retirement Law. The South Placer Fire District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through board policy. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office – 400 P Street, Sacramento, CA 95814.

Funding Policy

Active plan members in the Safety Plan are required to contribute 9% and the Miscellaneous Plan are required to contribute 8% of their annual covered salary. The South Placer Fire District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for year ended June 30, 2011 was 21.884% for safety plan members, and 22.038% for miscellaneous employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established by and may be amended by CalPERS.

Annual Pension Cost

For year ended June 30, 2011, the South Placer Fire District's annual pension cost was \$1,200,162. The required contribution for year ended June 30, 2011 was determined as part of the June 30, 2008 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45%, and (c) 3.0% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.25%. The actuarial value of the plans' assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of investment gain and/or losses. The plans' unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis.

SOUTH PLACER FIRE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 6: PENSION – continued

THREE YEAR TREND INFORMATION FOR CalPERS

| Fiscal Year | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|----------------|---------------------------------|-------------------------------------|------------------------------|
| 06/30/09 | \$ 767,814 | 100% | \$ -0- |
| 06/30/10 | \$ 948,944 | 100% | \$ -0- |
| 06/30/11 | \$ 1,200,162 | 100% | \$ -0- |

FUNDED STATUS OF THE SAFETY PLAN

| Valuation Date | Accrued Liabilities (AL) | Actuarial Value of Assets (AVA) | Unfunded Liabilities (UL) | Funded Ratio (AVA/AL) | Annual Covered Payroll | UL As a % of Payroll |
|-------------------|--------------------------------|---------------------------------------|---------------------------------|-----------------------------|------------------------------|----------------------------|
| 06/30/2006 | \$ 1,473,284,852 | \$ 1,252,059,468 | \$ 221,225,384 | 85.0% | \$ 177,088,890 | 86.9% |
| 06/30/2007 | \$ 1,648,159,522 | \$ 1,422,143,105 | \$ 226,016,417 | 86.3% | \$ 200,537,256 | 112.7% |
| 06/30/2008 | \$ 1,755,559,311 | \$ 1,517,609,609 | \$ 237,949,702 | 86.5% | \$ 210,590,567 | 113.0% |

Information shown here is for compliance with GASB No. 27 for a cost-sharing multiple-employer defined benefit plan.

FUNDED STATUS OF THE MISCELLANEOUS PLAN

| Valuation Date | Accrued Liabilities (AL) | Actuarial Value of Assets (AVA) | Unfunded Liabilities (UL) | Funded Ratio (AVA/AL) | Annual Covered Payroll | UL As a % of Payroll |
|-------------------|--------------------------------|---------------------------------------|---------------------------------|-----------------------------|------------------------------|----------------------------|
| 06/30/2006 | \$ 620,492,183 | \$ 501,707,110 | \$ 118,785,073 | 94.2% | \$ 126,049,770 | 94.2% |
| 06/30/2007 | \$ 699,663,524 | \$ 576,069,687 | \$ 123,593,837 | 82.3% | \$ 139,334,562 | 88.7% |
| 06/30/2008 | \$ 776,166,719 | \$ 641,167,624 | \$ 189,009,454 | 82.6% | \$ 155,115,302 | 116.7% |

SOUTH PLACER FIRE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 7: LONG-TERM OPERATING LEASE AGREEMENTS

The District has several long-term operating lease agreements, with original terms ranging from one to ten years. There are not material restrictions imposed by these agreements. Rent expense for the fiscal year ended June 30, 2011 is \$10,363. The minimum rental payments required under the operating lease commitments at June 30, 2011, are:

| Year Ended June 30, | Primary Government |
|------------------------|-----------------------|
| 2012 | \$ 6,222 |
| 2013 | 5,704 |
| Total | \$ 11,926 |

NOTE 8: LONG -TERM DEBT

The following is a summary of changes in the District's long-term debt for the fiscal year ended June 30, 2011:

| | July 1, 2010 | Additions | Retirements | June 30, 2011 |
|----------------------|--------------|------------|-------------|---------------|
| Compensated absences | \$ 494,159 | \$ - | \$ 185,197 | \$ 308,962 |
| OPEB liability | 260,142 | 260,142 | - | 520,284 |
| Note payable | 23,023 | - | 23,023 | - |
| Totals | \$ 777,324 | \$ 260,142 | \$ 208,220 | \$ 829,246 |

NOTE 9: POST-RETIREMENT BENEFITS

Plan Description

The District provides post-employment health care benefits to certain employees who are eligible to retire with PERS and have completed a minimum of 5 years of employment with the District.

Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with an amount of funding the actuarial accrued liability as determined annually by the Board. For the fiscal year ended June 30, 2011, the District contributed only for pay-as-you-go in the amount of \$53,366.

SOUTH PLACER FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 9: POST-RETIREMENT BENEFITS – continued

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

| | |
|---|-------------------|
| Annual required contribution | \$ 313,508 |
| Contributions made | <u>(53,366)</u> |
| Increase in net OPEB obligation | 260,142 |
| Net OPEB obligation – beginning of year | <u>260,142</u> |
| Net OPEB obligation – end of year | <u>\$ 520,284</u> |

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2011 is as follows:

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|------------------------------|-----------------------------|---|--------------------------------|
| June 30, 2011 | \$ 313,508 | 17.02% | \$ 520,284 |

Funded Status and Funding Process

As of July 1, 2009, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$3,470,398, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$3,827,484 and the ratio of the UAAL to the covered payroll was 287.4 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results

SOUTH PLACER FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 9: POST-RETIREMENT BENEFITS – continued

are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2009 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 3.50 percent discount rate, which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate at 7.9 percent initially, gradually decreasing to 5.5%. An inflation rate of 3.5% was used. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011, was twenty-eight years. The District's monthly pay-out is capped at a maximum of \$858 per employee and the actuarial study assumed that the caps will not increase in the future.

**SOUTH PLACER FIRE DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2011**

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|-------------------------------|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues: | | | | |
| Taxes and assessments | \$ 6,143,690 | \$ 6,143,690 | \$ 5,966,253 | \$ (177,437) |
| Charges for services | 999,991 | 943,318 | 1,195,564 | 252,246 |
| Reimbursements | 60,000 | 11,000 | 14,190 | 3,190 |
| Use of money and property | 101,608 | 91,608 | 84,435 | (7,173) |
| Miscellaneous | 104,500 | 99,542 | 116,836 | 17,294 |
| | | | | |
| Total revenues | <u>7,409,789</u> | <u>7,289,158</u> | <u>7,377,278</u> | <u>88,120</u> |
| | | | | |
| Expenditures: | | | | |
| Current | | | | |
| Salaries and benefits | 6,563,914 | 6,700,914 | 6,629,972 | 70,942 |
| Services and supplies | 753,629 | 801,629 | 1,047,364 | (245,735) |
| Capital outlay | 60,500 | 70,500 | 34,371 | 36,129 |
| Debt service: | | | | |
| Principal | 23,023 | 23,023 | 23,023 | - |
| Interest | 834 | 834 | 834 | - |
| | | | | |
| Total expenditures | <u>\$ 7,401,900</u> | <u>\$ 7,596,900</u> | <u>7,735,564</u> | <u>\$ (138,664)</u> |
| | | | | |
| Net change in funds balances | | | <u>(358,286)</u> | |
| | | | | |
| Fund balances - July 1, 2010 | | | <u>2,510,826</u> | |
| | | | | |
| Fund balances - June 30, 2011 | | | <u>\$ 2,152,540</u> | |

See accompanying footnote

**SOUTH PLACER FIRE DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED
JUNE 30, 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Through the budget, the district board sets the direction of the district, allocates its resources and establishes its priorities. The annual budget serves from July 1 to June 30, and is a vehicle that accurately and openly communicates these priorities to the community and other public agencies. Additionally, it establishes the foundation of effective financial planning by providing resource planning that permits the evaluation of district performance.

The district's budget is prepared and based on five expenditure categories: personnel, supplies and services, minor capital outlay, debt service, and capital improvement programs. The first three listed are considered operational in nature or known as recurring costs. Debt service provides the funds to retire long-term debt. Capital improvement projects are asset acquisitions, facilities, systems, and infrastructure improvements, and those items "outside" the normal operational budget. These are normally one-time costs.

**SOUTH PLACER FIRE DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
POST-EMPLOYMENT BENEFITS
FOR THE YEAR ENDED
JUNE 30, 2011**

| Actuarial Valuation Date | Actuarial Valuation of Assets (a) | Actuarial Valued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a % of Covered Payroll ((b-a)/c) |
|--------------------------------|---|--|------------------------------------|--------------------------|---------------------------|---|
| 7/1/2009 | \$ - | \$3,470,398 | \$3,470,398 | 0.0% | \$3,827,484 | 90.67% |

1. This information is intended to help users assess the OPEB funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits and make comparisons with other public employers.
2. Because this is the first valuation under GASB 45, there is no historical information provided. In the future, information from the three most recent valuations will be presented.

OTHER REPORT

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
South Placer Fire District
Granite Bay, California

We have audited the basic financial statements of the South Placer Fire District (the District) as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated October 15, 2011. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Board of Directors
South Placer Fire District
Granite Bay, California

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the South Placer Fire District, in a separate letter dated October 15, 2011.

This report is intended for the information of the audit committee, management, the Board of Directors, and the State Controller's Office of the State of California. However, this report is a matter of public record and its distribution is not limited.

Fechter & Company, CPAs

A large, stylized handwritten signature in black ink that reads "Fechter & Company, CPAs". The signature is written in a cursive, flowing style.

October 15, 2011
Sacramento, CA