

SOUTHERN MARIN FIRE PROTECTION DISTRICT

MILL VALLEY, CALIFORNIA

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

Prepared by the Finance Department

This Page Left Intentionally Blank

SOUTHERN MARIN FIRE PROTECTION DISTRICT
Basic Financial Statements
For the Year Ended June 30, 2009

Page

INTRODUCTORY SECTION:

Table of Contents	i
-------------------------	---

FINANCIAL SECTION:

Independent Auditor's Report	1
------------------------------------	---

<i>Management's Discussion and Analysis</i>	3
---	---

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Assets	6
-------------------------------	---

Statement of Activities	7
-------------------------------	---

Fund Financial Statements:

Governmental Funds

Balance Sheet	10
---------------------	----

Reconciliation of the Governmental Funds – Balance Sheet with the Statement of Net Assets	11
--	----

Statement of Revenues, Expenditures, and Changes in Fund Balance	12
--	----

Reconciliation of the Net Change in Fund Balances-Total Governmental Funds with the Statement of Activities	13
--	----

Statement of Revenues, Expenditures, and Changes in
Fund Balances – Budget and Actual:

General Fund	14
--------------------	----

Notes to Financial Statements	17
-------------------------------------	----

This Page Left Intentionally Blank

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Southern Marin Fire Protection District
Mill Valley, California

We have audited the financial statements of the governmental activities and each major fund of the Southern Marin Fire Protection District as of and for the year ended June 30, 2009, 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 financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. 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 11, the District implemented the provisions of Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.

In our opinion the financial statements referred to in the first paragraph present fairly in all material respects the respective financial position of the governmental activities and each major fund of the Southern Marin Fire Protection District at June 30, 2009 and the results of its operations and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

Management's Discussion and Analysis is not part of the basic financial statements but is required by the Government Accounting Standards Board. We have applied certain limited procedures to this information, principally inquiries of management regarding the methods of measurement and presentation of this information, but we did not audit this information and we express no opinion on it.

Maze & Associates

December 7, 2009

This Page Left Intentionally Blank

MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)

Our discussion and analysis of the Southern Marin Fire Protection District (SMFPD) provides the reader with an overview of the District's financial position and performance for the period ending June 30, 2009. The M D & A describes the significant changes from the prior year that occurred in general operations and discusses the activities during the year for capital assets and long-term debt. The discussion concludes with a description of currently known facts, decisions, and conditions that are expected to impact the financial position of the District's operations.

FINANCIAL HIGHLIGHTS

Government-wide:

- The District ended its fiscal year with Net Assets of \$5,775,050.
- The total Expenses were \$8,349,011.
- The total Program Revenues were \$818,195.
- The total General Revenues were \$8,421,531.
- The change in Net Assets represents an increase of \$1,132,620.

General Fund:

- The actual resources received in the General Fund were greater than the final budget by \$1,340,344 while actual expenditures were less than the final budget by \$389,644.

ANNUAL REPORT OVERVIEW

Expenditures

Overall, the Public Safety expenditures decreased by 1% from last year, with expenses totaling \$8,410,083 for the fiscal year ending June 2009. The salary and benefit category, totaling \$7,183,127, decreased by 3%. This decrease is largely due to the \$423,826

payment made towards SMFPD's Other Post-Employment Benefits (OPEB) that was accounted for and skewed last fiscal year's figures. Taking the prior year's \$423,826 OPEB payment into account, salaries and benefits decreased by approximately 1% from the prior year. The remaining expenses can be categorized into four main groupings: central garage, repairs and maintenance, capital purchases, professional and other services, and supplies and utilities. These services and supplies totaled \$1,226,956, an increase of 19%, including the purchase of a new engine. Also, SMFPD was released from its court-awarded Disability Pension obligation, reducing the aforementioned expenditures by \$241,905.

Revenues

The primary source of revenue for the operation of SMFPD is generated through the collection of secured, unsecured, and supplemental property taxes. During the last fiscal year, total revenues grew by \$440,362, an increase of 5% from the prior fiscal year. Property tax revenues totaled \$7,384,342, an increase of \$128,044, or 2%. The total revenues from special assessment fees grew by \$148,687 or 22%; this was due to an increase in the special parcel tax from \$70 to the maximum of \$90 per parcel.

Economic Outlook

The District's financial position continues to remain stable. Financial planning is based upon past spending patterns and anticipated revenues from specific sources.

Contacting the District's Financial Management

This Comprehensive Annual Financial Report is intended to provide citizens, taxpayers, investors and creditors with a general overview of the District's finances. Questions about this report should be directed to the Finance Department, at 308 Reed Boulevard, Mill Valley, CA, 94941.

SOUTHERN MARIN FIRE PROTECTION DISTRICT

**STATEMENT OF NET ASSETS
AND STATEMENT OF ACTIVITIES**

The Statement of Net Assets and the Statement of Activities summarizes the entire District's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the District's assets and all its liabilities, as well as all its revenues and expenses. This is known as the full accrual basis—the effect of all the District's transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between District funds have been eliminated.

The Statement of Net Assets reports the difference between the District's total assets and the District's total liabilities, including all the District's capital assets and all its long-term debt. The Statement of Net Assets presents similar information to the old balance sheet format, but presents it in a way that focuses the reader on the composition of the District's net assets, by subtracting total liabilities from total assets.

The Statement of Net Assets summarizes the financial position of all the District's Governmental Activities in a single column. The District's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Debt Service and Capital Projects Funds.

The Statement of Activities reports increases and decreases in the District's net assets. It is also prepared on the full accrual basis, which means it includes all the District's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

The format of the Statement of Activities presents the District's expenses first, listed by program. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each governmental program. The District's general revenues are then listed in the Governmental Activities column, as appropriate, and the Change in Net Assets is computed and reconciled with the Statement of Net Assets.

SOUTHERN MARIN FIRE PROTECTION DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

ASSETS

Cash and investments (Note 2):	
Cash in bank & investments in County Treasury	\$4,015,766
Prepaid expenses and deposits	66,611
Capital Assets (Note 3):	
Non - depreciable	214,807
Depreciable, net of accumulated depreciation	<u>2,310,352</u>
Total Assets	<u>6,607,536</u>

LIABILITIES

Accounts payable	120,280
Accrued salaries & wages	35,459
Claims payable	39,104
Compensated absences - due in more than one year	<u>637,643</u>
Total Liabilities	<u>832,486</u>

NET ASSETS (Note 4)

Investment in capital assets	2,525,159
Unrestricted	<u>3,249,891</u>
Total Net Assets	<u>\$5,775,050</u>

See accompanying notes to financial statements

SOUTHERN MARIN FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Expenses:	
Public safety - fire	<u>\$8,349,011</u>
Total Program Expenses	<u>8,349,011</u>
Program revenues:	
Charges for services	<u>818,195</u>
Total Program Revenues	<u>818,195</u>
Net Program Expense	<u>7,530,816</u>
General revenues:	
Property taxes	7,384,342
Interest income	69,813
Other revenue	<u>967,376</u>
Total General Revenues	<u>8,421,531</u>
Income before Extraordinary Item	<u>890,715</u>
Extraordinary Item	
Disability pension annuity (Note 10)	<u>241,905</u>
Change in Net Assets	<u>1,132,620</u>
Net Assets-Beginning	<u>4,642,430</u>
Net Assets-Ending	<u><u>\$5,775,050</u></u>

See accompanying notes to financial statements

This Page Left Intentionally Blank

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

The General Fund, the District's only fund, is the general operating fund of the District. It is used to account for all financial resources. The major revenue sources for this Fund are property taxes, ambulance service revenues and interest income. Expenditures are made for public safety and other operating expenditures.

SOUTHERN MARIN FIRE PROTECTION DISTRICT
 GOVERNMENTAL FUNDS
 BALANCE SHEET
 JUNE 30, 2009

	<u>Total Governmental Funds</u>
ASSETS	
Cash and investments (Note 2):	
Cash in bank & investments in County Treasury	\$4,015,766
Prepaid expenses and deposits	<u>66,611</u>
Total Assets	<u><u>\$4,082,377</u></u>
LIABILITIES	
Accounts payable	\$120,280
Claims payable	39,104
Accrued salaries & wages	<u>35,459</u>
Total Liabilities	<u>194,843</u>
FUND EQUITY	
Fund balances (Note 4)	
Unreserved:	
Designated for:	
Prepaid expenses and deposits	66,611
Acquisition and construction of Facilities and Equipment	<u>3,820,923</u>
Total Fund Balances	<u>3,887,534</u>
Total Liabilities and Fund Balances	<u><u>\$4,082,377</u></u>

See accompanying notes to financial statements

SOUTHERN MARIN FIRE PROTECTION DISTRICT
Reconciliation of the
GOVERNMENTAL FUNDS -- BALANCE SHEET
with the
STATEMENT OF NET ASSETS
JUNE 30, 2009

Total fund balances reported on the governmental funds balance sheet \$3,887,534

Amounts reported for Governmental Activities in the Statement of Net Assets
are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources
and therefore are not reported in the Governmental Funds. 2,525,159

LONG TERM LIABILITIES

The liabilities below are not due and payable in the current period and therefore are not
reported in the Funds:

Compensated absences (637,643)

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$5,775,050

See accompanying notes to financial statements

SOUTHERN MARIN FIRE PROTECTION DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Total Governmental Funds</u>
REVENUES	
Property taxes	\$7,384,342
Special assessment	818,195
Interest income	69,813
Other revenue	<u>967,376</u>
Total Revenues	<u>9,239,726</u>
EXPENDITURES	
Current:	
Public safety-fire:	
Salaries and benefits	7,537,273
Central garage	59,206
Maintenance and repairs	89,452
Professional and other services	345,447
Supplies and utilities	146,623
Capital outlay	<u>586,226</u>
Total Expenditures	<u>8,764,227</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>475,499</u>
NET CHANGE IN FUND BALANCES	475,499
Fund balances at beginning of year	<u>3,412,035</u>
Fund balances at end of year	<u><u>\$3,887,534</u></u>

See accompanying notes to financial statements

SOUTHERN MARIN FIRE PROTECTION DISTRICT
 Reconciliation of the
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 with the
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2009

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, 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 - TOTAL GOVERNMENTAL FUNDS	\$475,499
--	-----------

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

CAPITAL ASSETS TRANSACTIONS

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.

The capital outlay expenditures are therefore added back to fund balance	512,042
Depreciation expense is deducted from the fund balance	(209,066)

ACCRUAL OF NON-CURRENT ITEMS

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):

Compensated absences	94,918
Extraordinary Item	259,227

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$1,132,620
---	-------------

See accompanying notes to financial statements

SOUTHERN MARIN FIRE PROTECTION DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	\$6,658,000	\$7,384,342	\$726,342
Special assessment	816,392	818,195	1,803
Interest income		69,813	69,813
General revenue	425,000	967,376	542,376
	<u>7,899,392</u>	<u>9,239,726</u>	<u>1,340,334</u>
EXPENDITURES			
Current:			
Public safety-fire			
Salaries and benefits	7,270,682	7,537,273	(266,591)
	<u>7,270,682</u>	<u>7,537,273</u>	<u>(266,591)</u>
Total salaries and related benefits			
Central garage			
Vehicle Repair	35,000	36,274	(1,274)
Vehicle - Fuel	36,000	22,932	13,068
	<u>71,000</u>	<u>59,206</u>	<u>11,794</u>
Total central garage			
Maintenance and repairs			
Equipment	40,225	48,637	(8,412)
Buildings	36,100	33,452	2,648
Grounds	6,500	7,363	(863)
	<u>82,825</u>	<u>89,452</u>	<u>(6,627)</u>
Total maintenance and repairs			
Professional and other services			
Administrative Fees	246,500	222,629	23,871
Recruiting costs	2,500	249	2,251
Legal services	40,000	53,844	(13,844)
Medical services	39,167	38,197	970
LAFCO operating services	5,200	5,256	(56)
Computer consulting services	10,000	14,165	(4,165)
Election/Board services	8,400	8,900	(500)
Publication of legal notices	600	584	16
Team building	5,000	1,623	3,377
	<u>357,367</u>	<u>345,447</u>	<u>11,920</u>
Total professional and other services			

(Continued)

SOUTHERN MARIN FIRE PROTECTION DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
Supplies and utilities			
Office supplies	\$3,625	\$2,192	\$1,433
Postage	3,000	2,036	964
Communications	166,908	164,911	1,997
Utilities	31,200	26,758	4,442
Insurance	37,000	31,199	5,801
Small tools/equipment	6,250	5,144	1,106
Minor equipment	11,750	11,337	413
Medical supplies	1,450	1,327	123
Firefighting supplies	10,000	10,330	(330)
Computer supplies	10,000	6,480	3,520
Film processing/ supplies	2,315	2,053	262
Safety clothing/ supplies	48,267	44,248	4,019
Prevention	1,500	133	1,367
Memberships/staff conference	3,160	2,050	1,110
Training and conferences	38,500	29,888	8,612
Public education	2,800	1,267	1,533
Subscriptions	600	581	19
Meetings/travel	4,250	5,746	(1,496)
Hazard Material/Disaster supplies	4,675	4,475	200
Awards/Recognition	1,500	1,727	(227)
Miscellaneous	271,897	(207,259)	479,156
Total supplies and utilities	660,647	146,623	514,024
Capital Outlay	711,350	586,226	125,124
Total Expenditures	9,153,871	8,764,227	389,644
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,254,479)	475,499	1,729,978
NET CHANGE IN FUND BALANCES	(\$1,254,479)	475,499	\$1,729,978
Fund balances at beginning of year		3,412,035	
Fund balances at end of year		\$3,887,534	

See accompanying notes to financial statements

This Page Left Intentionally Blank

SOUTHERN MARIN FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Organization and Description*

The Southern Marin Fire Protection District was organized on July 1, 1999 as a result of a merger between the Alto-Richardson Bay Fire Protection District and the Tamalpais Fire Protection District under the California Health and Safety Code.

The District furnishes fire protection, rescue services and other emergency services to the cities of Tiburon, Belvedere, and Mill Valley pursuant to joint powers agreements with those cities.

The District is governed by an elected Board of Fire Commissioners consisting of seven members elected by the voters in its service area. The Board appoints a Fire Chief to oversee the day-to-day operations of the District. The District currently employs a full time staff of one Fire Chief, three Battalion Chiefs, 5 Captains, 24 firefighters/engineers and 1 administrative support staff, for a total of 34.

The District maintains its headquarters at 308 Reed Boulevard, Mill Valley, California 94941.

B. *Reporting Entity*

The District does not exercise oversight responsibility over any other governmental unit, thus its financial statements do not include any financial activity of any other agency. It is not a component unit of any other reporting entity.

C. *Basis of Presentation*

The District's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

These Statements require that the financial statements described below be presented.

Government-wide Statements: The Statement of Net Assets and the Statement of Activities display information about the primary government (the District). These statements include the financial activities of the overall District government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

SOUTHERN MARIN FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements: The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major individual governmental funds, each of which is displayed in a separate column.

D. Major Funds

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The District may also select other funds it believes should be presented as major funds.

The District reported its only fund as a major governmental fund in the accompanying financial statements:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources. The major revenue sources for this Fund are property taxes, ambulance service revenues and interest income. Expenditures are made for public safety and other operating expenditures.

E. Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds 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*. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as *other financing sources*.

SOUTHERN MARIN FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The District may fund programs with a combination of cost-reimbursement grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures. The District's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

F. *Budgets and Budgetary Accounting*

The Board of Directors adopts a final budget prior to July 1. The budget includes appropriations (budgeted expenditures) on a line item basis and the means of financing them (budgeted revenues).

Formal budgetary integration is employed as a management control device during the year for all funds. Budgeted and actual revenues and expenditures are reviewed monthly by the Board and budget amendments and transfers are made as needed. The Finance Director monitors appropriations on a Department/Division basis and conveys this information to the Fire Chief/Treasurer who can approve appropriation transfers so long as appropriations in total by fund do not change. This approach allows the Fire Chief to hold Department/Division heads accountable. The District reports expenditures and appropriations on a line item basis to its Board. Only the Board may approve amendments to appropriations in total by fund. This approach allows the Board to hold the Fire Chief accountable for the overall District operations.

Budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. Budgeted amounts presented in the financial statements are as originally adopted and as amended by the Board. Supplemental amendments to the budget were adopted by the Board and have been included in the budget versus actual statement. Appropriations lapse at year end.

G. *Property Taxes*

Revenue is recognized in the fiscal year for which the tax and assessment is levied. The County of Marin levies, bills and collects property taxes for the District; the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1 of the preceding fiscal year:

Secured property tax is due in two installments, on November 1 and February 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1 and becomes delinquent on August 31.

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the personal property being taxed.

SOUTHERN MARIN FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
--

Property tax revenue is recognized in the fiscal year for which the tax is levied. The County distributes property tax (termed "settlements") under the Teeter Plan, which allows the District to receive all property taxes in the year in which they are levied. The County retains any collections of interest, penalties and delinquencies under this plan. A settlement apportionment for 95% of unsecured property taxes is received in October, with the remainder distributed in June. Secured property taxes are received in three settlements and apportioned as follows: 55% in December, 40% in April and 5% in June.

H. *Accumulated Compensated Absences*

Compensated absences comprise unpaid vacation leave, and sick leave. The District's liability for compensated absences is recorded in the General Fund. The liability for compensated absences is determined annually.

I. *Capital Assets and Depreciation*

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. Capital assets with a value of \$5,000 or more are recorded as capital assets.

Capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The District has assigned the useful lives listed below to capital assets:

Buildings	50 years
Equipment & Vehicles	5-50 years

J. *General Revenue*

General revenues consist primarily of reimbursements from the City of Sausalito and the State of California for firefighting expenses incurred by the District.

SOUTHERN MARIN FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 2 – CASH AND INVESTMENTS

A. Policies

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the District's cash on deposit or first trust deed mortgage notes with a value of 150% of the District's cash on deposit as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the District's name and places the District ahead of general creditors of the institution. The District has waived collateral requirements for the portion of deposits covered by federal deposit insurance.

B. Investments

The District adopted Government Accounting Standards Board Statement 31, which requires that the District's investments be carried at fair value instead of cost. Under GASB 31, the District adjusts the carrying value of its investments to reflect their fair value monthly, and it includes the effects of these adjustments in income for that fiscal year.

Investments are carried at fair value, which is the same as fair market value. Cash and investments were as follows at June 30, 2009:

County of Marin - Operating Fund	\$3,984,154
Cash Deposits with Banks - Payroll	31,363
Cash Deposits with Banks - Petty Cash	249
	\$4,015,766

The District has authorized staff to deposit cash with the Marin County Treasurer in a series of pooled accounts with cash from various other governmental entities within the County, for investment purposes. The pooled cash is invested principally in banker's acceptances, negotiable certificates of deposit and various U.S. Government Agency and commercial notes. Interest is earned on the daily earnings of the fund prorated to the District based on the ratio of the District's pooled investment fund.

The County's investment policies are governed by State statutes. In addition, the County has an investment committee, which prescribes written investment policies regarding the types of investments that may be made. The policies limit amounts that may be invested in any one financial institution or amounts, which may be invested in long-term instruments.

During the year ended June 30, 2009, the investment committee's permissible investments included obligations of the U.S. Government Agencies bills, notes or bonds and certain time deposits, certificates of deposit, bankers' acceptances, commercial paper, repurchase and reverse repurchase agreements, money market funds, medium term corporate notes or deposit notes and municipal obligations.

SOUTHERN MARIN FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 3 – CAPITAL ASSETS

Capital assets activity comprised the following:

	<u>Balance at June 30, 2008</u>	<u>Additions</u>	<u>Balance at June 30, 2009</u>
<i>Governmental Activities</i>			
Capital assets not being depreciated:			
Land	\$214,807		\$214,807
Total capital assets not being depreciated	<u>214,807</u>		<u>214,807</u>
Capital assets being depreciated:			
Buildings	3,290,739		3,290,739
Equipment & vehicles	2,206,692	\$512,042	2,718,734
Total capital assets being depreciated	<u>5,497,431</u>	<u>512,042</u>	<u>6,009,473</u>
Less accumulated depreciation for:			
Buildings	1,904,924	81,518	1,986,442
Equipment & vehicles	1,585,131	127,548	1,712,679
Total accumulated depreciation	<u>3,490,055</u>	<u>\$209,066</u>	<u>3,699,121</u>
Net capital assets being depreciated	<u>2,007,376</u>		<u>2,310,352</u>
Governmental activity capital assets, net	<u>\$2,222,183</u>		<u>\$2,525,159</u>

NOTE 4 – NET ASSETS AND FUND BALANCES

Net Assets are on the full accrual basis while Fund Balance is measured on the modified accrual basis.

A. Net Assets

Net Assets is the excess of all the District's assets over all its liabilities, regardless of fund. Net Assets are divided into three captions. These captions apply only to Net Assets, which is determined only at the Government-wide level, and are described below:

Invested in Capital Assets, describes the portion of Net Assets which is represented by the current net book value of the District's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter. These principally include debt service and acquisition and construction of facilities and equipment.

SOUTHERN MARIN FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 4 – NET ASSETS AND FUND BALANCES (Continued)

Unrestricted describes the portion of Net Assets which is not restricted to use.

B. Fund Balance

Fund balances consist of reserved and unreserved amounts. Reserved fund balances represent that portion of a fund balance, which is legally segregated for a specific future use. The remaining portion is unreserved. Unreserved fund balance may be designated to indicate District plans for financial resource use in a future period, such as for general contingencies or capital projects. Such plans are subject to change by the District at its discretion.

NOTE 5 - PENSION PLAN

Substantially all qualified permanent and probationary District employees are eligible to participate in pension plans offered by Marin County Employee Retirement Association (MCERA), a cost sharing multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers within Marin County. MCERA provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries.

Benefit provisions under the Plan are established by State statute and County resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for the Plan are determined annually on an actuarial basis by MCERA; the District must contribute these amounts. The Plans' provisions and benefits in effect at June 30, 2009, are summarized as follows:

	Safety	Miscellaneous
Benefit vesting schedule	10 years service	10 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	Varies	Varies
Required employee contribution rates	Varies	Varies
Required employer contribution rate	31.35%	50%

The Districts pays a portion of employee contributions calculated on base pay. The remainder of employee contributions are paid by each employee.

The District paid actuarially required contributions for fiscal year 2009, 2008 and 2007 of \$1,477,126, \$1,579,238 and \$1,569,805, respectively. Retirement age varies and is based on different criteria, as described in the plan.

MCERA determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the District's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the employer must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarially accrued liabilities.

SOUTHERN MARIN FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 5 - PENSION PLAN (Continued)

MCERA uses the market related value method of valuing the Plan's assets. As of June 30, 2007, an investment rate of return of 8.00% is assumed, including inflation at 4.00%. Annual salary increases are assumed to vary by duration of service and annual retirement benefit increases are assumed to be 4.00%. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period ends June 30, 2027.

The Miscellaneous and Safety Plans actuarial value (which differs from market value) and funding progress is set forth below at their actuarial valuation date of June 30, 2007:

Miscellaneous Plan:

Actuarial				
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio
6/30/2007	\$143,519	\$79,705	\$63,814	56%

Safety Plan:

Actuarial				
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio
6/30/2007	\$18,016,626	\$8,924,823	\$9,091,803	50%

Trend information for the District is not available. Complete trend data is available in separately issued financial statements of the plan which can be obtained from MCERA located at 3501 Civic Drive Center, Room 217, San Rafael, CA 94903.

NOTE 6 - DEFERRED COMPENSATION PLAN

District employees may defer a portion of their compensation under two District sponsored Deferred Compensation Plans created in accordance with Internal Revenue Code Section 457. Under these plans, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, and death or in an emergency as defined by the Plans.

The laws governing deferred compensation plan assets require plan assets to be held in a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the District's property, are not managed by the District and are not subject to claims by general creditors of the District, they have been excluded from these financial statements.

SOUTHERN MARIN FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 7 - RISK MANAGEMENT

The District is self insured through the Volunteers Firemen's Insurance Services, Inc. The following types of loss risks are covered by the policy above:

Type	Coverage Limit	Deductible
General Liability	\$1,500,000 per occurrence	None
Property	Guaranteed Replacement Cost	\$500 per occurrence
Portable Equipment	Guaranteed Replacement Cost	\$250 per claim
Workers' Compensation	\$300,000,000 per occurrence	No deductible
	\$1,000,000 per occurrence and	\$250 Comprehensive and \$500
Auto	\$3,000,000 aggregate	Collision
Management Liability	\$1,000,000 per occurrence	No deductible
Umbrella/Excess Liability	\$3,000,000 per occurrence	No deductible

Any liability the District may have for uninsured claims is limited to general liability claims. However, the District has experienced no losses from such claims during the preceding three years and it therefore believes there is no liability for claims incurred but not reported.

NOTE 8 - CONTINGENT LIABILITIES AND COMMITMENTS

The Southern Marin Fire Protection District and the Sausalito Fire Department are in discussions of merging the two organizations.

NOTE 9 - JOINT GOVERNED ORGANIZATIONS

The District participates in the joint ventures discussed below through formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these entities exercise full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each joint venture is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective joint venture, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board. Obligations and liabilities of these joint ventures are not the District's responsibility and the District does not have an equity interest in the assets of each joint venture except upon dissolution of the joint venture.

A. Southern Marin Emergency Medical Paramedic System

The Southern Marin Emergency Medical Paramedic System operates and maintains an emergency medical care-paramedic system. Financial statements may be obtained by mailing a request to Southern Marin Emergency Medical Paramedic System, 26 Corte Madera Ave., Mill Valley, CA 94941.

SOUTHERN MARIN FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 9 – JOINT GOVERNED ORGANIZATIONS (Continued)

B. *Hazardous Materials Response Unit*

The Hazardous Materials Response Unit is responsible for managing the hazardous material spills, establishing a formula for management of financing joint expenses and defining signatory agency responsibilities. Financial statements may be obtained by mailing a request to Marin County Administrator's Office, 3501 Civic Center Drive, Room 325, San Rafael, CA 94903.

C. *Fire Association Self Insurance System (FDAC-FASIS)*

The Fire Association Self Insurance System has a self-insurance pooling program to purchase excess insurance. Financial statements may be obtained by mailing a request to Fire Association Self Insurance System (FDAC-FASIS) 154 Sunnyside Drive, San Leandro, CA 94577.

D. *Marin Emergency Radio Authority*

The District has financial interest and responsibility, along with 23 other Districts in the Marin Emergency Radio Authority pursuant to the joint powers agreement in order to issue bonds to be used to finance the acquisition, construction, and improvement of certain public capital improvements.

In order to construct the emergency communications facility, Marin Emergency Radio Authority issued Revenue Bonds in the amount of \$26,940,000. Pursuant to the joint powers agreement, the District is obligated for 1.657% of this amount.

NOTE 10 – DISABILITY PENSION ANNUITY

The District was obligated to make disability pension payments directly to a spouse of a retired employee pursuant to a court order. Prior to June 30, 2009, the spouse passed away and the District is no longer obligated to this payment. Therefore, the District reversed this obligation as a long-term annuity and in the Statement of Activities has recognized the event as an Extraordinary Item.