

**CHINO VALLEY
INDEPENDENT FIRE DISTRICT
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

**CHINO VALLEY INDEPENDENT FIRE DISTRICT
CHINO HILLS, CALIFORNIA**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

TABLE OF CONTENTS

	<i>PAGE</i>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Statement of Net Assets	10
Statement of Activities	11
Balance Sheet – General Fund	12
Reconciliation of the Balance Sheet of the General Fund to the Statement of Net Assets	13
Statement of Revenues, Expenditures, and Changes in Fund Balance – General Fund	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the General Fund to the Statement of Activities	15
Notes to Financial Statements	16
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	32
Schedule of Funding Progress for Other Postemployment Benefit Plan	33
Notes to Required Supplementary Information	34



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Chino Valley Independent Fire District
Chino Hills, California

We have audited the accompanying financial statements of the governmental activities and the general fund of the Chino Valley Independent Fire District (the District), as of and for the year ended June 30, 2010, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the 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 opinions.

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 general fund of the Chino Valley Independent Fire District, as of June 30, 2010, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The required supplementary information, such as management's discussion and analysis on pages 3 through 9, budgetary comparison schedule on page 32, and schedule of funding progress on pages 33 through 34 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Vavinich Train, DMS Co., LLP

Rancho Cucamonga, California

October 6, 2010



CHINO VALLEY INDEPENDENT FIRE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

(UNAUDITED)

This report presents our discussion and analysis of the Chino Valley Independent Fire District's (hereinafter "District") financial activities for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

District Highlights

Noteworthy District highlights for FY2009-10 included:

- Commenced a procurement project to replace the District's disparate finance and permitting software systems with a new Enterprise Resource Planning (ERP) system, to include software in support of finance, human resources and permitting functions. Procurement is anticipated in early FY2010-11, with implementation forecast for FY2011-12.
- Obtained Proposition 1A Securitization funding, replacing nearly \$1.7 million in property tax revenues for FY2009-10 which otherwise would have been lost to the State of California in the form of a mandated loan.
- Continued the District's commitment to prefund our post retirement health benefit with full funding of our annual required contribution for FY2009-10.

Financial Highlights

- At the close of the fiscal year ended June 30, 2010, the assets of the District of \$37,775,302, exceeded liabilities by \$30,645,012 (net assets). Of this amount, \$19,088,409 (unrestricted net assets) may be used to meet the District's ongoing obligations.
- The District's total net assets increased during the fiscal year by \$7,359,713. This increase is attributable to a number of changes, including net increases in investments in capital asset balances of approximately \$6.2 million, attributable primarily to the acquisition of fire apparatus and the recognition of capital contributions associated with the construction of the new administrative headquarters.
- As of June 30, 2010, the District's General Fund reported an ending fund balance of \$23,964,311, of which \$18,894,635, or 78% of total General Fund expenditures, was undesignated.

Overview of the Financial Statements

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



CHINO VALLEY INDEPENDENT FIRE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

(UNAUDITED)

Government-wide financial statements. The *government-wide financial statements* are designed to provide the reader with a broad overview of the District's finances, in a manner similar to private-sector businesses.

The *Statement of Net Assets* presents information on all of the District's assets and liabilities, with the difference between assets and liabilities representing *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The *Statement of Activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods (e.g. compensated absence expense).

Fund financial statements. The fund financial statements provide more detailed information about the District's specific sources of funding and spending for particular purposes. Like other governmental agencies, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has the following kind of funds: *Governmental funds* - Used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

The District maintains one governmental fund: the General Fund. A Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance are presented for the General Fund.

Because the focus of the General Fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the General Fund with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the General Fund Balance Sheet and General Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$30,645,012, at June 30, 2010.



CHINO VALLEY INDEPENDENT FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

Chino Valley Independent Fire District Net Assets

	Governmental Activities June 30, 2010	Governmental Activities June 30, 2009
Current assets	\$26,218,699	\$25,703,799
Capital assets (net)	11,556,603	5,395,644
Total Assets	\$37,775,302	\$31,099,443
Current liabilities	1,482,962	2,110,435
Other liabilities	5,647,328	5,703,709
Total Liabilities	\$7,130,290	\$7,814,144
Invested in capital assets	11,556,603	5,395,644
Unrestricted	19,088,409	17,889,655
Total Net Assets	\$30,645,012	\$23,285,299

The unrestricted portion of net assets, totaling \$19,088,409, may be used to meet the District's ongoing obligations.

Government activities. Governmental activities increased the District's net assets by \$7,359,713, during the fiscal year ended June 30, 2010.

Chino Valley Independent Fire District Changes in Net Assets

	Governmental Activities June 30, 2010	Governmental Activities June 30, 2009
Program revenues:		
Charges for services	\$8,166,124	\$7,757,052
Operating grants and contributions	347,026	1,357,930
Capital grants and contributions	4,522,855	-
General revenues:		
Property taxes	20,344,275	21,065,506
Investment income	142,347	402,583
Total revenues	\$33,522,627	\$30,583,071
Expenses:		
Public Safety – Fire Protection	26,162,914	25,718,448
Total expenses	\$26,162,914	\$25,718,448
Change in net assets	\$7,359,713	\$4,864,623
Net assets, July 1,	\$23,285,299	\$18,420,676
Net assets, June 30,	\$30,645,012	\$23,285,299

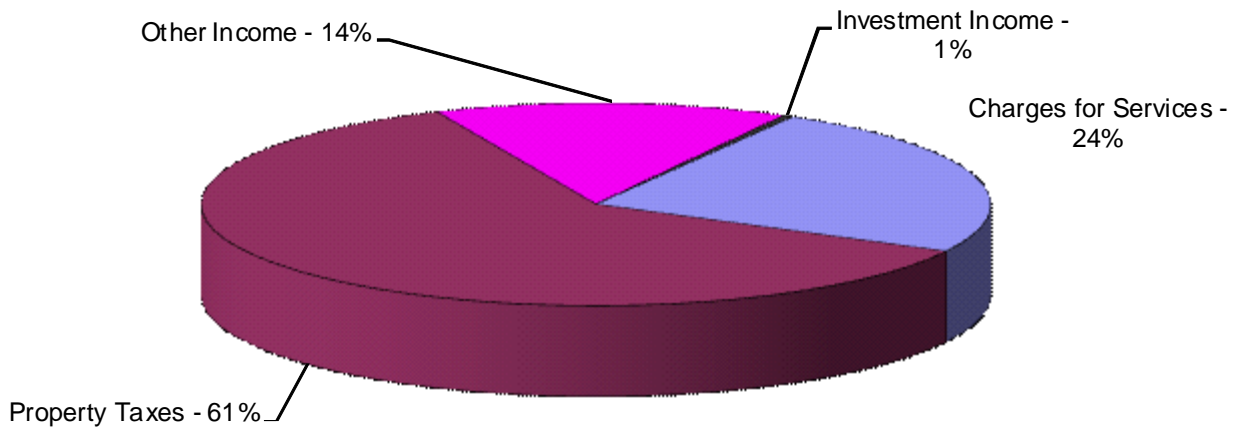


CHINO VALLEY INDEPENDENT FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

Key elements of the difference between fund balance of the General Fund and the net assets of governmental activities are as follows:

- The difference in the method of accounting for net capital assets in the governmental funds versus the statement of activities accounts for an increase in the net assets of governmental activities by approximately \$11.56 million.
- Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds, resulting in a decrease in net assets of governmental activities of approximately \$5.5 million.
- The net Other Post Employment Benefit (OPEB) asset of approximately \$593,000 is not available to pay for current period expenditures and is not reported in the general fund.

Revenue by Source - Governmental Activities



As of June 30, 2010, the District's General Fund reported an ending fund balance of \$23,964,311, an increase of \$866,091 over the prior year. Approximately 79% of this amount, or \$18,894,635, constitutes undesignated fund balance, which is available for spending at the District's discretion.



CHINO VALLEY INDEPENDENT FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

As of June 30, 2010, the District's Board of Directors had designated \$4,401,294 of the unreserved fund balance, as follows:

	Designated Fund Balance June 30, 2010
Workers compensation claims	\$814,408
Future acquisition of equipment	958,548
Facility maintenance	1,033,474
Compensated absence liability	1,594,864
Total designated fund balance	\$4,401,294

The remainder of the fund balance includes \$25,000 reserved for deposits with other agencies and \$643,382 for prepaid items.

General Fund Budgetary Highlights

Budgetary amendments netting to approximately \$1.5 million in increased revenues and about \$823,000 in net increases in expenditures were approved in the final budget. A summary of the changes from original to final budget are as follows:

REVENUES

- A net increase of about \$1.25 million in property tax revenue as a result of the District's election to participate in the Proposition 1A securitization program, while also adjusting for downward trends in property tax receipts;
- An increase of about \$554,000 for recalculation of revenues associated with the City of Chino contract, based on changes in assessed values on property;
- Decrease of \$216,160 to reflect projections in interest revenue for the remainder of the fiscal year;
- An decrease in permit and inspection fees of \$60,000 based on trends and the general slowdown in building projects within the District.



CHINO VALLEY INDEPENDENT FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

EXPENDITURES

- Approximately \$660,000 for the purchase of a new fully equipped fire engine;
- Sprinkler system upgrades and repairs to Stations 2, 4 & 6 totaling \$48,500;
- Finance system consultation contract for \$30,000 to provide support during the procurement phase of a planned new system acquisition process;
- About \$45,000 for Station 4 contract remodel costs projected in excess of original contract;
- Professional services contract in the amount of \$20,000 for organizational succession planning;
- Approximately \$19,000 for all other miscellaneous budgetary amendments.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2010, amounted to approximately \$11.6 million, net of accumulated depreciation. This investment in capital assets includes land, investment in joint venture, construction in progress, buildings, improvements other than buildings and equipment. During the fiscal year, the District's net investment in capital assets more than doubled from about \$5.4 million in the prior year, an increase of about \$6.2 million. This is due primarily to the recognition of capital contributions from the City of Chino Hills associated with the finalization of the title transfer to the District of the newly constructed administrative headquarters, as well as due to the acquisition of several fire apparatus.

Chino Valley Independent Fire District Capital Assets

	Governmental Activities June 30, 2010	Governmental Activities June 30, 2009
Land	\$105,438	\$105,438
Investment in joint venture	231,416	142,675
Construction in progress	-	2,135,123
Buildings	6,821,690	190,939
Improvements other than buildings	762,037	583,231
Equipment	9,174,245	7,732,022
Total capital assets	\$17,094,826	\$10,889,428
Less: accumulated depreciation	(5,538,223)	(5,493,784)
Total capital assets, net of accumulated depreciation	\$11,556,603	\$5,395,644

Additional information on the District's capital assets can be found in Note 5 to the Financial Statements.



CHINO VALLEY INDEPENDENT FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

Chino Valley Independent Fire District Outstanding Debt

Long-term debt. At the end of the fiscal year, the District's total outstanding debt amounted to approximately \$5.65 million.

	Governmental Activities June 30, 2010	Governmental Activities June 30, 2009
Compensated absences	\$4,832,920	\$4,680,719
Worker's Compensation claims	814,408	1,022,990
Total outstanding debt	\$5,647,328	\$5,703,709

Approximately \$478,000 of the total debt amount is due in FY2010-11.

Additional information on the District's long-term liabilities can be found in Note 7 of the Notes to the Financial Statements.

Economic Factors and Next Year's Budgets and Rates

- Local property values remain relatively stable within the District's service area. The general economic downturn in the local economy and the lack of stability in the local residential housing and commercial real estate markets have been taken into account in the budgetary projections for next fiscal year.
- Other sources of revenue are generally projected to be either flat or slightly decreasing.
- These factors were considered in the preparation of the District's budget for FY2010-11.

Revenue has been projected very conservatively in the FY2010-11 budget to decrease by approximately 2% or about \$544,000, over FY2009-10 budget levels, while total expenditures are budgeted to decrease by about \$1.45 million or 4.8%, over FY2009-10 budget amounts. The majority of the decrease in year-to-year budgeted expenditures is in the area of capital outlay.

Requests for Information

This financial report is designed to provide a general overview of the financial position of the Chino Valley Independent Fire District for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chino Valley Independent Fire District, Attn.: Finance Manager, 14011 City Center Drive, Chino Hills, California 91709.

This page left blank intentionally.

CHINO VALLEY INDEPENDENT FIRE DISTRICT

**STATEMENT OF NET ASSETS
JUNE 30, 2010**

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 24,330,192
Accounts receivable	47,118
Taxes receivable	522,074
Accrued interest receivable	24,362
Note receivable	33,343
Deposits with other agencies	25,000
Prepaid costs	643,382
Net OPEB Asset	593,228
Capital assets, net of accumulated depreciation	<u>11,556,603</u>
Total Assets	<u>37,775,302</u>
LIABILITIES	
Accounts payable	912,779
Accrued payroll	570,183
Noncurrent liabilities:	
Due within one year	478,198
Due in more than one year	<u>5,169,130</u>
Total Liabilities	<u>7,130,290</u>
NET ASSETS	
Invested in capital assets	11,556,603
Unrestricted	<u>19,088,409</u>
Total Net Assets	<u>\$ 30,645,012</u>

The accompanying notes are an integral part of the financial statements.

CHINO VALLEY INDEPENDENT FIRE DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

	Program Revenues			Net Governmental Activities	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental Activities					
Public safety - fire protection	\$ 26,162,914	\$8,166,124	\$ 347,026	\$ 4,522,855	\$(13,126,909)
Total Governmental Activities	<u>\$ 26,162,914</u>	<u>\$8,166,124</u>	<u>\$ 347,026</u>	<u>\$ 4,522,855</u>	<u>(13,126,909)</u>
General Revenues:					
Taxes:					
Property taxes					20,344,275
Investment income					<u>142,347</u>
Total General Revenues					<u>20,486,622</u>
Change in Net Assets					7,359,713
Net Assets at Beginning of Year					<u>23,285,299</u>
Net Assets at End of Year					<u>\$ 30,645,012</u>

The accompanying notes are an integral part of the financial statements.

CHINO VALLEY INDEPENDENT FIRE DISTRICT

**GENERAL FUND
BALANCE SHEET
JUNE 30, 2010**

ASSETS

Cash and investments	\$ 24,330,192
Accounts receivable	47,118
Taxes receivable	522,074
Accrued interest receivable	24,362
Note receivable	33,343
Deposits with other agencies	25,000
Prepaid items	643,382
	<hr/>
Total Assets	\$ 25,625,471

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable and accrued liabilities	\$ 912,779
Accrued payroll	570,183
Current claims payable	178,198
	<hr/>
Total Liabilities	1,661,160

FUND BALANCE

Reserved for:	
Deposits with other agencies	25,000
Prepaid items	643,382
Unreserved:	
Designated	4,401,294
Unreserved undesignated	18,894,635
	<hr/>
Total Fund Balance	23,964,311
	<hr/>
Total Liabilities and and Fund Balance	\$ 25,625,471

The accompanying notes are an integral part of the financial statements.

CHINO VALLEY INDEPENDENT FIRE DISTRICT

GENERAL FUND

**RECONCILIATION OF THE BALANCE SHEET OF THE GENERAL FUND
TO THE STATEMENT OF NET ASSETS**

JUNE 30, 2010

Fund Balance of the General Fund	\$ 23,964,311
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets, net of depreciation, are not current financial resources and are not included in the governmental funds.	11,556,603
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(5,469,130)
The net OPEB asset is not available to pay for current period expenditures and is not reported in the governmental funds.	593,228
Net Assets of Governmental Activities	<u>\$ 30,645,012</u>

The accompanying notes are an integral part of the financial statements.

CHINO VALLEY INDEPENDENT FIRE DISTRICT

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010**

REVENUES

Taxes	\$ 20,344,275
Licenses and permits	317,445
Charges for current services	7,848,679
Use of money and property	142,347
Other	258,284
Total Revenues	<u>28,911,030</u>

EXPENDITURES

Current:	
Salaries and benefits	22,273,499
Services and supplies	3,682,138
Capital outlay	<u>2,089,302</u>
Total Expenditures	<u>28,044,939</u>
Net Change in Fund Balance	866,091

FUND BALANCE, Beginning of Year	<u>23,098,220</u>
FUND BALANCE, End of Year	<u><u>\$ 23,964,311</u></u>

The accompanying notes are an integral part of the financial statements.

CHINO VALLEY INDEPENDENT FIRE DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF THE GENERAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

Net Change in Fund Balance - General Fund \$ 866,091

Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:

Cost of purchased assets capitalized	2,089,302
Depreciation expense	(539,940)
Contribution of capital assets	4,522,855
Increase in joint venture	88,742

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This amount represents the net change in the compensated absences liability. (152,201)

Worker's compensation claims that are estimated to have been incurred and not reported (IBNR) do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This amount represents the net change in the Worker's Compensation IBNR liability. 273,301

The excess between the annual required contributions (ARC) and amount funded during the fiscal year for other postemployment benefits was recorded as an expenditure for the governmental funds. However, the difference between the ARC and the amount funded is recorded as a deferred charge in the statement of activities. 211,563

Change in Net Assets of Governmental Activities \$ 7,359,713

The accompanying notes are an integral part of the financial statements.

CHINO VALLEY INDEPENDENT FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Chino Valley Independent Fire District conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles. The following is a summary of the significant policies.

A. Description of the Reporting Entity

The Chino Valley Independent Fire District (the "District") was formed in 1932 by the County of San Bernardino to provide fire protection services to the unincorporated areas of the Chino Valley area. The District was consolidated with the Chino Valley Fire Department in 1972 and became self-governing in November 1990. The District is now governed by a five-member Board of Directors elected by the citizens of the District. No other governmental units are a part of the reporting entity.

The District serves the City of Chino, the City of Chino Hills and unincorporated areas within its boundaries.

B. Accounting and Reporting Policies

The District conforms to the pronouncements of the GASB, which are the primary authoritative statements of accounting principles generally accepted in the United States of America applicable to state and local governments.

C. New Accounting Pronouncements

GASB Statement No. 51 – In June 2008, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes accounting and financial reporting standards for many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. This statement is effective as of July 1, 2009. The District implemented this statement effective July 1, 2009, without material impact to the financial statements.

GASB Statement No. 54 - In February of 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement will enhance the usefulness and clarity of fund balance by establishing fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is not effective until June 30, 2011. The District has not determined the effect on the financial statements.

GASB Statement No. 57 - In December of 2009, the GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This Statement will allow agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting. This statement is not effective until June 30, 2011. The District has not determined the effect on the financial statements.

GASB Statement No. 59 - In December of 2009, the GASB issued Statement No. 59, *Financial Instruments Omnibus*. This Statement will update existing standards pertaining to certain financial instruments and external investment pools for which significant issues have been identified in practice. This statement is not effective until June 30, 2011. The District has not determined the effect on the financial statements.

CHINO VALLEY INDEPENDENT FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

D. Description of Fund

The accounts of the District are organized in a fund, which is considered a separate accounting entity. The operations of the fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. The following type of fund is used:

Governmental Fund Type

General Fund – Because the District provides only fire protection services all resources are accounted for in this fund.

E. Basis of Accounting/Measurement Focus

Government – Wide Financial Statements

The District's Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of Governmental Activities for the District.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities, including capital assets as well as long-term debt, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the District are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Operating grants and contributions include revenues restricted to meeting the requirements of a particular operating function and may include state shared revenues and grants. Capital grants and contributions include revenues restricted to meeting the requirements of a particular capital function and may include grants or other contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and Statement of Revenue, Expenditures, and Changes in Fund Balance for the General Fund. An accompanying schedule is presented to reconcile and explain the differences in fund balance as presented in these statements to the net assets presented in the Government-Wide Financial Statements.

CHINO VALLEY INDEPENDENT FIRE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

E. Basis of Accounting/Measurement Focus, (Continued)

Governmental Fund Financial Statements, (Continued)

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the current period. "Measurable" means that the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Accrued revenues include property taxes received within 60 days after year-end and earnings on investments. Grant funds earned but not received are recorded as a receivable, and grant funds received before the revenue recognition criteria have been met are reported as deferred revenues. Expenditures are recorded when the fund liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

F. Claims and Judgments

The District records a liability for claims, judgments, and litigation when it is probable that a liability has been incurred at year-end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated.

G. Capital Assets

Capital assets, which include land, buildings, improvements, and equipment, are reported in the Governmental Activities column of the Government-Wide Financial Statements. Capital assets are defined by the District as all land, buildings, vehicles, computers, equipment, and improvements, with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated market value at the date of donation or annexation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation is recorded in the Government-Wide Financial Statements on a straight-line basis over the useful life of the assets as follows:

Buildings	30 years
Improvements other than buildings	30 years
Equipment	5 to 15 years

CHINO VALLEY INDEPENDENT FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

H. Budgetary Practice

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1) The annual budget is adopted by the Board of Directors after the holding of a hearing and provides for the general operation of the District. The operating budget includes proposed expenditures and the means of financing them.
- 2) The Board of Directors approves total budgeted appropriations and any amendments to appropriations throughout the year. This appropriated budget covers District expenditures in the General Fund. Budget figures used in the accompanying financial statements present both original and final budget.
- 3) Formal budgetary integration is employed as a management control device during the year.
- 4) The annual budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).

I. Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The plan, available to all District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The District has adopted the provisions of GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code 457 Deferred Compensation Plans*. Management believes that the District has no fiduciary role under the revised plan, and plan funds are not available to the District's general creditors. Accordingly, the District has not reported plan assets in the accompanying financial statements.

J. Investments

The District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Pools*, which requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. In accordance with GASB Statement No. 31, the District has adjusted certain investments to fair value (when material).

Investments are included within the financial statement classifications of "Cash and investments" and are stated at fair value.

CHINO VALLEY INDEPENDENT FIRE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

K. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

L. Use of Restricted Resources

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

NOTE #2 – PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable in two installments on December 10 and April 10. The County of San Bernardino bills and collects the property taxes and distributes them to the District in installments during the year. District property tax revenues are recognized when levied to the extent that they result in current receivables.

NOTE #3 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2010, are classified in the accompanying financial statements as follows:

Cash and investments	<u>\$ 24,330,192</u>
----------------------	----------------------

Cash and investments as of June 30, 2010, consist of the following:

Petty cash	\$ 500
Cash demand deposits	511,749
Overnight Repurchase Agreements Sweep Account	6,406,935
Pooled investments - Local Agency Investment Fund (LAIF)	<u>17,411,008</u>
Total Cash and Investments	<u>\$ 24,330,192</u>

CHINO VALLEY INDEPENDENT FIRE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE #3 – CASH AND INVESTMENTS, (CONTINUED)

Investments Authorized by the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code and the District's policy, where more restrictive. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Money Market Mutual Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
State of California Treasury Obligations	2 years	25%	None
Bankers Acceptances	180 days	30%	None
Commercial Paper	270 days	25%	None
Certificates of Deposit	2 years	30%	None
Repurchase Agreements	90 days	25%	None
Time deposits	2 years	25%	None
Guaranteed Investment Contracts	2 years	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of year end, the weighted average maturity of the investments held by the district is less than one year.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization. The amounts invested in the Overnight Repurchase Agreement Sweep account are collateralized by a pool comprised of direct obligations of the United States, Federal Agency or Government Sponsored Enterprises pursuant to the Master Repurchase Agreement. However, the pool is unrated.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2010 the District's percentage of the investment portfolio held in the Overnight Repurchase Agreement Sweep Account was 26.3 percent which exceeded the amount authorized by the District's investment policy.

CHINO VALLEY INDEPENDENT FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

NOTE #3 – CASH AND INVESTMENTS, (CONTINUED)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

As of June 30, 2010, \$688,520 of the District's deposits with financial institutions was in excess of FDIC limits and was collateralized as discussed above.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF). Pursuant to the Master Repurchase Agreement the amounts in the Overnight Repurchase Agreement Sweep Account are collateralized at 102 percent with the collateral held by the financial institutions custodian but not in the District's name.

Investment in State Investment Pool

The District is a voluntary participant in the LAIF that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. LAIF is not registered with the Securities and Exchange Commission. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

As of June 30, 2010, the District's investments in the State Treasurer's investment pool (LAIF) were \$17,411,008. The total amounts invested by all public agencies in LAIF at June 30, 2010 were \$69,573,678,456. Of these amounts, as of June 30, 2010, 94.58 percent is invested in non-derivative financial products, and 5.42 percent is invested in structured notes and asset-backed securities. The District relied upon information provided by the State Treasurer in estimating the District's fair value position of its holdings in LAIF.

CHINO VALLEY INDEPENDENT FIRE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE #4 – PREPAID COSTS

Prepaid costs in the amount of \$643,382 were primarily comprised of \$480,345 of advanced payments on fire engines and related equipment and \$115,123 of liability insurance pertaining to the fiscal year 2010-2011.

NOTE #5 – CAPITAL ASSETS AND DEPRECIATION

In accordance with GASB Statement No. 34, the District has reported all capital assets in the Government-Wide Statement of Net Assets. The following table presents the capital assets activity for the year ended June 30, 2010.

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 105,438			\$ 105,438
Investment in joint venture (Note #12)	142,675	\$ 88,741		231,416
Construction in Progress	2,135,123	4,530,855	\$ 6,665,978	
Total Capital Assets Not Being Depreciated	<u>2,383,236</u>	<u>4,619,596</u>	<u>6,665,978</u>	<u>336,854</u>
Capital Assets, Being Depreciated:				
Buildings	190,939	6,630,751		6,821,690
Improvements other than buildings	583,231	178,806		762,037
Equipment	7,732,022	1,937,724	495,501	9,174,245
Total Capital Assets Being Depreciated	<u>8,506,192</u>	<u>8,747,281</u>	<u>495,501</u>	<u>16,757,972</u>
Less Accumulated Depreciation For:				
Buildings	165,435	111,621		277,056
Improvements other than buildings	143,172	21,949		165,121
Equipment	5,185,177	406,370	495,501	5,096,046
Total Accumulated Depreciation	<u>5,493,784</u>	<u>539,940</u>	<u>495,501</u>	<u>5,538,223</u>
Total Capital Assets, Being Depreciated, Net	<u>3,012,408</u>	<u>8,207,341</u>		<u>11,219,749</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,395,644</u>	<u>\$ 12,826,937</u>	<u>\$ 6,665,978</u>	<u>\$ 11,556,603</u>

Depreciation expense in the amount of \$539,940 was charged to the public safety function on the Statement of Activities for the year ended June 30, 2010.

CHINO VALLEY INDEPENDENT FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

NOTE #6 – RISK MANAGEMENT

Special District Risk Management Authority (SDRMA)

The District is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority, created pursuant to California Government Sections 6500 et seq and established in 1986. The Authority provides property, liability and worker's compensation coverage protection and risk management services statewide exclusively for California special districts, joint power authorities and other public agencies. The District has various policies of coverage with SDRMA and mainly including the following:

Workers' Compensation Coverage and Employer's Liability

The District is self-insured up to the first \$250,000 per claim and is protected up to \$200 million per occurrence for Workers' Compensation and \$5 million per occurrence for Employer Liability, after the initial self-retention. Annual contributed premiums are to be paid annually based on estimated wages and subject to adjustment at the end of each year.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. As of June 30, 2010, the total liability of \$814,408 consists of open claims of \$753,942 and estimated incurred but not reported (IBNR) claims of \$60,466. This liability is the District's best estimate based on available information provided by the third party claims administrator and analysis of prior claims history. Changes in the reported liability at June 30, 2010, resulted from the following.

<u>Year</u>	<u>Liability Beginning of Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims and Payments</u>	<u>Liability End of Year</u>
2008	\$ 1,304,044	\$ 238,944	\$ (435,159)	\$ 1,107,829
2009	1,107,829	161,776	(246,615)	1,022,990
2010	1,022,990	211,117	(419,699)	814,408

General Liability

The District is protected for general liability, Public Officials' and Employees' Errors and Omission and Employment Practices Liability up to \$5 million per occurrence with a combined single limit of \$2.5 million and deductibles of \$500 per occurrence. The District does not have a self-insured retention level for its general and vehicle liability coverage; accordingly no liability has been recorded. The Auto Liability policy has a single limit of \$2.5 million; with a deductible of \$1,000.

Property Loss

The District is covered per occurrence up to and a combined total of \$1 billion, subject to a \$2,000 deductible per occurrence.

Settlements have not exceeded coverages for each of the past three years.

CHINO VALLEY INDEPENDENT FIRE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE #7 – LONG-TERM DEBT

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Amount Due In 2010-11
Compensated absences	\$ 4,680,719	\$ 409,517	\$ 257,316	\$ 4,832,920	\$ 300,000
Workers' compensation claims	1,022,990	211,117	419,699	814,408	178,198
	<u>\$ 5,272,587</u>	<u>\$ 620,634</u>	<u>\$ 677,015</u>	5,647,328	<u>\$ 478,198</u>
Less amount due in 2010-11				<u>(478,198)</u>	
Total amount due in more than one year				<u>\$ 5,169,130</u>	

Compensated Absences

Accumulated vacation and sick leave benefits payable in future years when used by the District employees amounted to \$4,832,920 (\$1,652,283 vacation and \$3,180,637 sick leave) at June 30, 2010. Vacation and sick leave benefits will be recorded as an expenditure in the governmental funds when the related current liability is incurred. Based on past experience an estimate of \$300,000 has been set up as the amount due during fiscal year 2010-2011.

Workers' Compensation Claims

The workers' compensation claims liability of \$814,408 as of June 30, 2010, consists of open claims of \$753,942 and estimated incurred but not reported (IBNR) claims of \$60,466. The open claims liability is based on claims activity reports provided by the District's third party claims administrator. The estimate for IBNR claims is based on prior claims history and is estimated as a percentage of open claims.

NOTE #8 – CLASSIFICATIONS OF NET ASSETS AND FUND BALANCE

In the Government-Wide financial statements net assets are classified in the following categories:

Invested in Capital Assets

This category groups all capital assets, into one component of net assets. Accumulated depreciation on these assets reduces this category.

Restricted Net Assets

This category presents external restrictions imposed by creditors, grantors, contributions or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

CHINO VALLEY INDEPENDENT FIRE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE #8 – CLASSIFICATIONS OF NET ASSETS AND FUND BALANCE, (CONTINUED)

Unrestricted Net Assets

This category represents the net assets of the District that are not externally restricted for any project or other purpose classified into the other two categories.

In the Fund Financial Statements, the District has established "reserves" to segregate portions of fund balance which are not appropriable for expenditure in future periods, or which are legally set aside for a specific future use. Fund "designations" are also established to indicate tentative plans for financial resource utilization of unreserved fund balance in a future period.

The District's governmental funds reserves and designations at June 30, 2010 are presented below:

Fund Balance	
Reserved:	
Deposits	\$ 25,000
Prepaid items	643,382
Total Reserved	<u>668,382</u>
Designated:	
Designated for workers compensation claims	814,408
Designated for future acquisition of equipment	958,548
Designated for facility maintenance	1,033,474
Designated for the compensated absences liability	1,594,864
Total Designated	<u>4,401,294</u>
Undesignated-operating contingencies	<u>18,894,635</u>
Total Unreserved	<u>23,295,929</u>
Total Fund Balance	<u>\$ 23,964,311</u>

NOTE #9 – AGREEMENT

Revised Fire Protection Services Agreement with the City Of Chino

Effective May 1, 1996, the District and the City of Chino (the City) entered into a revised fire protection services agreement. The District and the City agreed to replace the funding method set forth in the adopted LAFCO conditions when the District became self-governing in 1990. The method change provided additional funding to the District, which is more consistent with the level of funding received from areas outside the City limits. The City has agreed to pay the District an amount equal to the dispatch service cost incurred by the District. The amount of dispatch service expense incurred and subsequently received from the City was \$463,419 for 2009-10.

CHINO VALLEY INDEPENDENT FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

NOTE #9 – AGREEMENT, (CONTINUED)

Effective June 2, 2009, the District revised the fire protection services agreement in the following manner:

Design and Construction of Fire Facilities – The City has agreed to the design and construction of three new fire facilities. Under the agreement, the facilities will be owned by the City and it is intended that the City will enter into a long-term lease for the District's use. The City's maximum commitment toward the costs of the facilities shall be \$18.1 million. The District has agreed to pay costs in excess of \$18.1 million which are estimated at \$2 million with the right of termination in the event that proposed contract awards exceed of \$20.1 million.

Elimination of Dispatch Service Payments – The City and District have agreed to eliminate the requirement of the City to pay or reimburse the District for dispatch services beginning with the first full month following the City's issuance of a certificate of occupancy for the first fire station completed, as described above. The District's Management anticipates this to take place in the fiscal year 2010-2011.

Payments Under 1996 Agreement – The tax increment value payment obligation made by the City's redevelopment agency to the District is reduced in an amount equal to the statutory pass-through payments actually paid to the District pursuant to the Health and Safety Code.

As of June 30, 2010, the construction of the fire facilities had not been completed and the City has not yet issued a certificate of occupancy.

NOTE #10 – RETIREMENT PLAN

Plan Description

The District's defined benefit pension plans, The Safety and Miscellaneous Plans of the Chino Valley Independent Fire District (the Plans), provide 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 System (CalPERS), a cost-sharing multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions, as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance (other local methods). CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office located at 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members in the Safety and Miscellaneous Plans are required to contribute 9 percent and 8 percent, respectively, of their annual covered salary, which the District pays on their behalf. The 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 rates for fiscal 2009-2010 were 20.924 percent for safety employees and 13.193 percent for miscellaneous employees. The contribution requirements of the plan members are established by State statute, and the employer contribution rate is established and may be amended by CalPERS.

CHINO VALLEY INDEPENDENT FIRE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE #10 – RETIREMENT PLAN, (CONTINUED)

Annual Pension Cost

For fiscal year 2009-2010, the District's annual pension cost was \$2,590,857 for both safety and miscellaneous members, and was equal to the District's required and actual contributions.

Three-Year Trend Information for the Plans

<u>Year Ending June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2008	\$ 2,183,141	100%	0
2009	\$ 2,387,272	100%	0
2010	\$ 2,590,857	100%	0

The funded status of the pooled plan may be obtained from the CalPERS Executive Office.

NOTE #11 – OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The District offers a post retirement defined benefit allowance to plan members. Benefit allowance provisions are established through agreements and memorandums of understanding (MOU) between the District, its management employees and unions representing District employees.

Plan members include current retirees and active employees of the District. Eligible plan members are District employees who have retired from active employment with the District on or after the November 1990 date of formation and receiving a retirement allowance from CalPERS. In addition, employees hired on or after January 1, 2007, must complete five years of service in order to qualify for the benefit allowance.

The benefit allowance provides a lifetime allowance to eligible plan members and their surviving spouses, if applicable. The benefit allowance is provided in conjunction with the MOU terms allowing retirees to continue their current health insurance which also covers active members.

CHINO VALLEY INDEPENDENT FIRE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE #11 – OTHER POSTEMPLOYMENT BENEFITS, (CONTINUED)

Funding Policy

The contribution requirements of the District are established and may be amended by the District's Board of Directors. For eligible plan members, the District provides a monthly benefit allowance of \$500 per month for management and safety members. For confidential and miscellaneous members, the monthly allowance is based on the years of District service as follows:

<u>Less than 10 Years</u>	<u>More than 10 Years</u>
\$250 per month	\$500 per month

Any and all insurance premium costs incurred by retirees above the monthly benefit allowance are borne by the retiree. In addition, for retirees who retired prior to October 1, 2006, the District contributes an additional \$17.86 towards the CalPERS retiree health plan, for those eligible plan members.

During fiscal year 2008, the District established an irrevocable trust in accordance with the parameters of GASB Statement 45. Amounts contributed to the Trust for the fiscal year ended June 30, 2010 were \$368,000.

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 (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 District's ARC requirement for the fiscal year ended June 30, 2010 was \$368,000 and 3 percent of payroll. 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 to the plan. In accordance with GASB Statement 45, the District has set their net OPEB obligation at \$0 at transition.

Annual Required Contribution (ARC)	\$ 368,000
Interest on net OPEB obligation	(29,579)
Adjustment to ARC	25,497
Annual OPEB cost (expense)	<u>363,918</u>
Contributions made	<u>(575,482)</u>
(Increase)/decrease in net OPEB asset	(211,564)
Net OPEB obligation (asset) - beginning of year	<u>(381,664)</u>
Net OPEB obligation (asset) - end of year	<u><u>\$ (593,228)</u></u>

CHINO VALLEY INDEPENDENT FIRE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE #11 – OTHER POSTEMPLOYMENT BENEFITS, (CONTINUED)

The District's annual OPEB cost, the percentage of the annual cost contributed toward the plan members' benefit allowances, and the net OPEB obligation for fiscal year 2010 was as follows:

<u>Fiscal Year Ended:</u>	<u>Annual OPEB Cost</u>	<u>Amount Contributed</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation/(Asset)</u>
6/30/10	\$ 363,918	\$ 575,482	158.14%	\$ (593,228)
6/30/09	\$ 343,836	\$ 545,000	158.51%	\$ (381,664)
6/30/08	\$ 382,830	\$ 857,500	223.99%	\$ (180,500)

Funded Status and Funding Progress

As of June 30, 2008, the most recent actuarial valuation date, the plan was 16.0 percent funded. The actuarial accrued liability was \$4,208,000 and the actuarial value of assets was \$673,000, resulting in an unfunded actuarial accrual liability of \$3,530,000. The covered payroll (annual payroll of the active plan members) was \$11,895,000 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 28.7 percent.

Actuarial valuations of an ongoing plan such as the District's benefit allowance program, 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.

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 June 30, 2008, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.75 percent investment rate of return (net of administrative expenses), which is the rate of the expected long-term investment returns on the District's own investments in the Irrevocable Trust, and an annual healthcare cost trend rate of 4.5 percent. Both rates included a 3.0 percent inflation assumption.

The Unfunded Actuarially Accrued Liability (UAAL) is being amortized over 30 years as a level percentage of projected payroll. The remaining amortization period as of June 30, 2010 was 26 years.

The benefit allowance was deemed a community rated plan and therefore, no implicit rate subsidy was determined in the actuarial valuation.

CHINO VALLEY INDEPENDENT FIRE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE #12 – JOINT VENTURE

West End Fire and Emergency Response Commission

The District is a member of the West End Fire and Emergency Response Commission (FERC), which was created under a joint powers agreement. It was formed to operate a hazardous materials response team serving the Cities of Montclair, Ontario, Upland, Rancho Cucamonga, and the Chino Valley Independent Fire District. The FERC governing board is comprised of one representative from each member agency.

Members of FERC share equally (20 percent each) in the Commission's assets, to be distributed upon termination of the joint venture agreement. The members have no share of the Commission's debts, liabilities, and obligations.

The District's share of equity in FERC has been accounted for as a joint venture in accordance with GASB Statement No. 14; accordingly, 20 percent of FERC's equity has been included as a capital asset of the District (see Note #5).

Summarized unaudited financial information for FERC at June 30, 2010, is presented below:

Balance Sheet	
Assets	<u>\$ 1,157,079</u>
Liabilities	\$ 18,964
Equity	<u>1,138,115</u>
Total Liabilities and Equity	<u>\$ 1,157,079</u>
Revenues and Expenditures	
Revenues	\$ 60,980
Expenditures	<u>52,596</u>
Excess of revenues over expenditures	<u>\$ 8,384</u>

REQUIRED SUPPLEMENTARY INFORMATION

CHINO VALLEY INDEPENDENT FIRE DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 18,447,055	\$ 19,696,796	\$ 20,344,275	\$ 647,479
Licenses and permits	360,000	300,000	317,445	17,445
Charges for current services	7,342,882	7,897,090	7,848,679	(48,411)
Use of money and property	416,160	200,000	142,347	(57,653)
Other	803,022	803,022	258,284	(544,738)
Total Revenues	<u>27,369,119</u>	<u>28,896,908</u>	<u>28,911,030</u>	<u>14,122</u>
EXPENDITURES				
Current:				
Salaries and benefits	22,242,650	22,242,650	22,273,499	(30,849)
Services and supplies	4,108,572	4,177,472	3,682,138	495,334
Capital outlay	3,019,540	3,773,303	2,089,302	1,684,001
Total Expenditures	<u>29,370,762</u>	<u>30,193,425</u>	<u>28,044,939</u>	<u>2,148,486</u>
Net Change in Fund Balance	(2,001,643)	(1,296,517)	866,091	2,162,608
FUND BALANCE, Beginning of Year	<u>23,098,220</u>	<u>23,098,220</u>	<u>23,098,220</u>	
FUND BALANCE, End of Year	<u>\$ 21,096,577</u>	<u>\$ 21,801,703</u>	<u>\$ 23,964,311</u>	<u>\$ 2,162,608</u>

See accompanying notes to required supplementary information.

CHINO VALLEY INDEPENDENT FIRE DISTRICT

**SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFIT PLAN
 REQUIRED SUPPLEMENTARY INFORMATION
 JUNE 30, 2010**

Valuation Date	Entity Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded/ (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Payroll
6/30/2008	\$ 4,203,000	\$ 673,000	\$ 3,530,000	16.0%	\$ 11,895,000	29.7%
6/30/2006	\$ 5,897,000	\$ -	\$ 5,897,000	0.0%	\$ 9,317,000	63.3%

See accompanying notes to required supplementary information.

CHINO VALLEY INDEPENDENT FIRE DISTRICT

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2010**

***NOTE #1 – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL***

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

NOTE #2 – SCHEDULES OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFIT PLAN

The Schedules of Funding Progress for Other Postemployment Benefits shows the District's actuarial value of assets, accrued liability, and their relationship of the unfunded liability (UL) to payroll for the Safety and Miscellaneous Plans in accordance with GASB Statement No. 45.