

# Rodeo-Hercules Fire Protection District

Hercules, California

*Basic Financial Statements*

*For the year ended June 30, 2007*



**Rodeo-Hercules Fire Protection District**  
**Basic Financial Statements**  
**For the year ended June 30, 2007**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
of the Rodeo-Hercules Fire Protection District  
Hercules, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rodeo-Hercules Fire Protection District (District), as of and for the year ended June 30, 2007, 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. 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 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 basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2007, and the respective changes in financial position and for the year then ended in conformity with generally accepted accounting principles in the United States.

The accompanying Required Supplementary Information, such as management's discussion and analysis, budgetary comparison information and other information as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires 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.

The accompanying Required Supplementary Information, such as management's discussion and analysis, budgetary comparison information and other information as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

*Caporicci & Larson*

Oakland, California  
September 24, 2007

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Rodeo-Hercules Fire Protection District (District) provides the reader with an overview of the District's financial position and performance for the period ending June 30, 2007. The Management's Discussion & Analysis (MD&A) describes the significant changes 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. We encourage the reader to consider the information presented here in conjunction with the additional information furnished in our letter of transmittal.

### FINANCIAL HIGHLIGHTS

#### Government-Wide Financial Statements

- The District ended its fiscal year with net assets of \$5,777,404
- The total Program Expenses were \$4,457,672
- The total Program Revenues were \$556,795, as a result of grant funding
- The total General Revenues were \$4,972,588
- The change in Net Assets represents an increase of \$1,071,711

#### Fund Financial Statements

- The General Fund revenues exceeded the operating expenses by \$757,735; a transfer of \$1,000,000 was made out of the General Fund leaving a net change in the fund balance of (\$242,265).
- The Hercules Fire Impact Fund operating expenses exceeded the revenues leaving a net change in the fund balance of (\$322,849).
- The Rodeo Fire Impact Fund received revenues of \$441.
- The Capital Projects #1 Fund revenues exceeded the operating expenses by \$41,040; a transfer of \$200,000 was made into the Capital Projects #1 Fund leaving a net change in the fund balance of 241,040.
- The Capital Projects #2 Fund revenues exceeded the operating expenses by \$21,524; a transfer of \$800,000 was made into the Capital Projects #2 Fund leaving a net change in the fund balance of \$821,524.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$435,239; Hercules Fire Impact Fund was \$42,834; Rodeo Fire Impact Fund was \$10,254; Capital Projects No. 1 was \$1,181,490 and Capital Projects No. 2 was \$1,435,034 for a total in all fund balances of \$3,104,851

### ANNUAL REPORT OVERVIEW

This annual report consists of a series of financial statements. The District's Basic Financial Statements are comprised of two components: Government-Wide Financial Statements and Fund Financial Statements.

#### Government-Wide Financial Statements

The *Government-Wide Financial Statements* provide the reader with a longer-term view of the District's activities as a whole and comprise the Statement of Net Assets and Statement of Activities. The manner of presentation is similar to a private-sector business.

## ANNUAL REPORT OVERVIEW, Continued

The *Statement of Net Assets* presents information about the financial position of the District as a whole, including all its capital assets and long-term liabilities on the full accrual basis of accounting. Over time, increases or decreases in net assets is one indicator in monitoring the financial health of the District.

The *Statement of Activities* provides information about all the District's revenues and expenditures on the full accrual basis of accounting, with the emphasis on measuring net revenues or expenditures of each specific program. This statement explains in detail the change in Net Assets for the year.

All of the District's activities in the Government-Wide Financial Statements are principally supported by taxes, intergovernmental revenues, benefit assessments, fire impact fees and inspection fees. The governmental activities of the District include fire protection and interest on long-term debt.

### **Fund Financial Statements**

The fund financial statements are designed to report information about groupings of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A *fund* is a fiscal and accounting entity with a self-balancing set of accounts that the District uses to keep track of specific resources of funding and spending for a particular purpose.

All of the District's basic services are considered to be governmental activities. The District's services are supported by general District revenues such as taxes, benefit assessments, developer impact fees and inspection fees. In the District's case, the five funds (General Fund, two Capital Projects Funds and two Developer Impact Fees) are presented individually.

The *Governmental Funds* focus on how money flows into and out of the fund and the balance left at year-end available for spending. These funds are reported using an accounting method called the *modified accrual* basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

## FINANCIAL ACTIVITIES OF THE DISTRICT AS A WHOLE

This analysis focuses on the net assets and changes in net assets of the District's Governmental Activities, as presented in the Government-Wide Statement of Net Assets and Statement of Activities as follows:

### Government-Wide Financial Statements

**Table 1**  
**Statement of Net Assets**  
**Governmental Activities**

	<u>2006-2007</u>	<u>2005-2006</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>Assets</b>				
Current assets	\$ 3,439,474	\$ 2,926,343	\$ 513,131	18%
Capital assets	<u>2,906,601</u>	<u>2,061,071</u>	<u>845,530</u>	<u>41%</u>
<b>Total assets:</b>	<u>6,346,075</u>	<u>4,987,414</u>	<u>1,358,661</u>	<u>27%</u>
<b>Liabilities</b>				
Current liabilities	334,623	319,383	15,240	5%
Noncurrent liabilities	<u>234,048</u>	<u>286,921</u>	<u>(52,873)</u>	<u>-18%</u>
<b>Total Liabilities:</b>	<u>568,671</u>	<u>606,304</u>	<u>(37,633)</u>	<u>-6%</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	2,906,601	2,061,071	845,530	41%
Restricted for special projects	53,088	-	53,088	100%
Unrestricted (as restated)	<u>2,817,715</u>	<u>2,320,039</u>	<u>497,676</u>	<u>21%</u>
<b>Total Net Assets:</b>	<u>\$ 5,777,404</u>	<u>\$ 4,381,110</u>	<u>\$ 1,396,294</u>	<u>32%</u>

**FINANCIAL ACTIVITIES OF THE DISTRICT AS A WHOLE, Continued**

**Table 2  
Statement of Activities  
Governmental Activities**

	2006-2007	2005-2006	Dollar Change	Percent Change
<b>Expenses</b>				
Public safety - fire protection				
Personnel services	\$ 4,453,938	\$ 4,229,652	\$ 224,286	5%
Interest	3,734	7,176	\$ (3,442)	-48%
<b>Total Program Expenses:</b>	<b>\$ 4,457,672</b>	<b>\$ 4,236,828</b>	<b>\$ 220,844</b>	<b>5%</b>
<b>Revenues</b>				
Program revenues:				
Changes for Services	\$ 93,668	\$ 96,029	\$ (2,361)	-2%
Operating grants	75,000	75,000	\$ -	0%
Capital grants	388,127	129,375	\$ 258,752	200%
General revenues:				
Property taxes	4,808,509	4,391,615	\$ 416,894	9%
Investment earnings	66,214	22,139	\$ 44,075	199%
Miscellaneous	97,865	142,413	\$ (44,548)	-31%
<b>Total Revenues</b>	<b>\$ 5,529,383</b>	<b>\$ 4,856,571</b>	<b>\$ 672,812</b>	<b>14%</b>
<b>Changes in net asset</b>	<b>1,071,711</b>	<b>619,743</b>	<b>\$ 451,968</b>	<b>73%</b>
<b>Net assets - beginning of year, as restated</b>	<b>4,705,693</b>	<b>3,761,367</b>		
<b>Net assets - end of year</b>	<b>\$ 5,777,404</b>	<b>\$ 4,381,110</b>		

*Expenses*

The Public Safety expenses totaled to \$4,453,938 for fiscal year ending 2007. The majority of the increase correlates to the salary and benefit category, specifically the costs for higher medical premiums, retirement rate and workers' compensation increases. In addition, depreciation expense in the amount of \$220,106 for the fiscal year was recognized. The remaining expenses are categorized as materials and services and capital projects.

The "Interest" expenses reflect the interest paid on the District Line of Credit with Westamerica Bank.

*Program Revenues*

In the category of "Capital Grants," the District received \$60,000 from the City of Hercules to offset costs of the District's paramedic program. In fiscal year 2005/06 a grant was received from the Department of Homeland Security Emergency Preparedness and Response Directorate (FEMA) to purchase a 75' Quint Aerial Ladder Truck for \$575,000. FEMA funded 90% of the cost or \$517,000 and the District funded 10% of the cost or \$57,500. Initial funding was received from FEMA for the down payment of the ladder truck in fiscal year 2005/06. The remaining \$388,125 grant funding was received in the 2006-2007 fiscal year.

## FINANCIAL ACTIVITIES OF THE DISTRICT AS A WHOLE, Continued

The District also received funding in the miscellaneous category from the Contra Costa County (CCC) Emergency Medical Services through CCC's Measure H funding for its annual allotment for First Responder funding. A \$15,000 donation was also received from Conoco-Phillips to pay for RIC training equipment. The balance of miscellaneous revenue consists of plan-check fees and other charges for service.

Due to the financial crisis at the State, a freeze was placed on funding for SB90 mandated cost reimbursements. However, the District was reimbursed by the State of California, Governor's Office of Emergency Services, Fire and Rescue Branch, for providing mutual aid services for the Horse, Pigeon, Canyon, Day, and Kinglsey Fires.

The program revenues that fall under the category of "Charges for Service" include revenues for inspection fees, weed abatement charges and reports/photocopies.

### *General Revenues*

The primary source of revenue for the operation of the Rodeo-Hercules Fire Protection District is generated through the collection of secured, unsecured and supplemental property taxes. During the last fiscal year, the overall assessed valuation increased 10.09%. A major portion of the increase reflects the ongoing growth in the City of Hercules. However a considerable portion of this growth falls within the City of Hercules Redevelopment Area of which the District receives mostly only base tax revenues.

## **Fund Financial Statements**

### *Governmental Funds*

At June 30, 2007, the District's governmental funds reported combined fund balances of \$3,104,851 which is an increase of \$ 497,891 compared with the prior year. This change is attributed to an increase in property taxes, developer impact fees, donations and investments.

### *Major Analyses of Governmental Funds*

#### *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 are property taxes and benefit assessments. The General Fund is the general operating fund of the District. It is used to account for all financial resources. The major revenue sources are property taxes and benefit assessments.

Overall, the General Fund expenditures increased by 5% from last year. The primary categories attributable for the increase were: (1) payroll expenses, (2) retirement benefits, (3) medical insurance premiums; and (4) workers' compensation benefits.

During fiscal year 2006-2007, the Capital Projects Fund No. 1 spent \$9,241 on capital items. In the Hercules Fire Impact Fund, \$728,355 was expended for apparatus and firefighting equipment. In addition, \$85,159 was expended from this fund for the last payment of the District's line of credit.

## CAPITAL ASSETS

At the end of fiscal 2007, the District had \$2,906,601 in net capital assets. The following table identifies the specific governmental activity:

**Table 3**  
**Capital Assets at Year-End**  
**Governmental Activities**

	2006-2007	2005-2006	Dollar Change	Percent Change
Land	\$ 7,437	\$ 7,437	\$ -	0%
Buildings and improvements	1,096,448	1,096,448	\$ -	0%
Equipment	3,963,643	3,220,449	\$ 743,194	23%
Less accumulated depreciation	(2,160,927)	(2,263,263)	\$ 102,336	-5%
<b>Capital Assets:</b>	<u>\$ 2,906,601</u>	<u>\$ 2,061,071</u>	<u>\$ 845,530</u>	<u>19%</u>

All the 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. All capital assets are depreciated over their estimated useful lives, using the straight line method. See Note 4 in the Basic Financial Statement for more detailed analyses.

## ECONOMIC OUTLOOK AND MAJOR INITIATIVES

The District's financial position continues to be adequate. Financial planning is based on specific assumptions from recent trends in real property values, new commercial and residential development, State of California economic forecasts and historical growth patterns in the various tax rate areas in the Rodeo-Hercules Fire District.

The economic condition of the Rodeo-Hercules Fire Protection District as it appears on the balance sheet reflects financial stability and the potential for organizational growth. Despite the slowdown in the Bay Area, the assessed valuation in Contra Costa County increased during FY 2006-2007. The District will continue to maintain a watchful eye over expenditures and remain committed to sound fiscal management practices to deliver the highest quality service to the citizens of the area.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

These Basic Financial Statements are 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 Administrative Offices of the Rodeo-Hercules Fire District, 1680 Refugio Valley Road, Hercules, CA 94547 (510) 799-4561.

## **BASIC FINANCIAL STATEMENTS**

**Rodeo-Hercules Fire Protection District**  
**Statement of Net Assets**  
**June 30, 2007**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 3,254,824
Accounts receivables (net of allowances)	102,089
Advances from taxes	81,797
Other assets	764
Total current assets	<u>3,439,474</u>
Capital assets:	
Non-depreciable	7,437
Depreciable capital assets, net	2,899,164
Total capital assets	<u>2,906,601</u>
<b>Total assets</b>	<u><u>6,346,075</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	232
Accrued payroll	334,391
Total current liabilities	<u>334,623</u>
Noncurrent liabilities:	
Compensated absences payable	234,048
Total noncurrent liabilities	<u>234,048</u>
<b>Total liabilities</b>	<u><u>568,671</u></u>
<b>NET ASSETS</b>	
Investment in capital assets, net of related debt	<u>2,906,601</u>
Restricted for:	
Special projects and programs	53,088
Total restricted	<u>53,088</u>
Unrestricted	2,817,715
<b>Total net assets</b>	<u><u>\$ 5,777,404</u></u>

See accompanying Notes to Basic Financial Statements.

**Rodeo-Hercules Fire Protection District**  
**Statement of Activities and Changes in Net Assets**  
**For the year ended June 30, 2007**

Functions/Programs	Expenses	Program Revenues			Total	Governmental Activities Net (Expenses) Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
<b>Primary government:</b>						
<b>Governmental activities:</b>						
Fire protection	\$ 4,453,938	\$ 93,668	\$ 75,000	\$ 388,127	\$ 556,795	\$ (3,897,143)
Interest on long-term debt	3,734	-	-	-	-	(3,734)
<b>Total governmental activities</b>	<b>\$ 4,457,672</b>	<b>\$ 93,668</b>	<b>\$ 75,000</b>	<b>\$ 388,127</b>	<b>\$ 556,795</b>	<b>(3,900,877)</b>

**General revenues:**

Property taxes	4,808,509
Investment earnings	66,214
Miscellaneous	97,865
<b>Total general revenues</b>	<b>4,972,588</b>
<b>Changes in net assets</b>	<b>1,071,711</b>
<b>Net assets - beginning of year, as restated (Note 11)</b>	<b>4,705,693</b>
<b>Net assets - end of year</b>	<b>\$ 5,777,404</b>

See accompanying Notes to Basic Financial Statements.

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**Rodeo-Hercules Fire Protection District**  
**Governmental Fund Financial Statements**  
**For the year ended June 30, 2007**

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**General Fund**

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

**Hercules Fire Impact Fee Special Revenue Fund**

This fund receives fees collected the City of Hercules.

**Rodeo Fire Impact Fee Special Revenue Fund**

This fund receives fees collected the Town of Rodeo.

**Capital Projects #1 Fund**

This fund accounts for the District's capital budget.

**Capital Projects #2 Fund**

This fund accounts for additional money for future capital needs.

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**Rodeo-Hercules Fire Protection District**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2007**

	Major Funds					Total
	General Fund	Hercules Fire Impact Special Revenue Fund	Rodeo Fire Impact Fee Special Revenue Fund	Capital Projects #1 Fund	Capital Projects #2 Fund	
<b>ASSETS</b>						
Cash and investments	\$ 584,986	\$ 42,835	\$ 10,255	\$ 1,181,524	\$ 1,435,224	\$ 3,254,824
Prepaid items	102,089	-	-	-	-	102,089
Advances on taxes	81,797	-	-	-	-	81,797
Other current assets	764	-	-	-	-	764
<b>Total assets</b>	<b>\$ 769,636</b>	<b>\$ 42,835</b>	<b>\$ 10,255</b>	<b>\$ 1,181,524</b>	<b>\$ 1,435,224</b>	<b>\$ 3,439,474</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 6	\$ 1	\$ 1	\$ 34	\$ 190	\$ 232
Accrued payroll	334,391	-	-	-	-	334,391
<b>Total liabilities</b>	<b>334,397</b>	<b>1</b>	<b>1</b>	<b>34</b>	<b>190</b>	<b>334,623</b>
<b>Fund Balances:</b>						
Unreserved, designated in:						
General fund	435,239	-	-	-	-	435,239
Special revenues funds	-	42,834	10,254	-	-	53,088
Capital projects funds	-	-	-	1,181,490	1,435,034	2,616,524
<b>Total fund balances</b>	<b>435,239</b>	<b>42,834</b>	<b>10,254</b>	<b>1,181,490</b>	<b>1,435,034</b>	<b>3,104,851</b>
<b>Total liabilities and fund balances</b>	<b>\$ 769,636</b>	<b>\$ 42,835</b>	<b>\$ 10,255</b>	<b>\$ 1,181,524</b>	<b>\$ 1,435,224</b>	<b>\$ 3,439,474</b>

See accompanying Notes to Basic Financial Statements.

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**Rodeo-Hercules Fire Protection District**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Assets**  
**June 30, 2007**

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<b>Total Fund Balances - Total Governmental Funds</b>	<b>\$ 3,104,851</b>
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.

Non-depreciable capital assets	7,437
Depreciable capital assets, net	2,899,164

Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.

Compensated absences payable	(234,048)
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<b>Net Assets of Governmental Activities</b>	<b>\$ 5,777,404</b>
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**Rodeo-Hercules Fire Protection District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2007**

	Major Funds					Total
	General Fund	Hercules Fire Impact Special Projects Fund	Rodeo Fire Impact Fee Special Revenue Fund	Capital Projects #1 Fund	Capital Projects #2 Fund	
<b>REVENUES:</b>						
District taxes	\$ 4,765,967	\$ -	\$ -	\$ -	\$ -	\$ 4,765,967
Home owner property tax relief	42,542	-	-	-	-	42,542
Federal grant (FEMA)	-	388,125	-	-	-	388,125
State aid	2	-	-	-	-	2
Local grants	60,000	-	-	15,000	-	75,000
Developer fees	-	93,668	-	-	-	93,668
Use of money and property	-	8,872	441	35,281	21,620	66,214
Other	97,865	-	-	-	-	97,865
<b>Total revenues</b>	<b>4,966,376</b>	<b>490,665</b>	<b>441</b>	<b>50,281</b>	<b>21,620</b>	<b>5,529,383</b>
<b>EXPENDITURES:</b>						
Current:						
Public safety - fire protection	4,208,641	121,701	-	9,241	96	4,339,679
Capital outlay	-	606,588	-	-	-	606,588
Debt service:						
Principal	-	81,491	-	-	-	81,491
Interest and fiscal charges	-	3,734	-	-	-	3,734
<b>Total expenditures</b>	<b>4,208,641</b>	<b>813,514</b>	<b>-</b>	<b>9,241</b>	<b>96</b>	<b>5,031,492</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>757,735</b>	<b>(322,849)</b>	<b>441</b>	<b>41,040</b>	<b>21,524</b>	<b>497,891</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	-	-	-	200,000	800,000	1,000,000
Transfers out	(1,000,000)	-	-	-	-	(1,000,000)
<b>Total other financing sources (uses)</b>	<b>(1,000,000)</b>	<b>-</b>	<b>-</b>	<b>200,000</b>	<b>800,000</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(242,265)</b>	<b>(322,849)</b>	<b>441</b>	<b>241,040</b>	<b>821,524</b>	<b>497,891</b>
<b>FUND BALANCES:</b>						
Beginning of year	677,504	365,683	9,813	940,450	613,510	2,606,960
End of year	\$ 435,239	\$ 42,834	\$ 10,254	\$ 1,181,490	\$ 1,435,034	\$ 3,104,851

See accompanying Notes to Basic Financial Statements.

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# Rodeo-Hercules Fire Protection District

## Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2007

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Net Change in Fund Balances - Total Governmental Funds \$ 497,891

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

Governmental funds report additions of capital assets as part of capital outlay and other program expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. 741,053

Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds. (220,106)

Long-term compensated absences are reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, compensated absences are not reported as expenditures in governmental funds. (28,618)

Repayment of principal on capital leases is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Assets.

Capital lease repayments 81,491

Change in Net Assets of Governmental Activities \$ 1,071,711

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**NOTES TO BASIC FINANCIAL STATEMENTS**

# Rodeo-Hercules Fire Protection District

## Notes to Basic Financial Statements

For the year ended June 30, 2007

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Basic Financial Statements of the Rodeo-Hercules Fire Protection District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

#### *A. Reporting Entity*

The District is an autonomous district governed by a five (5) member Board of Directors elected at large by the voters of the District. The District covers an area of approximately 25 square miles and includes the unincorporated Town of Rodeo and City of Hercules.

The financial statements of the District consist only of the funds of the District. The District has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the District. Control or dependence is determined on the basis of the respective governing board. The governing board has decision making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

#### *B. Basis of Accounting and Measurement Focus*

The District's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

#### **Government-Wide Financial Statements**

The District Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets.

The Government-Wide Financial 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 infrastructure assets, and long-term liabilities, 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.

Certain types of transactions reported as program revenues for the District are reported in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions.

**Rodeo-Hercules Fire Protection District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***B. Basis of Accounting and Measurement Focus, Continued***

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. The following interfund activities have been eliminated in the Statement of Activities:

- Transfers in/out

The District applies all applicable GASB pronouncements including all NCGA Statements and Interpretations currently in effect.

**Governmental Fund Financial Statements**

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the Government-Wide Financial Statements. The District has presented all funds as major funds.

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 sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the District, are property tax and grant revenues. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

The District reports the following major governmental funds:

*The General Fund* - is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

*The Hercules Fire Impact Special Revenue Fund* - is used to account for revenues collected by the City of Hercules.

**Rodeo-Hercules Fire Protection District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***B. Basis of Accounting and Measurement Focus, Continued***

The Rodeo Fire Impact Special Revenue Fund – is used to account for revenues collected by the Town of Rodeo.

The Capital Project #1 Fund – is used to account for the District's capital budget.

The Capital Projects #2 Fund – is used to account for additional funds for future capital needs.

***C. Cash and Investments***

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The District participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to change in interest rates.

***D. Capital Assets***

Capital assets are reported in the Government-Wide Financial Statements. Capital assets are defined by the District all assets regardless of cost with a useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available.

Capital assets are depreciated over their estimated useful lives using the straight-line method. This 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 purpose of depreciation is to spread the cost of capital assets over the useful 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.

**Rodeo-Hercules Fire Protection District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*D. Capital Assets, Continued*

Depreciation of capital assets is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the Statement of Net Assets of the government-wide financial statements as a reduction in the book value of the capital assets.

The District has assigned the useful lives listed below to capital assets.

<u>Description</u>	<u>Years</u>	<u>Description</u>	<u>Years</u>
Grounds Improvements	20	Communication Equipment	10
Buildings	50	Computer Hardware	5
Machinery & Tools	15	Audio Visual Equipment	10
Custodial Equipment	15	Athletic Equipment	10
Furniture & Accessories	20	Fire Trucks	15
Business Machines	10	Vehicles	15
Copiers	5		

*E. 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 needed.

*F. Compensated Absences*

As of June 30, 2007, the District had incurred a liability for payment, at an unspecified future date, to its employees for vacation pay benefits earned. Salaried District employees may accrue up to 72 hours of unpaid overtime ("comp time") and may sell up to 24 hours of comp time and up to 48 hours of vacation time to the District.

*G. Property Taxes, Tax Increment and Special Assessment Revenue*

Revenue is recognized in the fiscal year for which the tax and assessment is levied. The County of Contra Costa levies, bills and collects property taxes and special assessments for the District and remits the full assessment regardless of the amounts received under a Teeter plan arrangement.

	<u>Secured Property Tax</u>	<u>Unsecured Property Tax</u>
Lien Date	January 1 preceding fiscal year	January 1 preceding fiscal year
Due Date	November 1 & February 1	August 31
Delinquent Date	December 10 & April 10	September 1

**Rodeo-Hercules Fire Protection District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*H. Net Assets*

**Government-Wide Financial Statements**

In the Government-Wide Financial Statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Assets – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

**Fund Financial Statements**

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund’s cash and receivables, less its liabilities. Portions of a fund’s balance may be reserved or designated for future expenditures.

*I. Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

**2. CASH AND INVESTMENTS**

The following is a summary of pooled cash and investments, including restricted cash and investments held by the District, and cash and investments held by fiscal agents, at June 30, 2007 were as follows:

	Government-Wide Statement of Net Assets	
	Governmental Activities	
Cash and Investments:		
Cash deposits with the County	\$	2,039,216
Petty cash		400
LAIF		1,215,608
<b>Total cash and investments</b>	<b>\$</b>	<b>3,254,824</b>

**Rodeo-Hercules Fire Protection District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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**2. CASH AND INVESTMENTS, Continued**

*A. Cash Deposits*

The carrying amounts of the District's cash deposits with the County were \$2,039,216 at June 30, 2007. The District maintains substantially all of its cash in the Contra Costa County Treasury as part of a common investment pool. The fair market value of this pool as of that date was not provided by the pool sponsor. The county is restricted by Government Code section 53635 pursuant to Section 53601 to invest in time deposits, U.S. Government Securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptance commercial paper, negotiable certificates of deposit and repurchase or reverse repurchase agreements.

*B. External Investment Pool*

The District invests in Local Agency Investment Fund (LAIF), a State of California external investment pool. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The District's investments with LAIF at June 30, 2007, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments may include the following:

*Structured Notes* are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

*Asset-Backed Securities*, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's) or credit card receivables.

As of June 30, 2007, the District had \$1,215,608 invested in LAIF, which had invested 3.466% of the pool investment funds in Structured Notes and Asset-Backed Securities. The LAIF fair value factor of 0.999545022 was used to calculate the fair value of the investments in LAIF. The fair value adjustment was not made as amount was deemed to be immaterial. The fair value of the District's position in the pool was the same as the value of the pool shares.



**Rodeo-Hercules Fire Protection District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

**5. LONG-TERM DEBT**

A schedule of changes in long-term debt for the year ended June 30, 2007 is shown below:

Description	Balance July 1, 2006	Additions	Retirements	Balance June 30, 2007	Classification	
					Due Within One Year	Due in More than One Year
Capital leases	\$ 81,491	\$ -	\$ (81,491)	\$ -	\$ -	\$ -
Compensated Absences	205,430	28,618	-	234,048	-	234,048
<b>Total</b>	<b>\$ 286,921</b>	<b>\$ 28,618</b>	<b>\$ (81,491)</b>	<b>\$ 234,048</b>	<b>\$ -</b>	<b>\$ 234,048</b>

**6. ASSESSED VALUATION**

The assessed valuation for the District was as follows:

	2006-2007
Secured and Unsecured Debt	\$ 4,907,451

**7. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

As of June 30, 2007 expenditures exceeded appropriation in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
Hercules Fire Impact Special Revenue Fund	
Fire Protection	\$ 265,795

The excess amount was funded by existing fund balance of the Fund.

**8. JOINT VENTURES (JOINT POWERS AGREEMENTS)**

The Rodeo-Hercules Fire Protection District participates in two joint ventures under joint powers agreements (JPAs). The relationship between the Rodeo-Hercules Fire Protection District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes.

Contra Costa County Fire District Insurance Pool (CCCFDIP) - The pool arranges for and provides public liability, property damage and self-insurance between the county, its special districts and independent county fire protection districts.

**Rodeo-Hercules Fire Protection District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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**8. JOINT VENTURES (JOINT POWERS AGREEMENTS), Continued**

Fire Agencies Self Insurance System (FASIS) - FASIS arranges for and provides worker's compensation insurance for independent fire protection districts.

The JPAs are governed by boards consisting of a representative from each member District, for CCCFDIP and an elected 11 members of Board of Directors for FASIS, which currently has 225 member organizations. The boards control the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board.

Each member District pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the pool.

Condensed financial information of the JPAs for the year ended June 30, 2007 was not available.

**9. DEFERRED COMPENSATION**

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

The laws governing deferred compensation plan assets require plan assets to be held by 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 and are not subject to District control, they have been excluded from these financial statements.

**10. EMPLOYEE RETIREMENT SYSTEM**

*A. Summary or Plan, Funding and Accounting Policies*

**Plan Description**

The Contra Costa County Employee's Retirement Association (CCCERA) is governed by the Board of Retirement (Board) under the County Employee's Retirement Law of 1937 (1937 Act), as amended. Members should refer to the 1937 Act for more complete information.

**Rodeo-Hercules Fire Protection District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

**10. EMPLOYEE RETIREMENT SYSTEM, Continued**

*A. Summary or Plan, Funding and Accounting Policies, Continued*

**General**

CCCERA is a contributory defined benefit plan (the Plan) initially organized under the provision of the 1937 Act on July 1, 1945. It provides benefits upon retirement, death or disability of members. CCCERA operates as a cost-sharing multiple employer defined benefit pension plan that covers substantially all of the employees of the County of Contra Costa (the County) and 18 other member agencies. CCCERA membership at December 31, 2006 is presented below:

Retirees and Beneficiaries receiving benefits	6,856
Inactive Vested Members entitled to but not yet receiving benefits	1,919
Current Employees:	
Vested:	
General Employees	5,162
Safety Employees	1,202
Non-Vested:	
General Employees	2,440
Safety Employees	406
Total Membership	<u>17,985</u>

CCCERA, with its own governing board, is an independent governmental entity, separate and distinct from the County of Contra Costa. CCCERA is a component unit of the County. CCCERA is presented in the County's basic financial statements as a pension trust fund.

**Benefit Provisions**

The Plan is currently divided into seven benefit sections in accordance with the 1937 Act. These sections are known as General Tier 1, enhanced and non-enhanced; Tier II; Tier III, enhanced and non-enhanced; Safety, enhanced and non-enhanced. On October 1, 2002, the Contra Costa County Board of Supervisors adopted Resolution No. 2002/608, which provides enhanced benefit changes commonly known as 3% at 50 for safety members and 2% at 55 for general members, effective July 2, 2002 and January 1, 2003 respectively. Effective January 1, 2005, the enhanced benefits are applied to the bargaining units represented by the California Nurses Association and the non-represented employees within similar classifications as employees in bargaining units represented by the California Nurses Association, as well as the supervisors and managers of these employees. Effective July 1, 2005, East Contra Costa Fire Protection District adopted the enhanced benefit structure for its employees. In addition, each Special District that is a participant of CCCERA, and whose staff are not County Employees covered by Resolution No. 2002/608, may elect to participate in the enhanced benefits. As of December 31, 2005, seven general member agencies and four safety member agencies have adopted enhanced benefits for their employees. One additional general member agency adopted the enhanced benefit structure effective February 1, 2006.

**Rodeo-Hercules Fire Protection District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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**10. EMPLOYEE RETIREMENT SYSTEM, Continued**

*A. Summary or Plan, Funding and Accounting Policies, Continued*

Legislation was signed by the Governor in 2002 which allows Contra Costa County, effective October 1, 2002 to provide Tier III to all new employees, to move those previously in Tier II to Tier III as of that date, and to apply all future service as Tier III. Tier III was originally created October 1, 1998 and made available to all members with five or more years of Tier II service who elected to transfer to Tier III coverage.

Tier I includes members not mandated to be in Tier II or Tier III and reciprocal member who elect Tier I membership. As of December 31, 2005, Tier II includes only the employees of one special district agency. This agency moved its Tier II member to Tier III and adopted the enhanced benefit structures on February 1, 2006. All members who moved to Tier III with five or more years of service prior to October 1, 2002, or were moved to Tier III effective October 1, 2002, or were moved to Tier III on February 1, 2006, continued to have Tier II benefits for service prior to that date unless the service is converted to Tier III.

Safety includes members in active law enforcement, active fire suppression work or certain other "Safety" classification as designated by the Retirement Board.

Benefits are administered by the Board under the provision of the 1937 Act. Annual cost-of-living adjustments (COLA) to retirement benefits may be granted by the Board as provided by State statutes. Service retirements are based on age, length of service and final average salary. Employees may withdraw contributions plus interest credited or leave them on deposit for a deferred retirement when they terminate or transfer to a reciprocal retirement system.

Pertinent provisions for each section follow:

*General: Tier I*

Members may elect service retirement at age 70 regardless of service, at age 50 with 10 years of service, or with 30 years of service regardless of age. Disability retirements may be granted as service connected with no minimum service credit required or non-service connected with five years of service credit required. The retirement benefit is based on a one-year average salary in accordance with Government Code Section 31462.

*General: Tier II*

Members may elect service retirement at age 70 regardless of service, at age 50 with 10 years of service, or with 30 years of service regardless of age. Disability retirements may be granted as service connected with no minimum service credit required or non-service connected with five years of service credit required. Those members who elected in 1980 to transfer for General: Tier I to General: Tier II are eligible for non-service connected disability with five years of service. The definition of disability is more strict under General: Tier II than in the General: Tier I plan. The retirement benefit is based on a three-year average salary in accordance with Government Code Section 31462.

**Rodeo-Hercules Fire Protection District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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**10. EMPLOYEE RETIREMENT SYSTEM, Continued**

*A. Summary or Plan, Funding and Accounting Policies, Continued*

*General: Tier III*

Members may elect service retirement at age 70 regardless of service, at age 50 with 10 years of service, or with 30 years of service regardless of age. Disability retirements may be granted as service connected with no minimum service credit required or non-service connected with five years of service credit required. The definition of disability is the same as Tier II. The retirement benefit is based on a one-year average salary in accordance with Government Code Section 31462.

*Safety*

Members may elect service retirement at age 70 regardless of service, at age 50 with 10 years of service, or with 30 years of service regardless of age. Disability retirements may be granted as service connected with no minimum service credit required or non-service connected with five years of service credit required. The retirement benefit is based on a one-year average salary in accordance with Government Code Section 31462.

**Cost of Living Adjustments (COLA)**

The 1937 Act authorized the Retirement Board to grant annual automatic and ad hoc cost-of-living increases to all eligible retired members. Article 16.5 requires the Board to grant an annual automatic COLA effective April 1. The benefit is based on the San Francisco-Oakland San Jose area Consumer Price Index and is limited to three percent for Tier I, Tier III and Safety members, and four percent for Tier II members. Government Code Section 31874.3 allows the granting of a supplemental cost-of-living benefit, on a prefunded basis to eligible retirees whose unused Consumer Price Index increase accumulations equal or exceed twenty percent. This supplemental increase is a permanent part of the retirees' monthly benefit and is known as "New Dollar Power".

**Terminations**

Effective January 1, 2003, a member with less than five years of service may elect to leave accumulated contributions on deposit in the retirement fund indefinitely as a result of the passing of AB2766, which amends Section 31629.5 of the Retirement Law of 1937. A member who continues membership under this ruling is granted a deferred non-vested status and is subject to the same age, service, and disability requirements that apply to other members for service or disability retirement.

**Rodeo-Hercules Fire Protection District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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**10. EMPLOYEE RETIREMENT SYSTEM, Continued**

*B. Summary of Significant Accounting Policies*

**Basis of Accounting**

CCCERA's financial statements are prepared using the accrual basis of accounting. Investment income is recognized when it is earned and expenses are recognized in the period in which they are incurred. Employee and employer contributions are recognized as revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds of prior contributions are recognized when due and payable in accordance with the terms of the Plan. All investment purchases and sales are recorded on the trade date. The net appreciation (depreciation) in fair value of investments held by CCCERA is recorded as an increase (decrease) to investment income based on the valuation of investments at June 30 and December 31.

**Contributions**

Employer and member contributions and COLA contributions are based on statute and rates recommended by an independent actuary and adopted by the Retirement Board. Covered employees are required by statute to contribute toward their pensions. The rates are set to provide a retirement benefit equal to a fractional part of the highest year(s) salary, based on membership and tier. CCCERA members are required to contribute between 3.73% and 18.02% of their annual covered salary. Member contributions are refundable upon termination of employment. County and Moraga/Orinda Fire Protection District Safety members contribute, over the next four years, an additional amount per year, up to a maximum of 9.0% of the employer's increase in contributions attributed to the adoption of the enhanced benefit package commonly known as 3% at 50. Member contributions are refundable upon termination of employment.

Employers are required to contribute at an actuarially determined rate calculated on the alternate funding method permitted by Government Code Section 31453.5. Pursuant to provisions of the 1937 Act, the Retirement Board recommends annual contribution rates for adoption by the Board of Supervisors. The "Entry Age Normal", funding method is used to calculate the rate required to provide benefits to members.

During the year, contributions totaled \$264,917,359, which included \$73,468,648 in employee contributions and \$179,755,315 in employer contributions and \$11,693,396 from the proceeds of pension obligation bonds issued by Contra Costa Fire Protection District and Moraga-Orinda Fire Protection District. These figures also include employee and employer purchase, redeposit and conversion amounts.

Government Code Section 31582(b) allows the Board of Supervisors to authorize the county auditor to make an advance payment of all or part of the county's estimated annual contribution to the retirement fund. Code Section 31585 makes the same appropriations and transfers available to Districts. Contra Costa County and 11 participating employers "prepay" or make advance payments of all the employer's estimated annual contributions discounted by the assumed interest rate in effect on July 1. At the end of the fiscal year, a "true-up" is completed and employers are either billed for an underpayment or apply their overpayment towards the following year contributions.

**Rodeo-Hercules Fire Protection District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

**10. EMPLOYEE RETIREMENT SYSTEM, Continued**

***B. Summary of Significant Accounting Policies, Continued***

Employer contributions for 2000 through 2002 are less than 100% due to action taken by the Board to phase-in, over a three year period, increased contribution requirements associated with the December 31, 1997 actuarial experience study, as well as the *Ventura Decision*. The Retirement Board, at its meeting on July 11, 2000, deferred for one year, the third year phase-in from the experience study and the second year phase-in of the *Ventura Decision*.

On August 14, 1997, the Supreme Court of the State of California issued a decision in a case entitled *Ventura County Deputy Sheriff's Association vs. Board of Retirement of Ventura County Employees' Retirement Association* (Ventura Decision). On October 1, 1997, the Ventura Decision became final. The Supreme Court held that a County Retirement System operating under provisions of the County Employees Retirement Law of 1937 must include certain types of cash incentive payments and additional pay elements received by an employee, within the employee's "compensation earnable" and "final" compensation when calculating the employee's retirement benefits. The Board voted to implement the changes to the retirement benefits as of October 1, 1997, the date the decision became final.

***C. Annual Pension Costs and Trend Information***

The District annual pension costs were equal to the District's required and actual contributions. The three-year historical trend information is presented below:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2005	\$ 561,418	100%	\$ -
2006	682,106	100%	-
2007	797,738	100%	-

**11. PRIOR PERIOD ADJUSTMENTS**

*Government-Wide Financial Statements*

The capital assets adjustments were to record assets not reflected in prior years and to correct a calculation error in depreciation expense.

	Net Assets, as Previously Reported	Prior Period Adjustment Capital Assets	Net Assets, as Restated
Governmental Activities			
Net assets	\$ 4,381,110	\$ 324,583	\$ 4,705,693
<b>Total Governmental Activities</b>	<b>\$ 4,381,110</b>	<b>\$ 324,583</b>	<b>\$ 4,705,693</b>

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**Rodeo-Hercules Fire Protection District**  
**Required Supplementary Information**  
**For the year ended June 30, 2007**

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*A. Budgetary Principles*

The Board of Directors follows the procedures establishing the budgetary data reflected on the financial statement:

1. Proposed budget is received by Chief of the District and Board members.
2. Public hearings are conducted to obtain taxpayer comment.
3. Formal budgetary integration is employed as a management control device during the year for the General Fund.
4. There is no formal budget of revenue as the revenue amount to be received is the previous year's fund balance, plus property tax revenues to be received, less the expense budget.
5. The budgets for the General Fund, Special Revenue Fund and the Capital Projects Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Annual budgetary data have not been adopted for the Rodeo Fire Impact Fee Special Revenue Fund and the Capital Projects #2 Fund.
7. The Board of Directors requires the adoption of a summary budget for the General Fund.
8. Appropriations lapse at the end of each fiscal year.

**Rodeo-Hercules Fire Protection District**  
**Required Supplementary Information**  
**For the year ended June 30, 2007**

*A. Budgetary Principles, Continued*

*Budgetary Comparison Schedule, General Fund*

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
District taxes	\$ -	\$ -	\$ 4,765,967	\$ 4,765,967
Home owner property tax relief	-	-	42,542	42,542
State aid	-	-	2	2
Local grants	-	-	60,000	60,000
Other	-	-	97,865	97,865
Total revenues	-	-	4,966,376	4,966,376
<b>EXPENDITURES:</b>				
Current:				
Public safety - fire protection	4,299,042	4,299,042	4,208,641	90,401
Total expenditures	4,299,042	4,299,042	4,208,641	90,401
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(4,299,042)</b>	<b>(4,299,042)</b>	<b>757,735</b>	<b>5,056,777</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(250,000)	(250,000)	(1,000,000)	(750,000)
Total other financing sources (uses)	(250,000)	(250,000)	(1,000,000)	(750,000)
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (4,549,042)</b>	<b>\$ (4,549,042)</b>	<b>(242,265)</b>	<b>\$ 4,306,777</b>
<b>FUND BALANCES:</b>				
Beginning of year			677,504	
End of year			\$ 435,239	

**Rodeo-Hercules Fire Protection District**  
**Required Supplementary Information**  
**For the year ended June 30, 2007**

*A. Budgetary Principles, Continued*

Budgetary Comparison Schedule, Hercules Fire Impact Fee Special Revenue Fund

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Federal grant (FEMA)	\$ -	\$ -	\$ 388,125	\$ 388,125
Developer fees	-	-	93,668	93,668
Use of money and property	-	-	8,872	8,872
Total revenues	-	-	490,665	490,665
<b>EXPENDITURES:</b>				
Current:				
Public safety - fire protection	98,000	98,000	121,701	(23,701)
Capital outlay	364,560	364,560	606,588	(242,028)
Debt service:				
Principal	81,492	81,492	81,491	1
Interest and fiscal charges	3,667	3,667	3,734	(67)
Total expenditures	547,719	547,719	813,514	(265,795)
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (547,719)</u>	<u>\$ (547,719)</u>	(322,849)	<u>\$ 756,460</u>
<b>FUND BALANCES:</b>				
Beginning of year			365,683	
End of year			<u>\$ 42,834</u>	

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**SUPPLEMENTARY INFORMATION**

**Rodeo-Hercules Fire Protection District**  
**Supplementary Information**  
**For the year ended June 30, 2007**

*Budgetary Comparison Schedule - Capital Projects # 1 Fund*

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Local grants	\$ -	\$ -	\$ 15,000	\$ 15,000
Use of money and property	-	-	35,281	35,281
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>50,281</b>	<b>50,281</b>
<b>EXPENDITURES:</b>				
Current:				
Public safety - fire protection	65,850	65,850	9,241	56,609
<b>Total expenditures</b>	<b>65,850</b>	<b>65,850</b>	<b>9,241</b>	<b>56,609</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(65,850)</b>	<b>(65,850)</b>	<b>41,040</b>	<b>106,890</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	200,000	200,000	200,000	-
<b>Total other financing sources (uses)</b>	<b>200,000</b>	<b>200,000</b>	<b>200,000</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 134,150</b>	<b>\$ 134,150</b>	<b>241,040</b>	<b>\$ 106,890</b>
<b>FUND BALANCES:</b>				
Beginning of year			940,450	
End of year			<b>\$ 1,181,490</b>	