

Novato Fire Protection District



Financial Statements
And
Report of Independent Auditors
Year Ended June 30, 2008

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Novato Fire Protection District

We have audited the accompanying basic financial statements of the Novato Fire Protection District (District) as of and for the year ended June 30, 2008, 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 basic financial statements based on our audit.

We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the California State Controller's *Minimum Audit Requirements for California Special Districts*. 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Novato Fire Protection District as of June 30, 2008, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Management's discussion and analysis on pages 2 through 5 and the required supplemental information on pages 31 through 32 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 applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

We performed the audit to form an opinion on the basic financial statements of the District taken as a whole. The other supplemental information listed on page 33 is presented for additional analysis and is not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Maher Accountancy

November 6, 2008





Novato Fire Protection District

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis provides an overview of the District's financial activities for the fiscal year ended June 30, 2008. Please read it along with the District's financial statements, which begin on page 6.

FINANCIAL HIGHLIGHTS

The District's net assets increased by \$1,894,000 in 2008. Total revenues increased by \$2,326,000 and total expenses increased by \$1,606,000.

Included in the required supplemental information section is a budgetary comparison schedule. That schedule indicates that we had a net favorable variance of \$1,878,000 when comparing actual activity with amounts budgeted. Variance details are listed on the schedule on page 31.

USING THIS ANNUAL REPORT

This annual report consists of financial statements for the District as a whole with more detailed information about the District's general fund. The statement of net assets and the statement of activities provide information about the activities of the District as a whole and present a long-term view of the District's finances (they include capital assets and long-term liabilities). The fund financial statements present a short-term view of the District's activities (they include only current assets expected to be collected in the very near future and liabilities expected to be paid in the very near future).

THE DISTRICT AS A WHOLE

One important question asked about the District's finances is, "Is the District better or worse off as a result of the year's activities?" The information in the government-wide financial statements helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting (and reports depreciation on capital assets), which is similar to the basis of accounting used by most private-sector companies.

The change in net assets (the difference between total assets and total liabilities) over time is one indicator of whether the District's financial health is improving or deteriorating. However, one must consider other nonfinancial factors in making an assessment of the District's health, such as changes in the economy, changes in the District's tax base, and changes in the District's boundaries, etc. to assess the overall health of the District.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

Changes in the District's net assets (in thousands) were as follows:

	2008	2007	Increase (decrease)
Current assets	\$ 16,305	\$ 14,259	\$ 2,046
Noncurrent assets	15,357	15,854	(497)
Total assets	<u>31,662</u>	<u>30,113</u>	<u>1,549</u>
Current liabilities	2,393	2,525	(132)
Noncurrent liabilities	4,581	4,793	(212)
Total liabilities	<u>6,974</u>	<u>7,318</u>	<u>(344)</u>
Net assets:			
Invested in/for capital assets, net of debt	10,922	11,411	(489)
Unrestricted	13,766	11,383	2,383
Total net assets	<u>\$ 24,688</u>	<u>\$ 22,794</u>	<u>\$ 1,894</u>

The increase in current assets is primarily a result of revenue outpacing expenditures. Depreciation expense was greater than capital equipment acquisitions, resulting in a decrease in noncurrent assets. Last years current liabilities included payroll adjustments paid after year end in regards to the firefighters association's new contract. A similar adjustment was not required this year, which was the main reason for a decrease in current liabilities. Noncurrent liabilities decreased primarily as a result of lower workers compensation claims outstanding.

Changes in the District's revenues (in thousands) were as follows:

	2008	2007	Increase (decrease)
General revenues:			
Property taxes	\$ 20,495	\$ 18,386	\$ 2,109
Investment earnings	572	506	66
Intergovernmental	107	109	(2)
Miscellaneous	48	52	(4)
Total general revenues	<u>21,222</u>	<u>19,053</u>	<u>2,169</u>
Program revenues:			
Charges for services	1,879	1,963	(84)
Operating grants	830	589	241
Total program revenues	<u>2,709</u>	<u>2,552</u>	<u>157</u>
Total revenue	<u>\$ 23,931</u>	<u>\$ 21,605</u>	<u>\$ 2,326</u>

Property tax revenue again accounted for the largest portion of our revenue increase. Additionally, District personnel responded to more out-of-district fires during the year, resulting in an increase in federal and California grant revenue.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

Changes in the District's expenses and net assets (in thousands) were as follows:

	2008	2007	Increase (decrease)
Public safety-fire protection:			
Personnel	\$ 18,309	\$ 17,201	\$ 1,108
Material and services	2,671	2,249	422
Depreciation	923	874	49
Interest	134	108	26
Total expenses	<u>22,037</u>	<u>20,432</u>	<u>1,605</u>
Less: Program revenues	<u>2,709</u>	<u>2,552</u>	<u>157</u>
Net expenses	<u>19,328</u>	<u>17,880</u>	<u>1,448</u>
General revenues	<u>21,222</u>	<u>19,052</u>	<u>2,170</u>
Change in net assets	<u>\$ 1,894</u>	<u>\$ 1,172</u>	<u>\$ 722</u>

Personnel costs increased over the prior year primarily due to wage increases, overtime and call-back pay as a result of thinner staffing and increased retirement contribution rates. General fire department operations, as we anticipated in the budget, caused material and services to increase over the prior year.

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the District's general fund.

The fund financial statements provide a short-term view of the District's operations. They are reported using an accounting basis called modified accrual which reports cash and other short-term assets and liabilities (receivables and payables) that will soon be converted to cash or will soon be paid with cash.

As shown on page 10, the government fund balance increased by \$1,119,000. On page 11, there is a reconciliation from the fund balance increase and the change in net assets.

CAPITAL ASSET AND DEBT ADMINISTRATION

Depreciation is a systematic approach to allocate the cost of capital assets over their estimated useful lives. The District has adopted a 30 year life for its buildings, 15 years for fire apparatus, 10 years for ambulances, 5 years for other motor vehicles, and 3-10 years for furniture, fixtures, and equipment.

During the preceding year we entered into leases to acquire two fire engines and two ambulances. The fire engines cost approximately \$915,000 and the ambulances cost approximately \$300,000 and were acquired this year. During this year, we entered into a lease to acquire a water tender for approximately \$194,000, which we acquired in June 2008.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

ECONOMIC OUTLOOK

The Novato Fire Protection District's financial position continues to be sufficient to maintain a high level of service to our community. The District has appropriate reserves to insure equipment and apparatus replacement, however unlike anything that we have seen in recent financial history, we need to proceed with any future major funding issues with a great deal of caution.

Financial planning is based on assumptions from recent trends in real property values, State of California economic forecasts, and historical growth patterns in the service area. There has been an unprecedented down turn in housing, including a 320% increase of foreclosures in Novato from 2007 to 2008. The downward trend of the stock market and global economy has added to a great deal of uncertainty. It should be noted that there have been 10 economic down turns since World War II, each lasting an average of 10 months.

How can the down turn in the stock market effect us? Last year I reported that it appeared that retirement contribution rates have leveled off after several years, which is in part due to the fact that we are at the end of a 5 year "smoothing" formula. In 2008 our rates dropped from 44% to 39%. It is my opinion that we can see this figure rise again! Once again the costs of health care premiums are expected to increase at a rate that is difficult to forecast and retiree health care funding and strategies to mitigate the costs provides a challenge to the District as we spend this year reviewing options and gain a clearer prospective on this difficult issue compounded by a failing economy.

The District has conservatively estimated property tax revenue growth at 4.0% annually, with recent severe downturns in home sales, which have traditionally resulted in higher property tax assessments, coupled with an uncertainty of the real estate market; it is unlikely that the District, at least for the short term, will experience any revenue growth in 2009 and 2010.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds under its stewardship.

Please address any questions about this report or requests for additional financial information to the address on our letterhead.

Respectfully submitted,


Marc Revere
Fire Chief

Basic Financial Statements

**NOVATO FIRE PROTECTION DISTRICT
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2008**

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents (Note 2)	\$ 15,047,242
Receivables:	
Due from other governments	360,552
Ambulance service fees, net allowance for doubtful accounts of \$875,360	566,037
Property taxes	266,056
Other	37,022
Prepaid expenses	27,619
Total current assets	16,304,528
Noncurrent assets:	
Notes receivable (Note 3)	837,662
Net capital assets (Note 4)	14,519,002
Total noncurrent assets	15,356,664
Total assets	31,661,192
LIABILITIES	
Current liabilities:	
Accounts payable	197,248
Accrued wages	292,086
Current portion of notes payable (Note 5)	59,819
Current portion of obligation under capital leases (Note 6)	148,623
Current portion of compensated absences	1,424,917
Workers' compensation claims	269,868
Total current liabilities	2,392,561
Noncurrent liabilities:	
Note payable to bank (Note 5)	2,394,046
Obligation under capital leases (Note 6)	994,892
Workers' compensation claims	1,192,058
Total noncurrent liabilities	4,580,996
Total liabilities	6,973,557
NET ASSETS	
Invested in or restricted to acquire capital assets, net of related debt	10,921,622
Unrestricted	13,766,013
Total net assets	\$ 24,687,635

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

**NOVATO FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008**

	Governmental Activities					Organizational Resources & Support
	Total	Paramedic & Ambulance	Fire Prevention & Investigation	Fire Suppression	Training	
EXPENSES						
Personnel	\$ 18,308,833	\$ 5,915,062	\$ 693,286	\$ 9,461,761	\$ 452,465	\$ 1,786,259
Material and services	2,671,484	229,131	64,804	265,223	66,579	2,045,747
Depreciation	922,657	431,812	8,433	431,812	8,433	42,167
Interest on debt	134,585					134,585
Total expenses	22,037,559	6,576,005	766,523	10,158,796	527,477	4,008,758
PROGRAM REVENUES:						
Charges for services	1,879,302	1,739,845	50,517	0	9,661	79,279
Operating grants and contributions	829,683			735,709		93,974
Net program expense	19,328,574	4,836,160	716,006	9,423,087	517,816	3,835,505
GENERAL REVENUES						
Property taxes	20,495,437					
Investment earnings	571,587					
Intergovernmental	107,148					
Miscellaneous	48,146					
Total general revenues	21,222,318					
Increase in net assets	1,893,744					
NET ASSETS-BEGINNING OF THE YEAR, AS RESTATED	<u>22,793,891</u>					
NET ASSETS-END OF THE YEAR	<u>\$ 24,687,635</u>					

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

**NOVATO FIRE PROTECTION DISTRICT
BALANCE SHEET
GOVERNMENTAL (GENERAL) FUND
AS OF JUNE 30, 2008**

ASSETS	
Cash and cash equivalents (Note 2)	\$ 15,047,242
Receivables:	
Due from other governments	360,552
Ambulance service fees, net allowance for doubtful accounts of \$875,360	566,037
Property taxes	266,056
Other	37,022
Notes receivable (Note 3)	837,662
Prepaid expenses	27,619
Total assets	<u>\$ 17,142,190</u>
LIABILITIES	
Accounts payable	\$ 197,248
Accrued wages	292,086
Deferred revenue	504,907
Total liabilities	<u>994,241</u>
FUND BALANCE	
Reserved for encumbrances	383,402
Unreserved:	
Designated (Note 8)	13,757,385
Unrestricted	2,007,162
Total unreserved	<u>15,764,547</u>
Total fund balance	<u>16,147,949</u>
Total liabilities and fund balance	<u>\$ 17,142,190</u>

**NOVATO FIRE PROTECTION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2008
(Continued)**

**Reconciliation of governmental fund balance to net assets
of governmental activities:**

Total governmental fund balance	\$	16,147,949
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		14,519,002
Ambulance service and property tax accounts receivable that are not available to pay current period expenditures and therefore are deferred in the balance sheet		504,907
Some liabilities are not due and payable from resources available in the current period and therefore are not reported in the balance sheet:		
Notes payable		(2,453,865)
Leases payable		(1,143,515)
Compensated absences		(1,424,917)
Workers' compensation claims		(1,461,926)
		(4,484,227)
Net assets of governmental activities	\$	24,687,635

**NOVATO FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE-GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2008**

REVENUES

Property taxes	\$ 20,524,997
Charges for services	1,852,664
Interest income	571,587
Intergovernmental	842,857
Miscellaneous	<u>142,120</u>
Total revenues	23,934,225

EXPENDITURES

Current:	
Salaries and benefits	18,422,870
Services and supplies	2,613,345
Capital outlay	1,641,594
Debt service:	
Principal	196,392
Interest	<u>134,585</u>
Total expenditures	<u>23,008,786</u>
Excess (deficiency) of revenues over expenditures	925,439

OTHER FINANCING SOURCES (USES):

Proceeds from capital lease transaction	<u>193,510</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	1,118,949

FUND BALANCE-BEGINNING OF YEAR

15,029,000

FUND BALANCE - END OF YEAR

\$ 16,147,949

**NOVATO FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE-GOVERNMENT FUND (continued)
YEAR ENDED JUNE 30, 2008**

**Reconciliation of the change in fund balance-total governmental funds
to the change in net assets of governmental activities:**

Net change in fund balance	\$ 1,118,949
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures, however, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>	
Capital asset purchases capitalized	1,587,946
Depreciation expense	(922,657)
<p>Revenues in the statement of activities that do not provide current resources are not reported as revenue in the fund financial statements</p>	
Ambulance service fees	26,638
Property taxes	(29,560)
<p>Debt principal transactions reported in the governmental fund statement of revenue but not considered an operating activity in the statement of activities (but only as changes in liabilities)</p>	
Proceeds from capital lease transaction	(193,510)
Note principal repayments	57,983
Payments to reduce obligations under capital leases	138,409
<p>Expenditures reported in the modified accrual basis statement of revenues, expenditures and changes in fund balance are recognized in the period incurred if they are to be paid from current financial resources. Expenses reported in accrual basis statement of activities are recognized when incurred, regardless of the timing of the payment:</p>	
Workers' compensation claims	231,258
Accrued compensated absences	(121,712)
	(121,712)
Change in net assets of governmental activities	\$ 1,893,744

**NOVATO FIRE PROTECTION DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
AS OF JUNE 30, 2008**

ASSETS	<u>Pension Trust Fund</u>
Cash and cash equivalents	\$ 102,680
Mutual funds	<u>5,291,902</u>
Net assets held in trust for benefits	<u><u>\$ 5,394,582</u></u>

**NOVATO FIRE PROTECTION DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED JUNE 30, 2008**

	<u>Pension Trust Fund</u>
ADDITIONS	
Employee contributions	\$ 335,824
Employer contributions	47,200
Investment income (loss)	<u>(215,836)</u>
Total additions	167,188
DEDUCTIONS	
Benefits	152,067
Fees	<u>420</u>
Total deductions	<u>152,487</u>
Net increase (decrease)	14,701
NET ASSETS HELD IN TRUST FOR BENEFITS	
Beginning of year	<u>5,379,881</u>
End of year	<u><u>\$ 5,394,582</u></u>

**NOVATO FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Novato Fire Protection District (the District) is a separate governmental unit established July 6, 1926, as a special district of the State of California. The purpose of the District is to provide fire protection, emergency medical and related services to the City of Novato and the surrounding area. The City of Novato and surrounding area approximates 71 square miles with an estimated population of 60,000. A five-person Board of Directors elected by the citizens for four-year terms governs the District. The District's legal authority and responsibilities are contained in the State of California Health and Safety Code under the "Fire Protection District Law of 1987."

INTRODUCTION

The District's financial statements are prepared in accordance with generally accepted accounting principals (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations.). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District is discussed below.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE STATEMENTS

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds and excluding fiduciary funds).

In the government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities), the District's activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in two parts: (1) invested in capital assets, net of related debt, and (2) unrestricted net assets.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. The functions are supported by general government revenues (property taxes and intergovernmental revenues). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Operating grants include operating-specific and discretionary (either operating or capital) grants while capital grants reflect capital-specific grants.

**NOVATO FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GOVERNMENT-WIDE STATEMENTS (continued)

The categories of governmental activities included in the *statement of activities* report expenses directly attributable to the functions indicated. The category, "Organizational Resources & Support," includes all expenses (including those incurred in support of other activities) not directly chargeable to another activity. The net costs (by function) are normally covered by general revenue (property taxes and intergovernmental revenues).

The government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

FUND FINANCIAL STATEMENTS

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures.

The District uses the following fund types:

Governmental funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial positions (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District:

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.

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not incorporated in the government-wide statements. The following is a description of the fiduciary fund of the District:

Pension trust fund is used to account for assets held in the District's deferred compensation plan.

**NOVATO FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING:

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurement made regardless of the measurement focus applied.

Accrual

The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

FINANCIAL STATEMENT AMOUNTS

Cash and cash equivalents

The District has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with its fiscal agent (County of Marin).

Investments

Investments, including deferred compensation investments, are stated at fair value (quoted market price).

Deferred revenue

Deferred revenue (in the fund financial statements) represents ambulance fees and property taxes earned during the year but not collected in time to be available to finance the current year's operations.

**NOVATO FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL STATEMENT AMOUNTS (continued)

Capital assets

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

- | | |
|-------------------------------------|------------|
| • Buildings | 30 years |
| • Fire apparatus | 15 years |
| • Ambulances | 10 years |
| • Other vehicles | 5 years |
| • Furniture, fixtures and equipment | 3-10 years |

Compensated absences

The District accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee.

In accordance with an agreement with the Novato Professional Firefighters Association, the District is obligated to provide the following compensated absence benefits:

Sick leave Shift employees of the District earn sick leave at 12 hours per month and may accumulate up to 1,456 hours. Day employees earn 8 hours per month and may accumulate up to 1,040 hours. An employee's accumulated sick leave may be applied toward retirement, or upon separation from the District, may be received in salary at 25% of the current hourly rate.

Vacations Shift personnel earn vacation shifts at a rate of 6 to 13 shifts per year, depending on length of service. Day personnel earn between 12 to 25 days per year. Vacations may be accumulated and carried forward from year to year subject to a maximum of 312 hours for shift personnel and 208 hours for day personnel. Management has estimated that 5% of the total accrued compensated absences payable are due within one year.

Compensatory time-off All District personnel may accumulate accrued overtime pay at one and one-half times their basic pay rate. Accumulated compensatory time is limited to 96 hours. Amounts in excess of 96 hours or time accumulated for over one year from the date earned are paid to the employee.

**NOVATO FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL STATEMENT AMOUNTS (continued)

ENCUMBRANCES

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances outstanding at year-end are reported as reservations of fund balance and do not constitute expenditures or liabilities.

PROPERTY TAXES

The County of Marin levies taxes and places liens on real property as of January 1 on behalf of the District. Secured property taxes are due the following November 1 and March 1 and become delinquent April 10 and December 10, for the first and second installments, respectively. Unsecured property taxes are levied throughout the year.

In 1993, the District entered into an agreement (commonly known as the Teeter Plan) with the County of Marin. The Teeter Plan calls for the County to advance the District its share of the annual gross levy of secured property taxes and special assessments. In consideration, the District gives the County of Marin its rights to penalties and interest on delinquent property tax receivables and actual proceeds collected. The receivable on the balance sheet refers to unsecured property taxes.

Special fire and paramedic tax charges are assessed by the District Board of Directors before September 1 and adopted by ordinance. These special tax charges are incorporated on property tax bills, and therefore are attached as an enforceable lien on real property located within the District.

2. CASH

The District maintains most of its cash in the County of Marin pooled investment fund for the purpose of increasing interest earnings through pooled investment activities. Interest earned on the investment pool is allocated quarterly to the participating funds using the daily cash balance of each fund. This pool, which is available for use by all funds, is displayed in the financial statements as "Cash and Cash Equivalents."

The County Pool includes both voluntary and involuntary participation from external entities. The State of California statutes require certain special districts and other governmental entities to maintain their cash surplus with the County Treasurer.

**NOVATO FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

2. CASH (continued)

The County's investment pool is not registered with the Securities and Exchange Commission as an investment company. Investments made by the Treasurer are regulated by the California Government Code and by the County's investment policy. The objectives of the policy are in order of priority, safety, liquidity, yield, and public trust. The County has established a treasury oversight committee to monitor and review the management of public funds maintained in the investment pool in accordance with Article 6 Section 27131 of the California Government Code. The oversight committee and the Board of Supervisors review and approve the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the members of the oversight committee and the investment pool participants every month. The report covers the types of investments in the pool, maturity dates, par value, actual costs and fair value.

INTEREST RATE RISK

In accordance with its investment policy, the County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment pool to 540 days, or 1.5 years. At June 30, 2008, the County's investment pool had a weighted average maturity of 218 days.

For purposes of computing weighted average maturity, the maturity date of variable rate notes is the length of time until the next reset date rather than the stated maturity date.

CREDIT RISK

State law and the County's Investment Policy limits investments in commercial paper, corporate bonds, and medium term notes to the rating of "A" or higher as provided by Moody's Investors Service or Standard & Poor's Corporation. The County's Investment Policy limits investments purchased by Financial Institution Investment Accounts, a type of mutual fund, to United States Treasury and Agency obligations with a credit quality rating of "AAA."

**NOVATO FIRE PROTECTION DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2008**

2. CASH (continued)

CONCENTRATION OF CREDIT RISK

The following is a summary of the concentration of credit risk by investment type as a percentage of each pool's fair value at June 30, 2008.

Investments in investment pool	Percent of portfolio
U.S. Agency	65%
U.S. Treasury	11%
Local Agency Investment Fund	2%
Money market funds	6%
Certificates of deposit	11%
Bankers acceptances	4%
Commercial paper	1%
	100%

CUSTODIAL CREDIT RISK

For investments and deposits held with safekeeping agents, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or deposits that are in the possession of an outside party. At year end, the County's investment pool had no securities exposed to custodial credit risk.

LOCAL AGENCY INVESTMENT FUND

The County Treasurer's Pool maintains an investment in the State of California Local Agency Investment Fund (LAIF), managed by the State Treasurer. This fund is not registered with the Securities and Exchange Commission as an investment company, but is required to invest according to California State Code. Participants in the pool include voluntary and involuntary participants, such as special districts and school districts for which there are legal provisions regarding their investments. The Local Investment Advisor Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State statute.

**NOVATO FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

2. CASH (continued)

Cash held with financial institutions are insured by the Federal Deposit Insurance Corporation up to \$100,000. The district did not have any uninsured bank accounts. Cash and investments consisted of the following:

Cash with County Treasurer	\$ 14,713,660
Cash in banks	333,307
Petty cash	<u>275</u>
Total	<u><u>\$ 15,047,242</u></u>

3. NOTES RECEIVABLE

The District's Board of Directors determined it was beneficial to the District for the Fire Chief and his family to reside in the City of Novato. In September 2006, the District made a loan to the Fire Chief in order to help with the purchase of a residence. As of June 30, 2008, the balance of the loan was \$687,662 and was secured by the Fire Chief's principal family residence. The agreement requires monthly payments of interest and principal, amortized over 45 years.

In August 2002, the District instituted a *Housing Assistance Program* for its employees. The program will make available six loans in the amount of up to \$50,000 each. Interest, based on the *California Local Agency Investment Fund (LAIF)* investment rates, will begin to accrue in the tenth year of the loan. As of June 30, 2008, three loans of \$50,000 were outstanding.

**NOVATO FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008, was as follows:

	Beginning balance	Additions	Dispositions	Ending balance
Land	\$ 3,028,295			\$ 3,028,295
Buildings and improvements	13,085,970	\$ 20,686		13,106,656
Furniture, fixtures and equipment	3,083,812	93,504	\$ 201,531	2,975,785
Fire apparatus and vehicles	4,496,136	1,473,756	14,553	5,955,339
Totals at historical cost	<u>23,694,213</u>	<u>1,587,946</u>	<u>216,084</u>	<u>25,066,075</u>
Less: accumulated depreciation				
Buildings and improvements	4,364,080	421,672		4,785,752
Furniture, fixtures and equipment	2,331,118	258,404	197,045	2,392,477
Fire apparatus and vehicles	3,140,814	242,581	14,551	3,368,844
Total accumulated depreciation	<u>9,836,012</u>	<u>922,657</u>	<u>211,596</u>	<u>10,547,073</u>
Capital assets, net	<u>\$ 13,858,201</u>	<u>\$ 665,289</u>	<u>\$ 4,488</u>	<u>\$ 14,519,002</u>

In addition to the fire apparatus listed above, the District houses a hazardous material vehicle owned by the Marin County Fire Chiefs' Association.

5. NOTE PAYABLE

On December 16, 2003, real property located at 95 Rowland Way, Novato was purchased for \$3,650,000. A loan of \$2,700,000 was secured with Bank of Marin to finance the purchase. The loan is due in December 2013, at a fixed rate of 3.5% per annum for the first 60 months, with monthly payments of \$12,202. After the fixed rate period, the rate will adjust for the remaining 60 months to 0.25% in excess of the most current month's 5-year Treasury Constant Maturity. The total rate will never be less than 3.50% or greater than 4.50%. Monthly loan payments are amortized over 30 years, with a scheduled balloon payment of approximately \$2,100,000 due at the end of the loan.

The following is a summary of the District's future annual obligations:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 59,819	\$ 86,600	\$ 146,419
2010	61,492	84,927	146,419
2011	63,737	82,682	146,419
2012	65,839	80,580	146,419
2013	68,464	77,955	146,419
2014	<u>2,134,514</u>	<u>31,957</u>	<u>2,166,471</u>
Total obligation	2,453,865	<u>\$ 444,701</u>	<u>\$ 2,898,566</u>
Less amount due within 1 year	<u>(59,819)</u>		
Amount due after 1 year	<u>\$ 2,394,046</u>		

**NOVATO FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

5. NOTE PAYABLE (continued)

CHANGES IN GENERAL-LONG TERM DEBT

The following is a schedule of changes in general long-term debt during the year:

	<u>Note payable</u>
Balance as of June 30, 2007	\$ 2,511,848
Principal paid	(57,983)
Balance as of June 30, 2008	<u>\$ 2,453,865</u>

6. LEASES PAYABLE

The District has entered into the following capital leases:

	<u>Fire Engines</u>	<u>Ambulances</u>	<u>Water Tender</u>
Date of lease	January 2007	April 2007	June 2008
Semi-annual payment	\$52,827	\$32,922	\$11,710
Number of payments	20	10	20
Interest rate	4.20%	4.15%	4.15%
Cost of equipment	\$915,467	\$299,687	\$193,511
Accumulated amortization	\$20,344	\$24,974	\$0

**NOVATO FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

6. LEASES PAYABLE (continued)

The following is a summary of the District's future annual obligations:

<u>Year ending June 30</u>	<u>Engines</u>	<u>Ambulances</u>	<u>Water tender</u>	<u>Total</u>
2009	\$ 105,654	\$ 65,844	\$ 23,421	\$ 194,919
2010	105,654	65,844	23,421	194,919
2011	105,654	65,844	23,421	194,919
2012	105,654	32,920	23,421	161,995
2013	105,654		23,421	129,075
2014-2018	369,785		105,393	475,178
Total payments	898,055	230,452	222,498	1,351,005
Less interest	149,333	17,995	40,162	207,490
Lease obligations	748,722	212,457	182,336	1,143,515
Less amount due within 1 year	(74,987)	(57,618)	(16,018)	(148,623)
Amount due after 1 year	<u>\$ 673,735</u>	<u>\$ 154,839</u>	<u>\$ 166,318</u>	<u>\$ 994,892</u>

CHANGES IN LEASES

The following is a schedule of changes in leases payable during the year:

	Engines	Ambulances	Water tender	Total
Balance as of June 30, 2007	\$ 820,656	\$ 267,756	\$ -	\$ 1,088,412
Increases during the year			193,510	193,510
Decreases during the year	(71,934)	(55,299)	(11,176)	(138,409)
Balance as of June 30, 2008	<u>\$ 748,722</u>	<u>\$ 212,457</u>	<u>\$ 182,334</u>	<u>\$ 1,143,513</u>

**NOVATO FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

7. CREDIT LINE

The District utilizes a Circle Bank credit card with a credit limit of \$175,000. As of June 30, 2008, the balance outstanding was \$25,444 and \$149,556 was available. The interest rate is based on the prime rate identified in the Wall Street Journal, as described in the credit card agreement. At the end of the year, the interest rate was approximately 13%. The District routinely pays the balance in full each month.

8. FUND BALANCE

The District's General Fund balance consists of reserved and unreserved amounts. Reservations of fund balance indicate the portions of fund balance not available for appropriation for expenditures or amounts legally segregated for a specific future use. The District also reserves fund balance for amounts encumbered as of year end.

Portions of unreserved fund balance may be designated to indicate tentative plans for financial resource utilization in a future period, such as for general contingencies or capital projects. These plans or intent are subject to change, have not been legally authorized and may not result in expenditures.

The following are unreserved fund balance designations as of the balance sheet date:

SCBA Capital Reserve	\$ 366,667
EMS Capital Equipment Reserve	255,000
Unemployment Insurance Reserve	35,100
Apparatus & Equipment Replacement Reserve	2,559,000
Fire Facilities & Building Reserve	1,473,671
Management Information System Reserve	224,000
Employee Housing Assistance	150,000
Workers' Comp Fund/Insurance	2,041,371
Retiree Health Benefits	2,441,546
Debt Sinking Fund	1,143,955
Protective Equipment Reserve	100,000
General contingencies	2,000,000
Compensated Absences	<u>967,075</u>
Total	<u><u>\$ 13,757,385</u></u>

**NOVATO FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

9. DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. This plan, available to all District employees, permits employees to defer a portion of their current salary until future years. Assets held in IRC Section 457 plans are generally subject to claims of creditors.

It is the District's position that it has no liability for investment losses under the plan, but has the duty of due care that would be required of an ordinary prudent investor. The District believes it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

10. PENSION PLAN

The District contributes to the Marin County Employees Retirement Association (the Association), an agent multiple-employer public employee defined benefit pension plan. The Association provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Association acts as a common investment and administrative agent for participating public entities within the County of Marin. Benefit provisions and all other requirements are established by State statute. Copies of the Association's annual financial report may be obtained from its offices at 3501 Civic Center Drive, San Rafael, California 94903.

FUNDING POLICY

Participants are required to contribute a percentage of their annual covered salary. Contributions vary depending on the age and classification at hire date and average 11.24% of covered payroll. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members averaging an additional 42.55% of covered payroll. The actuarial methods and assumptions used are those adopted by the Association's Board of Retirement. Due to contractual arrangements, the District pays a portion of the required contribution of plan members. The contribution requirements of the plan members are established by State statute and the employer contribution rates are determined by annual actuarial valuations.

ANNUAL PENSION COST

The annual pension cost of \$4,240,000 equaled the District's required contribution. The required contributions were determined as part of the June 30, 2006, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.00% investment rate of return (net of administrative expenses) and (b) projected annual salary increases of 4.00%. Both (a) and (b) included an inflation component of 4.00%. The actuarial value of the Association's assets were determined using techniques that smooth the

**NOVATO FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

effects of short-term volatility in the market value of investments over a five-year period (smoothed market value). The District's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on an open basis.

THREE-YEAR TREND INFORMATION FOR THE DISTRICT

<u>Fiscal Year Ending June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2006	\$3,075,000	100%	\$0
2007	3,760,000	100%	0
2008	4,240,000	100%	0

REQUIRED SUPPLEMENTARY INFORMATION

Following is a schedule of funding progress (dollars in thousands):

	(a)	(b)	(c)	(d)	(e)	(f)
<u>Actuarial Valuation Date</u>	<u>Actuarial value of assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL) (b) - (a)</u>	<u>Funded Ratio (a) / (b)</u>	<u>Covered Payroll</u>	<u>UAAL as a percentage of Covered Payroll (c)-(e)</u>
6/30/04	\$84,814	\$90,861	\$6,047	93%	\$7,616	79.4%
6/30/05	86,839	98,787	11,948	88%	7,889	151.5%
6/30/06	92,390	108,218	15,828	85%	7,990	198.1%

11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

In accordance with its agreement with the Novato Professional Firefighters Association, the District provides post-retirement health care benefits to its retirees. The District contributes an amount necessary to pay the full cost of his or her enrollment (and family members) in a health benefit plan.

The amount of post-retirement health benefit expenditures paid during the year was approximately \$763,000, and is funded on a "pay-as-you-go" basis. There are approximately 76 participants eligible to receive benefits.

**NOVATO FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

12. OPERATING LEASE

In December 2005, the District entered into a contract to lease a digital copy system. The lease is for 48 months and requires a monthly payment of \$469. Rent expense under this lease during the year was \$5,628.

The minimum future obligation under this operating lease is as follows:

<u>Year ending June 30</u>	
2009	\$ 5,628
2010	<u>2,814</u>
	<u><u>\$ 8,442</u></u>

13. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, loss or damage to assets, injuries to employees, errors and omissions, for which the District carries commercial insurance or is self-insured up to a certain limit. During the years, the District maintained five types of insurance: business property, general liability, auto, workers' compensation and pollution insurance policies.

The District is self-insured for potential liabilities arising from workers' compensation claims. Claims in excess of the self-insured retention amount (\$1,000,000) are covered through a third-party insurance policy, limited to a \$25,000,000 limit on coverage.

The liability for workers' compensation claims is based on a detailed analysis of reported claims outstanding. In conjunction with its insurance consultants, management estimates the probable total future cost of each reported claim outstanding.

The following schedule presents the changes in the liability for workers' compensation claims:

Balance as of June 30, 2007, as restated	\$ 1,697,675
Decreases during the year	(1,098)
Claims paid during the year	<u>(234,651)</u>
Balance as of June 30, 2008	<u><u>\$ 1,461,926</u></u>

**NOVATO FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

14. JOINT VENTURE

The District entered into a Joint Powers Agreement in February 1998, establishing the Marin Emergency Radio Authority (the Authority). The Authority is responsible to acquire, construct, and improve a countywide emergency radio system. During the year ended June 30, 1999, the Authority issued Revenue Bonds to be used for the acquisition of the radio system. Of the \$27 million in Revenue Bonds, the District will be responsible for 4.894%, or approximately \$1.3 million. Each year through August 2020, approximately \$104,000 annual payments will be due to the Authority. Including interest and principal, it is anticipated the District's total obligation over 20 years will be approximately two million dollars.

The financial statements of the Authority are available at the County of Marin office. Condensed financial information for the Authority is presented below for the year ended June 30, 2007:

Total assets	\$ 30,954,768
Total liabilities	25,148,865
Net assets	\$ 5,805,903
Total revenues	\$ 3,466,809
Total expenditures	3,238,058
Net income (loss)	\$ 228,751

15. COMMITMENTS

The District's balance sheet (governmental fund) includes a reserve for encumbrances of \$383,402 to provide for commitments related to unperformed contracts for goods and services.

The District and the Novato Professional Firefighters Association executed a memorandum of understanding in October 2007 formalizing the District's commitment for wages and benefits to be provided through June 30, 2009. The agreement provides for wage increases of 2% effective 7/1/06; 7% effective 1/1/07 and 5% effective 7/1/08.

**NOVATO FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

16. PENDING OR THREATENED LITIGATION

A claim against the District involves or will soon involve an employee's request for reasonable accommodation to return to work. Depending upon the results of the medical examinations, a dispute may arise as to whether the employee is able to return to work.

The District and the employee are in the preliminary stages of determining whether the employee is fit to return to work. The District is engaged in discussions with the employee and doctor regarding the medical condition and ability to return to work.

Likelihood of unfavorable outcome/estimate of potential loss is unknown at this time. The District is at the beginning of this process.

17. RESTATEMENT OF NET ASSETS AS OF JUNE 30, 2007

The District recently adopted an improved system for recording accrued vacations. In the process, it was determined that the obligation for accrued vacations had not included amounts earned for the last half of each fiscal year and had been recorded in the subsequent year. The cumulative adjustment as of June 30, 2007, was computed to be \$336,130. Since the methodology had been consistently applied, it is estimated that the effect on operations for the 2006-07 fiscal year was negligible.

In the course of reviewing reports provided by the insurance administrator, it was noted that the liability for workers' compensation claims had been miscalculated, resulting in an overstatement of expense and the ending liability for workers' compensation claims of \$98,261 for 2006-07.

Net assets as of June 30, 2007, originally reported as \$23,031,760, has been restated to \$22,793,891 to reflect the net decrease of \$237,869 described above.

18. NEW ACCOUNTING PRONOUNCMENT

The Government Accounting Standards Board (GASB) recently released several new accounting and financial reporting standards. One of the new standards, GASB Statement No. 45, *Accounting and Financial Reporting by Employers of Postemployment Benefits Other than Pensions (OPEB)*, may have a significant impact on the District's financial reporting process. GASB Statement No. 45 establishes standards for the measurement, recognition and display of OPEB expenses/expenditures, related assets and liabilities, note disclosures and, if applicable, required supplementary information in the financial reports of state and local government employers. GASB No. 45 will be effective for the fiscal year ending June 30, 2009.

Required Supplemental Information

**NOVATO FIRE PROTECTION DISTRICT
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND
YEAR ENDED JUNE 30, 2008**

	Current Year Budget		Actual			Variance Favorable (Unfavorable)
	Original	Final	Revenue and Expenditures	Encumbrances		
				Prior Year Unexpended	Current Year Unexpended	
RESOURCES (Inflows):						
Property taxes	\$ 19,252,863	\$ 19,252,863	\$ 20,524,997		\$ 20,524,997	\$ 1,272,134
Revenue from use of money	350,807	350,807	571,587		571,587	220,780
Intergovernmental	342,931	492,931	842,857		842,857	349,926
Charges for services	2,003,233	2,003,233	1,852,664		1,852,664	(150,569)
Other	62,464	62,464	142,120		142,120	79,656
Total revenues	22,012,298	22,162,298	23,934,225		23,934,225	1,771,927
APPROPRIATIONS/EXPENDITURES (Outflows):						
Salaries and benefits:						
Paramedic and ambulance service	6,037,649	6,087,649	5,951,905		5,951,905	135,744
Fire prevention and investigation	741,891	741,891	697,604		697,604	44,287
Fire suppression	9,159,088	9,266,588	9,520,694		9,520,694	(254,106)
Training	453,846	458,346	463,590		463,590	(5,244)
Organizational resource & support	2,255,852	2,213,852	1,789,077		1,789,077	424,775
Total salaries and benefits	18,648,326	18,768,326	18,422,870		18,422,870	345,456
Services and supplies:						
Paramedic and ambulance service	264,275	259,275	229,131		\$ 2,600	27,544
Fire prevention and investigation	112,355	112,355	64,804	\$ (21,800)	29,072	40,279
Fire suppression	248,250	263,250	265,223	(25,144)	5,021	18,150
Training	105,285	105,285	66,579		66,579	38,706
Organizational resource & support	2,138,508	2,158,508	1,987,608	(77,841)	8,603	240,138
Total services and supplies	2,868,673	2,898,673	2,613,345	(124,785)	45,296	364,817
Capital outlay:						
Paramedic and ambulance service	6,000	6,000			0	6,000
Fire suppression	26,000	26,000	16,090	(1,491)	8,663	2,738
District administration	1,409,485	1,409,485	1,808,712	(117,282)	329,443	(611,388)
Total capital outlay	1,441,485	1,441,485	1,824,802	(118,773)	338,106	(602,650)
Debt service:						
Principal	59,500	59,500	57,983		57,983	1,517
Interest	87,000	87,000	89,786		89,786	(2,786)
Total debt service	146,500	146,500	147,769		147,769	(1,269)
Total appropriations/expenditures	23,104,984	23,254,984	23,008,786	(243,558)	383,402	106,354
Excess revenue over (under) appropriations	\$ (1,092,686)	\$ (1,092,686)	\$ 925,439		\$ 785,595	\$ 1,878,281

**NOVATO FIRE PROTECTION DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2008**

1. BUDGETARY BASIS OF PRESENTATION

The budget included in these financial statements represents the original budget and amendments approved by the Board of Directors. The budgetary basis is the modified accrual basis of accounting with encumbrances included as actual. Accordingly, for the purpose of comparing budgeted expenditures to actual amounts, prior and current year encumbrances have been integrated with the amounts shown on the *Statement of Revenues, Expenditures, and Changes in Fund Balances*. Further, proceeds from the capital lease transaction described in Note 7 were not included in the District's budget.

Various reclassifications have been made to the actual amounts to conform to classifications included in the budget approved by the Board of Directors.

Other Supplemental Information

**NOVATO FIRE PROTECTION DISTRICT
YEAR ENDED JUNE 30, 2008
SELECTED GRAPHICAL INFORMATION**

