

**COACHELLA FIRE PROTECTION DISTRICT  
COMPONENT UNIT FINANCIAL REPORT**

**YEAR ENDED June 30, 2012**



**Sonnenberg & Company CPAs  
A Professional Corporation**



# Sonnenberg & Company, CPAs

A Professional Corporation

5190 Governor Drive, Suite 201, San Diego, California 92122

Phone: (858) 457-5252 • (800) 464-4HOA • Fax: (858) 457-2211 • (800) 303-4FAX



Leonard C. Sonnenberg, CPA

## Coachella Fire Protection District Component Unit Financial Report Year Ended June 30, 2012

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Coachella Fire Protection District  
Coachella, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Coachella Fire Protection District (the "District"), a component unit of the City of Coachella, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Coachella Fire Protection District. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1.A, these financial statements present only the District and are not intended to present fairly the financial position and results of operations of the City of Coachella in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Coachella Fire Protection District as of June 30, 2012, and the respective changes in financial position thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 10, 2012 on our consideration of the Coachella Fire Protection District's internal control over financial reporting and on tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Coachella Fire Protection District has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of the basic financial statements.

The information identified in the accompanying table of contents as *required supplementary information* is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

December 10, 2012

  
Sonnenberg & Company, CPAs



**Coachella Fire Protection District**  
**Statement of Net Assets**  
June 30, 2012

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and Investments	\$ 1,288,210
Due from City of Coachella	112,536
Capital Assets:	
Non-depreciable	17,000
Depreciable, Net of Accumulated Depreciation	<u>644,601</u>
Total Assets	<u>2,062,347</u>
<b>LIABILITIES</b>	
Accounts Payable	<u>556,539</u>
Total Liabilities	<u>556,539</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	661,601
Restricted for Special Projects	<u>844,207</u>
Total Net Assets	<u><u>\$ 1,505,808</u></u>

The accompanying notes are an integral part of this statement.

**Coachella Fire Protection District**  
**Statement of Activities**  
Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Public Safety Fire Protection	\$ 2,210,465	\$ 427,951	\$ -	\$ 1,761,095	\$ (21,419)
Total Governmental Activities	<u>\$ 2,210,465</u>	<u>\$ 427,951</u>	<u>\$ -</u>	<u>\$ 1,761,095</u>	<u>(21,419)</u>
General Revenues:					
Property Taxes					509,964
Investment Income					<u>579</u>
Total General Revenues:					<u>510,543</u>
Change in Net Assets					489,124
Net Assets, Beginning of Year					<u>1,016,684</u>
Net Assets - End of Year					<u>\$ 1,505,808</u>

The accompanying notes are an integral part of this statement.

**Coachella Fire Protection District**  
**Balance Sheet**  
**Governmental Funds**  
June 30, 2012

	<u><b>General Fund</b></u>
<b>ASSETS</b>	
Cash and Investments	\$ 1,288,210
Due from City of Coachella	<u>112,536</u>
 Total Assets	 <u><u>\$ 1,400,746</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts Payable	<u>\$ 556,539</u>
 Total Liabilities	 <u>556,539</u>
 Fund Balances:	
Restricted for Special Projects	<u>844,207</u>
 Total Fund Balances	 <u>844,207</u>
 Total Liabilities and Fund Balances	 <u><u>\$ 1,400,746</u></u>

The accompanying notes are an integral part of this statement.

**Coachella Fire Protection District**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Assets**  
June 30, 2012

Fund balances of governmental funds	\$ 844,207
Amounts reported for governmental activities 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 governmental funds.	
Capital Assets	2,088,449
Less Accumulated Depreciation	<u>(1,426,848)</u>
Net assets of governmental activities	<u><u>\$ 1,505,808</u></u>

The accompanying notes are an integral part of this statement.

**Coachella Fire Protection District**  
**Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds**  
Year Ended June 30, 2012

	<u>General Fund</u>
<b>REVENUES</b>	
Property Taxes	\$ 509,964
Special Assessments	396,726
Charges for Services	31,225
Investment Income	<u>579</u>
Total Revenues	<u>938,494</u>
<b>EXPENDITURES</b>	
Current:	
Administration	3,778
Professional Services	2,144,410
Repairs and Maintenance	2,763
Capital Outlay	43,425
Miscellaneous	<u>1,369</u>
Total Expenditures	<u>2,195,745</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,257,251)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Contribution from the City of Coachella	<u>1,761,095</u>
Total Other Financing Sources (Uses)	<u>1,761,095</u>
Net Change in Fund Balance	503,844
Fund Balance, Beginning of Year	<u>340,363</u>
Fund Balance, End of Year	<u><u>\$ 844,207</u></u>

The accompanying notes are an integral part of this statement.



**Coachella Fire Protection District**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
Year Ended June 30, 2012

Net change in fund balances-total governmental funds	\$ 503,844
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Amounts reported for governmental activities in the Statement of Activities are different because:

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 or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:

Cost of assets capitalized	43,425
Depreciation expense	<u>(58,145)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 489,124</u></u>

The accompanying notes are an integral part of this statement

**Coachella Fire Protection District**  
**Notes to Financial Statements**  
Year Ended June 30, 2012

<u>NOTE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
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**Coachella Fire Protection District**  
**Notes to Financial Statements**  
Year Ended June 30, 2012

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A) Reporting Entity**

The Coachella Fire Protection District (District) is a component unit of a reporting entity which consists of the following primary government and component units:

Reporting Entity:

Primary Government: City of Coachella

Component Units:

The Coachella Redevelopment Agency  
The Coachella Fire Protection District  
The Coachella Sanitary District  
The Coachella Water Authority  
The Coachella Educational and Government Access Cable Corporation

The District is an integral part of the reporting entity of the City of Coachella. The Funds of the District have been blended within the financial statements of the City of Coachella because the City Council is the governing board of the District and exercises control over the operations of the District. Only the funds of the District are included herein; therefore, these financial statements do not purport to represent the financial position or results of operations of the City of Coachella, California.

The District's office and records are located at 1515 Sixth Street, Coachella, California 92236.

The Board of Directors are as follows:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Eduardo Garcia	President	November 2014
Emmanuel Martinez	Vice President	November 2016
Steven Hernandez	Director	November 2014
Arturo Aviles	Director	November 2014
Magdalena M. Zepeda	Director	November 2016

**B) Government-wide and Fund Financial Statements**

The District's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as they are applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

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



**Coachella Fire Protection District**  
**Notes to Financial Statements**  
Year Ended June 30, 2012

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**B) Government-wide and Fund Financial Statements – Continued**

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

The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major individual governmental funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds. Currently, the District has only one fund – the General Fund.

**C) Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *full accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the providers have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual, and are therefore recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental fund:

**General Fund** – While the fund is considered a Special Revenue Fund in the City's financial statements, it is considered to be Coachella Fire Protection District's General Fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**Coachella Fire Protection District**  
**Notes to Financial Statements**  
Year Ended June 30, 2012

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**C) Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued**

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

**D) Capital Assets and Depreciation**

Capital assets are recorded in the government-wide financial statements. Capital assets are defined by the District as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The District had no infrastructure assets at year end.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital Assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	35 years
Improvements Other Than Buildings	35 years
Machinery and Equipment	5 -10 years

**E) Budgetary Reporting**

The District adopts an annual budget prepared on the modified accrual basis. The Executive Director and Director of Finance prepare and submit the annual budget to the governing board and administrator after adoption. The Executive Director is authorized to adjust appropriations within each department or activity, provided that the total appropriations for each department or activity do not exceed the amounts approved in the budget or any amending resolutions. Transfers of cash or unappropriated fund balance from one fund to another can only be made with approval from the Board of Directors. Unexpended appropriations for authorized, but uncompleted projects in the District's budget can be carried forward to the next succeeding budget upon recommendation of the Director of Finance and approval of the Executive Director. For each fund, total expenditures may not legally exceed total appropriations.

**F) Investments**

Investments are stated at fair value (quoted market price or the best available estimate thereof), as applicable.

**G) Property Tax Calendar**

Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien Date	January 1
Levy Date	July 1 to June 30
Due Date	1 <sup>st</sup> Installment – November 1
	2 <sup>nd</sup> Installment – March 1
Delinquent Date	1 <sup>st</sup> Installment – December 10
	2 <sup>nd</sup> Installment – April 10



**Coachella Fire Protection District**  
**Notes to Financial Statements**  
Year Ended June 30, 2012

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**G) Property Tax Calendar – Continued**

Under California law, property taxes are assessed and collected by the counties up to 1% of assessed value, plus other increases approved by the voters. Property taxes go into a pool, and are allocated to agencies based on complex formulas prescribed by state statutes.

**H) Estimates**

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

**I) Net Assets**

In the fund financial statements, governmental fund types report fund balances based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

Nonspendable fund balance – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

Restricted fund balance – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – amounts that can only be used for specific purposes determined by formal action of the District's highest level of decision-making authority (the Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

Assigned fund balance – amounts that are constrained by the District's intent to be used for specific purposes. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose.

Unassigned fund balance – the residual classification for the District's general fund that includes amounts not contained in the other classifications. The unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

**2) CASH AND INVESTMENTS**

Cash and investments reported in the accompanying financial statements consisted of the following at June 30, 2012:

Statement of Net Assets	
Unrestricted:	
Cash and Investments	<u>\$ 1,288,210</u>
Total Cash and Investments	<u>\$ 1,288,210</u>

**Coachella Fire Protection District**  
**Notes to Financial Statements**  
Year Ended June 30, 2012

**2) CASH AND INVESTMENTS - Continued**

Cash and investments as of June 30, 2012 consist of the following:

Deposits Pooled with City	\$1,134,550
Deposits Pooled with County of Riverside	<u>153,660</u>
Total Cash and Investments	<u>\$1,288,210</u>

See the City of Coachella's financial statement and investments policy for investment types that are authorized for the District.

**Disclosure Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity.

<u>Investment Type</u>	<u>Remaining Maturity (in Months)</u>			
	<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More Than 60 Months</u>
Investment Pool	<u>\$1,288,210</u>	<u>\$ 1,288,210</u>	<u>\$ _____</u>	<u>\$ _____</u>
Total	<u>\$ 1,288,210</u>	<u>\$ 1,288,210</u>	<u>\$ -</u>	<u>\$ -</u>

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Presented below is the minimum rating required by (where applicable) the California Government Code of the City's investment policy, or debt agreements, and the actual ratings as of year end for each investment type.

<u>Investment Type</u>		<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>		
				<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
Investment Pool	<u>\$ 1,288,210</u>	N/A	<u>\$ _____</u>	<u>\$ 1,288,210</u>	<u>\$ _____</u>	<u>\$ _____</u>
Total	<u>\$ 1,288,210</u>		<u>\$ -</u>	<u>\$ 1,288,210</u>	<u>\$ -</u>	<u>\$ -</u>



**Coachella Fire Protection District**  
**Notes to Financial Statements**  
Year Ended June 30, 2012

**2) CASH AND INVESTMENTS - Continued**

**Concentration of Credit Risk**

The investment policy of the City of Coachella contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code.

**Custodial Credit Risk**

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

As of June 30, 2012, no deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. As of June 30, 2012, the District had no investments held by the same broker-dealer (counterparty) that was used by the District to buy the securities.

**Collateral for Deposits**

Under the provisions of the California Government Code, California banks and savings and loan associations are required to secure a District's deposits by pledging government securities as collateral. The market value of the pledged securities must equal at least 110% of a District's deposits. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes have a value of 150% of a District's total deposits.

The collateral for certificates of deposit is generally held in safekeeping by the Federal Home Loan Bank in San Francisco as the third-party trustee. The securities are physically held in an undivided pool for all California public agency depositors. The State Public Administrative Office for public agencies and the Federal Home Loan Bank maintain records of the security pool which are coordinated and updated weekly.

The District Treasurer, at his/her discretion, may waive the 100% collateral requirement for deposits which are insured up to \$250,000 by the FDIC.

**County of Riverside Treasurer's Pooled Investment**

The District holds investments in the County Pool that are subject to being adjusted to "fair value". The District is required to disclose its methods and assumptions used to estimate the fair value of its holdings in the County Pool. The District relied upon information provided by the County Treasurer in estimating the District's fair value position of its holdings in the County Pool. The District had a contractual withdrawal value of \$1,288,210 at June 30, 2012.

**Coachella Fire Protection District**  
**Notes to Financial Statements**  
Year Ended June 30, 2012

**2) CASH AND INVESTMENTS - Continued**

**County of Riverside Treasurer's Pooled Investment - Continued**

The County Riverside Investment Pool is a governmental investment pool managed and directed by the elected Riverside County Treasurer. The County Pool is not registered with the Securities and Exchange Commission. An oversight committee comprised of local government officials and various participants provide oversight to the management of the fund. The daily operations and responsibilities of the Pool fall under the auspices of the County Treasurer's office. The District is a voluntary participant in the investment pool.

**3) CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital Assets, Not Depreciated				
Land	\$ 17,000	\$ _____	\$ _____	\$ 17,000
Capital Assets, Being Depreciated				
Structures and Improvements	628,827			628,827
Equipment	<u>1,399,197</u>	<u>43,425</u>	_____	<u>1,442,622</u>
Total Capital Assets Being Depreciated	<u>2,028,024</u>	<u>43,425</u>	_____ -	<u>2,071,449</u>
Accumulated Depreciation				
Structures and Improvements	(475,252)	(19,929)		(495,181)
Equipment	<u>(893,451)</u>	<u>(38,216)</u>	_____ -	<u>(931,667)</u>
Total Accumulated Depreciation	<u>(1,368,703)</u>	<u>(58,145)</u>	_____ -	<u>(1,426,848)</u>
Total Capital Assets Being Depreciated, Net	<u>659,321</u>	<u>(14,720)</u>	_____ -	<u>644,601</u>
Capital Assets, Net	<u>\$ 676,321</u>	<u>\$ (14,720)</u>	<u>\$ _____</u> -	<u>\$ 661,601</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
Public Safety Fire Protection	<u>\$ 58,145</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 58,145</u>



**Coachella Fire Protection District**  
**Notes to Financial Statements**  
**Year Ended June 30, 2012**

**4) RISK MANAGEMENT**

The District through the City, is a member of the Public Entity Risk Management Authority (PERMA) formerly Coachella Valley Joint Powers Insurance Authority (CVPIA), a joint powers authority formed under Section 990 of the California Government Code for the purpose of jointly funding programs of insurance coverage for its members. The Authority is currently comprised of thirty-four participating agencies.

The City participates in the liability, worker's compensation and long-term disability insurance programs of PERMA.

The Liability Program is a risk sharing pool with a deductible option. At June 30, 2012, coverage is provided from \$125,000 to \$10,000,000 per occurrence. This coverage represents a transfer of risk from the members of the Authority for those losses in excess of the member's self insured retention (SIR). The City has a SIR of \$125,000. Covered losses include losses resulting from any one occurrence because of personal injury, property damage or public officials' errors and omissions. Member premiums are subject to retrospective rating adjustments.

For those members choosing to establish deductibles under this liability program, losses in excess of the deductible amounts are paid by the Authority from separate accounts maintained for each participant. The deductible feature of the program acts as claims servicing type of public risk pool and does not represent an additional transfer of risk. The City does not participate in the deductible pool. At June 30, 2012, the City did not have a liability to the Authority for claims losses.

The Worker's Compensation Insurance Program is a claims servicing pool, a banking pool and an insurance purchasing pool. As an insurance purchasing pool, the program allows participating members to benefit from the economies of scale in securing excess worker's compensation coverage. Coverage is provided from \$250,000 to \$10,000,000 for each accident or employee. The program, as a claims servicing pool maintains separate accounts for each program member from which that member's losses are paid. The worker's compensation insurance program does not provide for a transfer of risk and advance funds to pay member losses in excess of member funds on deposit in the manner of a banking pool. Participant premium deposits are subject to retroactive rating adjustments. At June 30, 2012, the City did not have a liability to the Authority for worker's compensation losses.

**5) CONTINGENCIES AND COMMITMENTS**

At June 30, 2012, in the opinion of the District's management, there are no outstanding matters which could have a significant effect on the financial position of the District.



**REQUIRED SUPPLEMENTARY INFORMATION**

**Coachella Fire Protection District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Property Taxes	\$ 274,000	\$ 274,000	\$ 509,964	\$ 235,964
Special Assessments	367,740	367,740	396,726	28,986
Charges for Services	34,000	34,000	31,225	(2,775)
Investment Income	-	-	579	579
Total Revenues	<u>675,740</u>	<u>675,740</u>	<u>938,494</u>	<u>262,754</u>
<b>EXPENDITURES</b>				
Current:				
Administration	103,362	103,362	3,778	99,584
Professional Services	2,180,862	2,180,862	2,144,410	36,452
Repairs and Maintenance	66,900	66,900	2,763	64,137
Miscellaneous	300	300	1,369	(1,069)
Capital Outlay			43,425	(43,425)
Debt Service:				
Principal	81,591	81,591	-	81,591
Interest	3,820	3,820	-	3,820
Total Expenditures	<u>2,436,835</u>	<u>2,436,835</u>	<u>2,195,745</u>	<u>241,090</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,761,095)</u>	<u>(1,761,095)</u>	<u>(1,257,251)</u>	<u>503,844</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Contribution from the City of Coachella	<u>1,761,095</u>	<u>1,761,095</u>	<u>1,761,095</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>1,761,095</u>	<u>1,761,095</u>	<u>1,761,095</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>503,844</u>	<u>\$ 503,844</u>
Fund Balance, Beginning of Year			<u>340,363</u>	
Fund Balance, End of Year			<u>\$ 844,207</u>	

**Coachella Fire Protection District**  
**Notes to Required Supplementary Information**  
Year Ended June 30, 2012

1. Budget and Budgetary Accounting

The District adopts an annual budget prepared on the modified accrual basis of accounting for its governmental funds. The Executive Director or designee is authorized to transfer budgeted amounts between the accounts of any department. Revisions that alter the total appropriation of any department or fund are approved by the Board of Directors. Prior year appropriations lapse unless they are approved for carryover into the following year. Expenditures may not legally exceed appropriations at the department level. Reserves for encumbrances are not recorded by the District.



# Sonnenberg & Company, CPAs

A Professional Corporation

5190 Governor Drive, Suite 201, San Diego, California 92122

Phone: (858) 457-5252 • (800) 464-4HOA • Fax: (858) 457-2211 • (800) 303-4FAX



Leonard C. Sonnenberg, CPA

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors  
Coachella Fire Protection District  
Coachella, California

We have audited the financial statements of the governmental activities and each major fund of the Coachella Fire Protection District (the "District") as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 10, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

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

We noted certain matters that we reported to management of the District, in a separate letter dated December 10, 2012.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

December 10, 2012

  
Sonnenberg & Company, CPAs