

Kyle Hall

**PLIOCENE RIDGE
COMMUNITY SERVICES DISTRICT**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

for the year ended June 30, 2007

ROBERT W. JOHNSON
Certified Public Accountant

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ROBERT

W.

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An Accountancy Corporation

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Pliocene Ridge Community Services District
Pike, California

We have audited the financial statements of Pliocene Ridge Community Services District (the "District") as of June 30, 2007, and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of Pliocene Ridge Community Services District's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Pliocene Community Services District as of June 30, 2006, were audited by other auditors whose report dated August 8, 2006, expressed an unqualified opinion.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Pliocene Ridge Community Services District as of June 30, 2007, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis is not a required part of the financial statements but is supplemental information required by the Government Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

The accompanying supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Pliocene Ridge Community Services District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole.

Robert W. Johnson, An Accountancy Corporation

Citrus Heights, California

July 13, 2007



Pliocene Ridge Community Services District

Serving the Communities of Alleghany, Forest City, and Pike City

Management Discussion and Analysis Fiscal Year 2006/2007

Background/History

Pliocene Community Services District was established by the Sierra County Board of Supervisors on February 3, 2004, Resolution 04-013 as approved by Sierra Local Agency Formation Commission (LAFCO) on February 26, 2004, Resolution 2004-01, and California State Board of Equalization Notice of Formation dated December 1, 2004. The PRCSD began operations on July 1, 2005.

The district encompasses approximately 130 square miles of southwestern Sierra County and includes the communities of Alleghany, Forest City, and Pike City and lies within the boundaries of the Tahoe National Forest. These three communities are divided by 13 miles of mountainous terrain and have a total population of approximately 200 people. The district includes industrial forest lands, surface and underground mining activities, and there is a constant influx of recreational land users. All three communities are populated by predominately retired individual and support numerous outlying homespun industries.

The district came into being after many years of struggle to meet the continually increasing insurance costs to each individual department. In its formation, the Pliocene Ridge Community Services District provided some financial relief by combining resources and personnel. The District was established to provide fire protection and emergency medical services, management of street lighting in Alleghany and Forest City, and to develop park and recreation services. At its formation, the district received the fire/EMS resources of the local volunteer fire departments including a donation of start up revenues to fund the first six months of operation. Designated tax revenues were received within six months to fund the operations of both the fire and street lighting components of the district.

Fire/EMS Services

The district is a mid-mountain rural region with mixed conifer forest along the ridges and hardwood forest/chaparral vegetation along the steep canyon walls and ravines. There is a mixture of Federal Responsibility Areas (FRA) and State responsibility Areas (SRA) within the district, however the Tahoe national Forest (USFS) provides both FRA and SRA wildfire suppression services. There are no "Local Responsibility Area" (LRA) services provide by CalFire in the district. The district maintains two Fire Stations

staffed entirely by Volunteer Firefighters and First responders, including five certified EMT providers. These volunteers also staff a BLS ambulance stationed in Alleghany but owned and maintained by the Downieville Fire Protection District. The two stations, one in Pike City and one in Alleghany have automatic Fire and Medical response agreements with each other, and the Pike City station had automatic aid agreements with the neighboring communities of North San Juan and Camptonville. The district also has a mutual aid operating agreement with the Tahoe National Forest, which generates some revenue on an annual basis. The community of Pike City has an ISO rating of 9, due to its lack of any hydrant system. The community of Alleghany has an ISO rating of 7 and has a water hydrant system owned and operated by the "Alleghany County Water District", an agency not affiliated with the PRCSD.

Street Lighting and Parks/Recreation Services

The district includes street lighting services in Alleghany and Forest City. The tax revenues to fund street lights are a fixed percentage of the tax base coincident with the Alleghany County Water District. The street lighting revenues and expenses are kept in a separate fund. At this time, the district is seeking funding for its Parks/Recreation services components

Finances

The district receives revenues from several sources, including property taxes, donations, grants and mutual aid compensation. Property taxes provide the bulk of the annual revenue and were originally established using the historical contracted amount paid by the County to the original Volunteer Fire Departments. Donations include cash donations, equipment donations from the local VFD associations, and a significant amount of donated labor to maintain facilities and equipment. Revenues quoted below include amounts from various Grants. But generally take the form of physical equipment purchased with grant funds. Finally, the district is compensated for some wildfire suppression activities by the U.S. Forest Service. There are no revenues associated with development fees or fee for services at this time.

For the current fiscal year, we saw a decrease of the property tax revenue due to a reassessment of mining properties. Mutual Aid revenues exceeded the budgeted amount but was not unusual in magnitude, given past history. Two large grants were received this year and are unusually large in magnitude and should not be expected to be common.

Major Accomplishments for the Current Year

- The district continues to operate fiscally solvent in this it's second year;
- Risk Management efforts were recognized by our insurance company, and resulted in a 9% rebate of the annual total insurance premium;
- Developed and adopted a functional Policies and Procedures Manual;

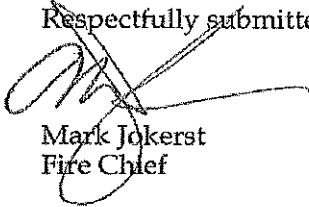
Objectives for Fiscal Year 2007-2008

- Maintained the current roster of volunteers with minimal losses;
- Repair the Alleghany Firehouse;
- Repair the Pike City Structure Engine;
- Seek funding for the Pike City Handicap Ramp;
- Seek Funding for the Alleghany Ambulance Station;
- Develop long term plan for district leadership;
- Develop long term plan for advancement of volunteers;

Request for Information

This financial report is designed to provide a general overview of the PRCSD's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Fire Chief, PRCSD, 100 Pike City Road, Pike City, California 95960.

Respectfully submitted,



Mark Jokerst
Fire Chief

PLIOCENE RIDGE COMMUNITY SERVICES DISTRICT
 STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
 June 30, 2007

ASSETS	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Cash (Note 3)	\$ 16,976	\$ -	\$ 16,976
Accounts receivable	5,780	-	5,780
Capital assets (Note 4)	-	260,708	260,708
Less, accumulated depreciation	<u>-</u>	<u>(28,447)</u>	<u>(28,447)</u>
Total assets	<u>\$ 22,756</u>	<u>\$ 232,261</u>	<u>\$ 255,017</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES/NET ASSETS			
Fund balances:			
Reserved	-	-	-
Unreserved	<u>22,756</u>	<u>(22,756)</u>	<u>-</u>
Total fund balances	<u>22,756</u>	<u>(22,756)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 22,756</u>		
Net assets:			
Invested in capital assets		232,261	232,261
Restricted		-	-
Unrestricted		<u>22,756</u>	<u>22,756</u>
Total net assets		<u>\$ 255,017</u>	<u>\$ 255,017</u>

See notes to financial statements

PLIOCENE RIDGE COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
for the year ended June 30, 2007

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Program expenditures/expenses:			
Public protection	\$ 34,888	-	\$ 34,888
Support services	235	-	235
Capital outlay	2,000	(2,000)	-
Depreciation	<u>-</u>	<u>14,384</u>	<u>14,384</u>
Total program expenditures/expenses	<u>37,123</u>	<u>12,384</u>	<u>49,507</u>
 Program revenues:			
Strike team revenues	<u>-</u>	<u>-</u>	<u>-</u>
 General revenues:			
Property taxes--fire	24,675	-	24,675
Donations	5,574	-	5,574
Mutual aid	6,317	-	6,317
Fire grants	7,443	-	7,443
Disposal of equipment	<u>-</u>	<u>(1,300)</u>	<u>(1,300)</u>
Total general revenues	<u>44,009</u>	<u>(1,300)</u>	<u>42,709</u>
 Excess of revenues (expenditures)/ change in net assets--fire	<u>6,886</u>	<u>(13,684)</u>	<u>(6,798)</u>
 Street lights:			
Revenue	4,716	-	4,716
Expenditures	<u>(5,341)</u>	<u>-</u>	<u>(5,341)</u>
 Excess of revenue (expenditures)/ changes in net assets	6,261	(13,684)	(7,423)
 Fund balances/net assets:			
Beginning	<u>16,495</u>	<u>245,945</u>	<u>262,440</u>
Ending	<u>\$ 22,756</u>	<u>\$ 232,261</u>	<u>\$ 255,017</u>

See notes to financial statements

PLIOCENE RIDGE COMMUNITY SERVICES DISTRICT
 STATEMENT OF REVENUES AND EXPENDITURES
 COMPARED TO BUDGET
 for the year ended June 30, 2007

	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable) <u>Variance</u>
Revenues:			
Property taxes--fire	\$ 23,184	\$ 24,675	\$ 1,491
Property taxes—street lights	4,716	4,716	-
Donations	500	5,574	5,074
Mutual aid	1,200	6,317	5,117
Fire grants	500	7,443	6,943
Sale of equipment	-	-	-
Other	-	-	-
	<u>30,100</u>	<u>48,725</u>	<u>18,625</u>
Expenditures:			
PG&E	1,600	1,695	(95)
Telephone	910	874	36
Water	396	375	21
Propane	800	516	284
Insurance	7,964	7,964	-
License fee	40	35	5
Misc.	40	79	(39)
Postage	78	131	(53)
Copies	50	-	50
Prof. fee	1,000	-	1,000
Prop. assess.	567	634	(67)
Office supplies	150	104	46
County fee	2,800	3,300	(500)
Bldg. maint.	500	2,242	(1,742)
AVFD:			
Equip. and repairs	500	2,612	(2,112)
Fuel	400	542	(142)
Op. compliance	500	535	(35)
Vehicle maint.	1,000	2,307	(1,307)
Supplies	200	245	(45)

(continued)

See notes to financial statements

PLIOCENE RIDGE COMMUNITY SERVICES DISTRICT
 STATEMENT OF REVENUES AND EXPENDITURES, continued
 COMPARED TO BUDGET
 for the year ended June 30, 2007

	<u>Budget</u>	<u>Actual</u>	Favorable/ (Unfavorable) <u>Variance</u>
<u>Expenditures (continued):</u>			
PCVFD ²			
Equip. and repairs	\$ 500	\$ 5,656	\$(5,156)
Fuel	800	1,005	(205)
Op. compliance	500	570	(70)
Vehicle maint.	1,000	1,158	(158)
Supplies	200	1,012	(812)
Capital outlay	-	2,000	(2,000)
Street lights	4,767	5,341	(574)
Salaries - fire	600	1,532	(932)
Contingency	<u>2,238</u>	<u>-</u>	<u>2,238</u>
Total expenditures	<u>30,100</u>	<u>42,464</u>	<u>(12,364)</u>
Excess of revenues/ (expenditures)	<u>\$ -</u>	<u>\$ 6,261</u>	<u>\$ 6,261</u>

See notes to financial statements

PLIOCENE RIDGE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. Organization:

Pliocene Ridge Community Services District (the "District") was organized in 2004 to provide fire protection services, emergency medical services and street lighting. The District merged the volunteer fire departments of Alleghany and Pike City.

The District's financial and administrative functions are governed by a five member Board of Directors appointed by the Sierra County Board of Supervisors.

2. Summary of Significant Accounting Policies:

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing GAAP for state and local government organizations. The District's significant accounting policies are described below.

Measurement Focus and Basis of Accounting

The District reports a *General Fund* that is used to account for all financial resources except those required or designated by the Board of Directors to be accounted for in another fund.

The government-wide financial statements are reported using the economic resources measurement focus and the 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 flow takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers revenues to be available if they are collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues that are accrued include property taxes, interest income, and charges for current services. Revenues that are not accrued include permits and fines, forfeitures, and penalties, if applicable. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. General capital assets are reported as expenditures in governmental funds. Proceeds of general long-term and capital assets are reported as other financing sources.

PLIOCENE RIDGE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies, continued:

Measurement Focus and Basis of Accounting, continued

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Capital Assets

Capital assets are recorded at historical cost if purchased or constructed. Donations of capital assets are recorded at their fair values in the period received. Structures and equipment are depreciated using the straight-line method over their estimated useful lives.

Budgets

In accordance with the provisions of Sections 13901 through 13906 of the California Health & Safety Code and other statutory provisions, commonly known as the Budget Act, the District prepares and legally adopts a final budget for each fiscal year.

Cash

The District maintains a checking and a savings account with a bank. The savings account earns interest. Such cash deposits are fully collateralized by federal depository insurance.

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results may differ from those estimates.

PLIOCENE RIDGE COMMUNITY SERVICES DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued

3. Cash:

Cash in bank consists of:

Checking	\$ 14,567
Savings	<u>2,409</u>
	<u>\$ 16,976</u>

4. Changes in Capital Assets:

	<u>Balance, beginning of year</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance, end of year</u>
Land	\$ 14,840	\$ -	\$ -	\$ 14,840
Equipment	57,000	-	-	57,000
Structures	119,868	-	-	119,868
Vehicles	<u>68,500</u>	<u>2,000</u>	<u>1,500</u>	<u>69,000</u>
	<u>\$ 260,208</u>	<u>\$ 2,000</u>	<u>\$ 1,500</u>	<u>\$ 260,708</u>

5. Risk of Loss:

Pliocene Ridge Community Services District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; and injuries to employees. During the 2007 fiscal year, the District purchased certain commercial insurance coverages to provide for these risks.

SUPPLEMENTAL DATA

PLIOCENE RIDGE COMMUNITY SERVICES DISTRICT
PRINCIPAL OFFICIALS

Board of Directors:

Rae Bell Arbogast

President

Wayne Hall

Vice President

Maris Womack

Secretary

Kyle S. Hall

Treasurer

Dan Guyer