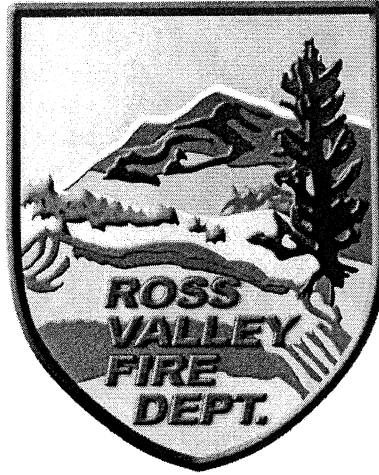


ROSS VALLEY FIRE SERVICE



BASIC FINANCIAL STATEMENTS

AND REQUIRED SUPPLEMENTARY INFORMATION

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JUNE 30, 2009

ROSS VALLEY FIRE SERVICE
BASIC FINANCIAL STATEMENTS
AND REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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October 28, 2009

Board of Directors
Ross Valley Fire Service
San Anselmo, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying basic financial statements of the Ross Valley Fire Service ("Authority") as of and for the fiscal year ended June 30, 2009, as listed in the accompanying table of contents. These financial statements are the responsibility of the Authority's management. 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 financial audits contained in the Governmental 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority at June 30, 2009 and the results of its operations and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 28, 2009 on our consideration of the Authority's internal control over financial reporting and on our tests of compliance with certain 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 our 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 Governmental Auditing Standards and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying management's discussion and analysis and required supplementary information are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it.

Odenberg Ullakko Muranishi & Co LLP

**ROSS VALLEY FIRE SERVICE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

This discussion and analysis of the Ross Valley Fire Service (the "Authority") fiscal performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2009. Please review it in conjunction with the transmittal letter and the basic financial statements, which begin on page 7.

FINANCIAL HIGHLIGHTS

From the Statement of Net Assets and Changes in Net Assets - see pages 7 and 8

- Total net assets are \$1,124,167 compared with \$920,483 at end of fiscal year 2008. This is a 22% increase.
- Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, are \$3,502.
- Total revenues increased from \$5,917,004 in fiscal 2008 to \$6,305,247 in fiscal 2009 and expenses increased from \$5,673,874 to \$6,101,563.

From the Governmental Fund Financial Statements - see pages 9 - 12

- The General Fund balance increased by \$163,422 over the prior fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

The Authority's basic financial statements are comprised of three components: government-wide financial statements, governmental funds financial statements, and notes to the financial statements. Supplementary information in addition to the basic financial statements is also presented.

Government-wide financial statements found on pages 7 - 8

The Government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances in a manner similar to a private-sector business. There are two government-wide financial statements - The Statement of Net Assets and the Statement of Activities and Changes in Net Assets ("Statement of Activities").

The Statement of Net Assets presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Activities presents information showing how the Authority's net assets changed during the fiscal year. Accruals of revenue and expenses are taken into account regardless of when cash is received or paid.

Like in a private-sector business, capital assets are depreciated, the principal portion of the debt service is not an expenditure, and compensated absences are expensed in the period earned.

Governmental fund financial statements found on pages 9 - 12

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. The major differences between fund financial statements and government-wide financial statements are in the way debt proceeds, capital outlay, and compensated absences are recorded. Reconciliations between the two types of financial statements are found on pages 10 and 12.

Notes to the financial statements on pages 13 - 23

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Required Supplementary information on page 25

PERS schedule of funding progress.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Assets

Net assets for the Authority are summarized below and an analysis follows:

	Governmental Activities		Total Percent Change
	2009	2008	
Cash and investments	\$ 738,480	\$ 659,537	12%
Capital assets, net	1,246,632	1,277,162	-2%
Other assets	59,615	201,166	-70%
Total assets	2,044,727	2,137,865	-4%
Long-term debt, net	810,566	970,869	-17%
Other liabilities	109,994	246,513	-55%
Total liabilities	920,560	1,217,382	-24%
Invested in capital assets, net	1,120,665	1,062,660	5%
Restricted	-	-	0%
Unrestricted	3,502	(142,177)	-102%
Net assets	\$ 1,124,167	\$ 920,483	22%

Net assets serve over time as a useful indicator of the Authority's financial position. In the case of the Authority, assets exceeded liabilities by \$1,124,167 and \$920,483 as of June 30, 2009 and 2008, respectively.

The increase in net assets includes a fund balance increase of \$203,684.

Investment in capital assets consists of capital assets less any related debt that is still outstanding. Net capital assets decreased by \$30,530. In FY 08/09, we added \$128,619 in capital assets and recognized \$159,149 in depreciation of existing assets.

Long term debt decreased by \$71,769. Long-term debt includes capital leases for fire apparatus and compensated absences.

Unrestricted assets are used to finance day-to-day operations, including debt service.

Analysis of Changes in Net Assets

Changes in net assets for the Authority are summarized below and an analysis follows:

	Governmental Activities		Total Percent Change
	2009	2008	
Revenues:			
Program revenues:			
Charges for services	\$ 5,918,243	\$ 5,470,354	8%
General revenues:			
OES Reimbursement Out of County	343,333	426,705	-20%
Investment earnings	10,469	2,838	269%
Other	33,202	17,107	94%
Total revenues	6,305,247	5,917,004	7%
Expenses:			
Fire services	6,101,563	5,673,874	8%
Total expenses	6,101,563	5,673,874	8%
Change	\$ 203,684	\$ 243,130	-16%

Fire service expenses increased by 8% and total revenues increased by 7% over 2008 levels.

The increase in expenses over 2008 is associated with employee salary and benefits. The Authority filled a firefighter position that was vacant for the majority of the 2007/08 fiscal year, a new non-safety fire inspector position was created, and employees received a cost of living raise.

The increase in total revenue is the result of a 7.9% increase in contributions by the Towns. Reimbursement from California OES for responses to California wildfires was down significantly from 2008; the Authority is reimbursed for actual cost plus an administration fee for responses.

GOVERNMENTAL FUNDS ANALYSIS

The following schedule presents a summary of general fund revenues and expenditures for the fiscal years ended June 30, 2009 and 2008.

Revenues:

	2009	2008
Intergovernmental:		
Town of San Anselmo (Contract)	\$ 3,839,339	\$ 3,558,601
Town of Fairfax (Contract)	1,676,595	1,554,346
County of Marin (Contract)	112,194	103,934
Town of Ross (Contract)	3,000	-
State of California OES	343,333	426,705
Other sources	224,220	196,260
Total intergovernmental	<u>6,198,681</u>	<u>5,839,846</u>
Charges for services	62,895	57,213
Investment earnings	10,469	2,838
Miscellaneous	33,202	17,107
Total revenue	<u>6,305,247</u>	<u>5,917,004</u>
Expenses:		
Salaries and benefits	5,177,469	4,771,670
Services and supplies	727,697	739,754
Debt service:		
Principal	88,534	66,747
Interest	5,657	6,744
Capital outlay	142,468	177,776
Total expenses	<u>6,141,825</u>	<u>5,762,691</u>
Excess of revenues under expenses	<u>163,422</u>	<u>154,313</u>
Other financing sources and (uses):		
Proceeds of long-term debt	-	72,417
Total other financing sources and uses	<u>-</u>	<u>72,417</u>
Excess of revenues and other financing sources (uses) over (under) expenses	163,422	226,730
Fund balances, beginning of year	614,190	387,460
Fund balances, end of year	<u>\$ 777,612</u>	<u>\$ 614,190</u>

COMMENTS ON BUDGET COMPARISONS – see Supplementary information page 24

The differences between actual and budgeted amounts for total revenue, \$16,798, were largely due to additional reimbursement of \$13,834 from California OES for the wildfire responses. Additionally LAIF Interest and Plan Check Fees exceeded estimates, and Miscellaneous Income and revenue for Resale Inspections were below budget estimates.

Expenses: Salaries and Benefits were below budget estimates by \$22,120, including Retiree's Health Insurance that was \$14,090 below estimates as a result of \$10,875 in unexpected reimbursements from Medicare. Service and Supplies were under budget estimates by \$85,214. Services and Supplies includes contingencies totaling \$70,000 that were not utilized. Capital Outlay was \$7,203 below budget estimates.

HISTORY AND ECONOMIC FACTORS

Ross Valley Fire Service was formed in 1982 by merging the Fire Departments of the Towns of Fairfax and San Anselmo. In addition to these two entities, the Sleepy Hollow Fire Protection District contracts with the Town of San Anselmo to provide protection for the District. The Authority is governed by a Fire Board, which is made up of two voting members from the Fairfax Town Council, two voting members from the San Anselmo Town Council, and a non-voting member from the Sleepy Hollow Fire Protection District Board of Directors.

The Authority is mainly funded directly by each of the Towns, so it must compete with Police, Public Works, etc. for General Fund dollars. Staff prepares the draft budget in concert with the Executive Officer. The draft budget normally goes to the Fire Board for discussion in May and then adoption in June. This time frame ensures that the adopted budget can be then folded into the budget of each Town.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Fire Chief, Ross Valley Fire Service, 777 San Anselmo Avenue, San Anselmo, CA 94960.

GOVERNMENT-WIDE
FINANCIAL STATEMENTS

ROSS VALLEY FIRE SERVICE
STATEMENT OF NET ASSETS
JUNE 30, 2009

ASSETS:

Current assets:	
Cash and investments	\$ 738,480
Accounts receivable	57,740
Interest receivable	1,875
Total current assets	<u>798,095</u>
Capital assets, net of accumulated depreciation	<u>1,246,632</u>
Total assets	<u><u>2,044,727</u></u>

LIABILITIES:

Current liabilities:	
Accounts payable	5,818
Accrued liabilities	14,665
Current portion of long-term debt	89,511
Total current liabilities	<u>109,994</u>
Non-current liabilities:	
Long-term debt, net	<u>810,566</u>
Total liabilities	<u><u>920,560</u></u>

NET ASSETS:

Invested in capital assets, net of related debt	1,120,665
Unrestricted	3,502
Total net assets	<u><u>\$ 1,124,167</u></u>

See accompanying notes to basic financial statements.

ROSS VALLEY FIRE SERVICE
STATEMENT OF ACTIVITIES
AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Expenses:

Public safety - fire protection	
Personal services	\$ 5,195,212
Services and supplies	741,545
Depreciation	159,149
Interest	5,657
Total program expenses	<u>6,101,563</u>

Program revenues:

Charges for services	<u>6,261,576</u>
Net program revenue	<u>160,013</u>

General revenues:

Investment earnings	10,469
Miscellaneous	<u>33,202</u>
Total general revenues	<u>43,671</u>

Increase in net assets

203,684

Net assets - beginning of year

920,483

Net assets - end of the year

\$ 1,124,167

See accompanying notes to basic financial statements.

GOVERNMENTAL FUND

FINANCIAL STATEMENTS

ROSS VALLEY FIRE SERVICE
GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2009

	General Fund	Total Governmental Funds
ASSETS		
Cash and investments	\$ 738,480	\$ 738,480
Accounts receivable	57,740	57,740
Interest receivable	1,875	1,875
Total assets	\$ 798,095	\$ 798,095
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 5,818	\$ 5,818
Accrued liabilities	14,665	14,665
Total liabilities	20,483	20,483
Fund balances:		
Reserved for compensated absences	6,298	6,298
Reserved for fire hazard abatement	28,500	28,500
Unreserved	742,814	742,814
Total fund balances	777,612	777,612
Total liabilities and fund balances	\$ 798,095	\$ 798,095

See accompanying notes to basic financial statements.

ROSS VALLEY FIRE SERVICE
GOVERNMENTAL FUNDS
Reconciliation of the Balance Sheet
to the Government-Wide Statement of Net Assets

June 30, 2009

Total Fund Balances - Total Governmental Funds		\$ 777,612
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources. Therefore, they are not reported in the Governmental Funds Balance Sheet.

Capital assets	\$ 2,767,683	
Less: Accumulated depreciation	<u>1,521,051</u>	1,246,632

Long-term liabilities are not due and payable in the current period and therefore were not reported in the Governmental Funds Balance Sheet. The long-term liabilities were adjusted as follows:

Capital leases	(125,967)	
Compensated absences	<u>(774,110)</u>	<u>(900,077)</u>

Net Assets of Governmental Activities		<u>\$ 1,124,167</u>
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ROSS VALLEY FIRE SERVICE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	General Fund	Total Governmental Funds
Revenues:		
Intergovernmental:		
Town of San Anselmo (Contract)	\$ 3,839,339	\$ 3,839,339
Town of Fairfax (Contract)	1,676,595	1,676,595
County of Marin (Contract)	112,194	112,194
Town of Ross (Contract)	3,000	3,000
State of California OES	343,333	343,333
Other sources	224,220	224,220
Total intergovernmental	6,198,681	6,198,681
Charges for services	62,895	62,895
Investment earnings	10,469	10,469
Miscellaneous	33,202	33,202
Total revenue	6,305,247	6,305,247
Expenditures:		
Current:		
Salaries and benefits	5,177,469	5,177,469
Services and supplies	727,697	727,697
Debt service:		
Principal	88,534	88,534
Interest	5,657	5,657
Capital outlay	142,468	142,468
Total expenditures	6,141,825	6,141,825
Excess of revenues over expenditures	163,422	163,422
Fund balances, beginning of year	614,190	614,190
Fund balances, end of year	\$ 777,612	\$ 777,612

See accompanying notes to basic financial statements.

ROSS VALLEY FIRE SERVICE
GOVERNMENTAL FUNDS
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Change in Fund Balances
to the Government-Wide Statement of Activities and Changes in Net Assets

For the Fiscal Year Ended June 30, 2009

Net Changes in Fund Balances - Total Governmental Funds **\$ 163,422**

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 and recorded as depreciation expense.

Capital outlay	\$ 128,620	
Depreciation expense	<u>(159,149)</u>	(30,529)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds

Change in compensated absences		(17,743)
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Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Principal repayments on long-term debt	88,534	
Long-term debt proceeds	<u>-</u>	<u>88,534</u>

Total changes in net assets of governmental activities **\$ 203,684**

NOTES TO BASIC FINANCIAL STATEMENTS

ROSS VALLEY FIRE SERVICE

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 1 - Summary of significant accounting policies:

Description of the Ross Valley Fire Service:

The Ross Valley Fire Service (the "Authority") was created in 1982 under a joint powers agreement between the Towns of Fairfax and San Anselmo, California, to provide fire protection, emergency medical and related services within the Fairfax-San Anselmo area. Primary funding of the Authority is through contributions from the participating towns. San Anselmo's contribution includes the estimated cost of providing services to the unincorporated Sleepy Hollow area that the Town of San Anselmo has contracted to provide. The Authority is governed by a Board of Directors, consisting of two members appointed by each town and one (non-voting) member from Sleepy Hollow. The Authority is administered by the Town Administrator (Executive Officer) of one of the towns, as appointed by the Board of Directors.

Description of funds

The accounts of the Authority are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise the fund's assets, liabilities, fund equity, revenues and expenses or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. In fiscal 2009, the Authority had one fund.

Government - Wide Financial Statements

The Authority's Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental Activities for the Authority accompanied by a total column.

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all of the Authority's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

The Government-Wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses

identifies the extent to which each program is self-financing or draws from the general revenues of the Authority. In fiscal 2009, the Authority operated one government program.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other purposes result from special revenue funds and the restrictions on their net asset use.

Separate financial statements are provided for governmental funds. Fund financial statements report detailed information about the Authority. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Major individual governmental funds are reported as separate columns in the governmental fund financial statements. Nonmajor funds are aggregated and presented in a single column. The Authority had no nonmajor funds in the fiscal year ended June 30, 2009.

When both restricted and unrestricted resources are available, the Authority's policy is to first apply restricted resources and then unrestricted resources as necessary.

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenses and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. Accompanying schedules are presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the Government-Wide financial statements.

Revenues susceptible to accrual are interest revenue and charges for services. Licenses and permits are not susceptible to accrual because, generally, they are not measurable until received in cash.

Expenses are generally recognized when incurred under the modified accrual basis of accounting. Principal and interest on general long-term debt is recognized when due.

All governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenses and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenses and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenses of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Authority, are intergovernmental revenues and interest. Expenses are recorded in the accounting period in which the related fund liability is incurred.

The Authority's General Fund was the only major fund in the fiscal year ended June 30, 2009. The General Fund is the operating fund of the Authority. It is used to account for all financial resources except those required to be accounted for in another fund.

Budgets and budgetary accounting

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

1. At the June Board meeting, the Chief and Executive Officer submit to the Board of Directors a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenses and the means of financing them.
2. The budget is legally enacted through the passage of a resolution.
3. Formal budgetary integration is employed as a management control device during the year for the General Fund.
4. The budget for the General Fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expense of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. All appropriations lapse at fiscal year end.

Cash and investments

Cash and investments include amounts in demand deposits as well as short-term investments. The Authority maintains several checking accounts for processing all general operating transactions.

Investments are stated at cost, which approximates fair value at June 30, 2009.

Statement calculations and use of estimates

Due to rounding, column and row calculations may approximate actual figures. Approximations may result when decimal places are eliminated to present whole numbers.

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 dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

New Accounting Pronouncement

In June 2004, the Governmental Accounting Standards Board issued Statement of Governmental Accounting Standards No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions ("GASB 45"). This Statement addresses standards for the measurement and recognition of Other Post-Employment Benefits (OPEB) in the

period when the cost is incurred rather than when the benefits are paid or provided. Implementation of GASB 45, which requires disclosure of OPEB liabilities, will be required for the Authority no later than the fiscal year beginning July 1, 2009. The Authority completed an actuarial valuation of Other Post-Employment Benefits in September 2008 as required by the Standard. The Authority is evaluating the impact of GASB 45, and will consider whether to pre-fund or continue to pay OPEB on a pay-as-you go basis.

NOTE 2 - Cash and investments:

Cash deposits

The Authority maintains its cash in demand deposits with federally insured banks. The bank balances are covered up to \$250,000 by federal depository insurance at June 30, 2009. At June 30, 2009, the book balance was \$165,615 and the bank balance was \$353,438. The difference between the carrying amount and the bank balances is due to checks outstanding as of June 30, 2009.

Investments

The Authority also invests in the Local Authority Investments Fund ("LAIF") maintained by the Treasurer of the state of California, which primarily invests in insured or collateralized cash equivalents and debt securities with average maturities of less than one year. The Authority's deposits are available for withdrawal on demand. Cash invested with LAIF as of June 30, 2009 was \$572,865, and these investments are carried at a value not materially different from fair value.

	<u>Carrying Value</u>	<u>Fair Value</u>
State of California - Local Agency Investment Fund	\$ 572,865	\$ 573,647
Cash in checking accounts	165,615	165,615
	<u>\$ 738,480</u>	<u>\$ 739,262</u>
Unrestricted	\$ 738,480	
Restricted	-	
	<u>\$ 738,480</u>	

Interest Rate Risk. This 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.

Investment Type	Fair Value	Remaining Maturity (in Months)			
		12 months or less	13 to 24 Months	25 to 60 Months	More than 60 Months
State investment pool (LAIF)	\$ 572,865	\$ 572,865	\$ -	\$ -	\$ -
Total	<u>\$ 572,865</u>	<u>\$ 572,865</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Credit Risk. This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. That is measured by the assignment of a rating by a nationally recognized credit rating organization. Presented below is the actual rating as of year end for each investment type.

Investment Type	Fair Value	Exempt From Disclosure	Rating as of Fiscal Year End	
			AAA	Not Rated
State investment pool (LAIF)	\$ 572,865	\$ -	\$ -	\$ 572,865
Total	<u>\$ 572,865</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 572,865</u>

NOTE 3 - Capital assets:

The Authority's capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated. Capital assets are recorded at cost and depreciated over their estimated useful lives. Depreciation is charged to governmental activities by function.

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

Depreciation of capital assets in service is provided using the straight-line method, which means the cost of the asset is divided by its expected useful life in years, and the result is charged to expense each year until the asset is fully depreciated. The Authority has assigned the useful lives listed below to capital assets:

Fire trucks	20 years
Furniture and fixtures	5 years
Non-emergency vehicles	10 years
Machinery and equipment	5-50 years

A summary of changes in capital assets for the fiscal year ended June 30, 2009 is as follows:

	Balance			Balance
	<u>June 30, 2008</u>	<u>Additions</u>	<u>Dispositions</u>	<u>June 30, 2009</u>
Vehicles	\$ 1,728,504	\$ -	\$ -	\$ 1,728,504
Machinery and equipment	780,087	118,875	(33,650)	865,312
Furniture and fixtures	16,144	-		16,144
Building improvements	147,978	9,745	-	157,723
	<u>2,672,713</u>	<u>128,620</u>	<u>(33,650)</u>	<u>2,767,683</u>
Less: accumulated depreciation	1,395,551	159,150	(33,650)	1,521,051
Total capital assets, net	<u>\$ 1,277,162</u>	<u>\$ (30,530)</u>	<u>\$ -</u>	<u>\$ 1,246,632</u>

NOTE 4 - Deferred compensation arrangement:

The Authority provides a deferred compensation plan (the "Plan") according to Internal Revenue Code Section 457. The Plan is available to all employees and permits the deferral of a portion of the participating employees' salaries. Deferred amounts may not be withdrawn until termination, retirement, death or unforeseeable emergency. Prior to August 20, 1996, the assets of the Plan were owned by the Authority and were subject to claims from general creditors. On August 20, 1996, President Clinton signed into law changes affecting Internal Revenue Code Section 457. New plan agreements, which have been amended to comply with the amended provisions, require plans to hold assets in trust for the exclusive benefit of the participants and their beneficiaries. The Authority has an obligation to ensure that the Plan's funds are prudently managed and invested. Participating employees may direct Plan investments to several categories of investment mutual funds provided by the Plan's trustee. Since the assets of the Plan are no longer available to general creditors, the respective assets and liabilities of the Plan are not included on the accompanying financial statements.

NOTE 5 - Compensated absences:

Employees of the Authority accumulate vacation compensation based on years of service. Each employee may accumulate and carry forward a maximum of 1-1/2 years' vacation entitlement. Employees may also accumulate sick pay up to a maximum number of hours as set out in the current memorandum of understanding. At retirement, an employee may elect to convert unused sick pay to cash at one-half of the accumulated value.

Additionally, employees may earn 1-1/2 compensatory hours for each hour of off-duty attendance of qualified educational programs. Compensatory hours of those employees who earn an educational incentive are assessed annually to ensure that they have met their statutory 30 hours per year of education. These required hours may not be used for any other purpose and are deducted from each qualifying employee's total compensatory hours. Employees with balances of less than 30 hours at the time of the annual assessment forfeit their right to educational incentive until the statutory 30 hours is achieved. Any remaining balance after applying the deduction is accumulated to a maximum of 240 hours.

Compensatory absences as shown on the Statement of Net Assets include the value of accumulated vacation, the portion of sick pay benefits expected to be paid at retirement and the value

of compensatory time accumulated. The Authority estimates that no funds will be paid in compensated absences upon retirements in 2009-2010; all other benefits are expected to be paid in future periods.

NOTE 6 - Long-term debt:

The following is a schedule of changes in long-term debt for the fiscal year ended June 30, 2009:

	Beginning Balance	Additions	Retirements	Ending Balance	Due in One Year
2003 Capital Lease- Fire Engine	\$ 142,084	\$ -	\$ (69,570)	\$ 72,514	\$ 72,514
Capital Lease- Trucks	72,417	-	(18,964)	53,453	16,997
	214,501	-	(88,534)	125,967	89,511
Compensated absences	756,367	17,743	-	774,110	-
	<u>\$ 970,868</u>	<u>\$ 17,743</u>	<u>\$ (88,534)</u>	<u>\$ 900,077</u>	<u>\$ 89,511</u>

The Authority's total lease obligation for fiscal 2009 is \$95,118, which includes a remaining obligation under the 1999 capital lease discussed below.

1999 Capital lease (fire engine): In October 1999, the Authority entered into a lease purchase agreement to finance a Pierce Saber Type 1 Fire Engine for the amount of \$269,999. Accumulated depreciation as of June 30, 2009 related to this fire engine was \$141,750. The lease provides for annual payments of \$63,210 including principal and interest commencing October 20, 2000 and ending October 20, 2006. This lease obligation was rolled into the 2003 capital lease discussed below.

2003 Capital lease (fire engine) In May 2003, the Authority entered into a lease purchase agreement to finance a Pierce Saber All Wheel Steer Pumper Fire Engine for a total purchase price of \$332,198. Accumulated depreciation as of June 30, 2009 related to this fire engine was \$91,356. The lease obligation for the purchase of the 2003 fire engine was recognized in fiscal 2004, when the fire engine was delivered and placed in service. The 2003 capital lease provides for one payment of \$63,210, including principal and interest, on July 27, 2003 and six annual payments of \$75,581, including principal and interest, commencing July 27, 2006 and ending July 27, 2009.

Capital lease - Trucks: In June 2008, the Authority entered into a lease purchase agreement to finance one 2008 Chevy Tahoe and one 2008 Chevy Silverado Truck for the total amount of \$72,417. Accumulated depreciation as of June 30, 2009 for these pickup trucks was \$11,140. The lease provides for annual payments of \$19,537 including principal and interest commencing July 31, 2008 and ending July 21, 2011.

The minimum annual payments on the above leases are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ended June 30:			
2010	\$ 89,511	\$ 5,606	\$ 95,117
2011	17,805	1,732	19,537
2012	18,651	886	19,537
	<u>\$ 125,967</u>	<u>\$ 8,224</u>	<u>\$ 134,191</u>

NOTE 7 - Employee benefits - defined benefit pension plan:

Plan description

The Authority contributes to the California Public Employees' Retirement System ("PERS"), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the state of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, CA 95814.

Funding policy

Participants are required to contribute 9% (for safety employees) and 8% (for non-safety employees) of their annual covered salary. The Authority makes the contributions required of Authority employees on their behalf and for their account. The Authority is required to contribute at an actuarially determined rate; the current rate is 0.000% for non-safety employees, and 36.824% for fire-safety employees, of annual covered payroll. The contribution requirements of plan members and the Authority are established, and may be amended, by PERS.

Annual pension cost

For 2009, the Authority's annual pension cost of \$1,310,308 for PERS was equal to the Authority's required and actual contributions. The required contribution was determined as part of the June 30, 2006 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis.

Three-year trend information for PERS

	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2009	\$ 1,310,308	100%	\$ -
6/30/2008	\$ 1,136,227	100%	\$ -
6/30/2007	\$ 1,204,603	100%	\$ -

NOTE 8 - Post employment benefits other than retirement:

In addition to the pension benefits described previously, the Authority provides the following:

(1) Post retirement health care benefits to all employees who retire on or after attaining age 50 with at least 5 years of service. All eligible retirees may continue medical coverage with the plans provided for active employees. Currently, twenty-two retirees and seven surviving spouses meet the eligibility requirements. The Authority's cost is reduced to the uncovered Medicare portion when the retiree or retiree's surviving spouse attains the age of 65. The Authority accounts for these benefits on the pay as you go method. The Authority's cost for fiscal year ended June 30, 2009 was \$138,861.

(2) Life-time medical benefits for workers compensation claims (as defined) to certain past employees. Currently, two past employees are eligible for these post benefit payments. The Authority accounts for these benefits on the pay as you go method. The Authority's cost for fiscal year ended June 30, 2009 was \$223.

NOTE 9 - Public entity risk pools:

Fire District Association of California - Fire Authority Self Insurance System

Effective September 1993, the Authority was self-insured for workers' compensation coverage as a member of the Fire District Association of California - Fire Authority Self-Insurance System (the "System"). The System is a public Authority risk pool created pursuant to a joint powers agreement between the 146 member fire agencies. The System manages one pool for all member agencies. Each member pays an annual premium to the System based on the number of personnel, and estimated dollar amount of payroll and an experience factor. At fiscal year end, when actual payroll expenses are available, an adjustment to the year's annual premium is made. The System reinsures through a commercial carrier for claims in excess of \$500,000 for each insured event. The System is not a component entity of the Authority for purposes of Government Standards Board Statement No. 14. Condensed financial information (unaudited) for the System as of June 30, 2009 is as follows:

Total assets	\$ 43,497,151
Total liabilities	<u>21,325,071</u>
Fund equity/(deficit)	<u>\$ 22,172,080</u>
Total operating revenues	\$ 8,416,167
Total operating expenses	<u>5,920,537</u>
Operating income	2,495,630
Non-operating revenue	<u>1,947,459</u>
Net income	<u>\$ 4,443,089</u>

The basis for estimating the accrued liability for future claims and claims incurred but not reported (IBNR) is based on actuarial review of the workers' compensation program.

Estimated outstanding losses, including allocated loss adjusting expenses (ALAE) as of June 30, 2009, are the cost of unpaid claims. The estimated outstanding losses include case reserves and a

provision that includes development of known claims and late reported claims, collectively referred to as IBNR. All other ALAE are the direct settlement expenses for specific claims, primarily legal expenses. The actuarial consultants estimated the outstanding liability for future claims, ALAE, and IBNR to be \$21,221,720 at the expected level discounted for present value. Components of the liability represent:

Unpaid claims & claim adjustment expenses at June 30, 2008	\$ 21,633,573
Incurred claims and claim adjustment expenses:	
Provision for insured events of the current fiscal year	5,380,933
Decreases in provisions for insured events of prior fiscal years	<u>(1,552,852)</u>
Total incurred claims & claim adjustment expenses	<u>3,828,081</u>
Payments:	
Claims & claim adjustment expenses attributable to insured events of the current fiscal year	868,919
Claims & claim adjustment expenses attributable to insured events of prior fiscal years	<u>3,371,015</u>
Total payments	<u>4,239,934</u>
Total unpaid claims & claim adjustment expenses at fiscal year end	<u><u>\$ 21,221,720</u></u>

Fire Agencies' Risk Authority

Effective July 1, 1989 Ross Valley Fire Service was self-insured for property damages and general liability coverage as a member of the Fire Agencies Insurance Risk Authority (the "Risk Authority"). The Risk Authority is a public Authority risk pool created pursuant to a joint powers agreement between the 120 member fire agencies. The Risk Authority manages one pool for all member agencies. Each member pays an annual premium to the Risk Authority based on an actuarial calculation. The Risk Authority reinsures through a commercial carrier for general liability claims in excess of \$250,000 for each insured event. The Risk Authority is not a component entity of Ross Valley Fire Service for purposes of Government Accounting Standards Board Statement No. 14.

Condensed financial information for the Risk Authority as of June 30, 2009 is as follows:

Total assets	\$ 2,530,083
Total liabilities	<u>53,283</u>
Fund equity	<u>\$ 2,476,800</u>
Total operating revenues	\$ 2,593,039
Total operating expenses	<u>2,531,573</u>
Operating income	61,466
Non-operating revenue	<u>82,230</u>
Net income (loss)	<u>\$ 143,696</u>

Estimated liability for claims and claims adjustment expenses includes provision for losses, which have not been discounted to their present value.

Claims, which have been incurred as of June 30, 2009 but not yet reported to the claims administrator, have been estimated based on an independent actuarial analysis. The liability is based on the estimated ultimate cost of settling the claims, including the effects of inflation and other societal and economic factors. Actual results could differ from these estimates.

NOTE 10 - Contingencies:

On February 4, 1991, Ross Valley Fire Service (the "Authority") was awarded a judgment of \$464,000, plus interest, relating to embezzlements committed by a former employee over several years. On July 18, 2006 the judgment was renewed to extend the period of enforceability through to July 17, 2016 and the total renewed judgment was \$277,567. As of June 30, 2009, the balance owed is \$355,524 (including interest of \$80,957 at 10% per annum). This receivable is not recorded in the accompanying Statement of Net Assets.

The Authority is involved in various other claims and litigation arising in the ordinary course of business. Authority management, based upon the opinion of legal counsel, is of the opinion that the ultimate resolution of such matters will not have a materially adverse effect on the Authority's financial position or results of operations.

NOTE 11 - Subsequent events:

At June 30, 2009, the Authority was occupying temporary quarters because of the continued construction of the headquarters station as a result of the flood damage which occurred on December 31, 2005. The department was able to begin the move back into the station the week of September 17, 2009. Expenditures related to the repair and renovation of the station was the responsibility of the Town of San Anselmo.

NOTE 12 - Excess of expenses over fund appropriations:

	<u>Appropriation</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund:			
Debt Service	\$ 92,831	\$ 94,191	\$ (1,360)

The excess expenses for fiscal 2009 were funded by available financial resources.

REQUIRED SUPPLEMENTARY INFORMATION

ROSS VALLEY FIRE SERVICE
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Original and Final Budgeted Amounts	Actual Amounts	Variance Positive (Negative)
Revenues:			
Intergovernmental:			
Town of San Anselmo (Contract)	\$ 3,839,340	\$ 3,839,339	\$ (1)
Town of Fairfax (Contract)	1,677,002	1,676,595	(407)
County of Marin (Contract)	112,194	112,194	-
Town of Ross (Contract)	3,000	3,000	-
State of California OES	329,499	343,333	13,834
Other sources	327,414	330,786	3,372
Total revenue	<u>6,288,449</u>	<u>6,305,247</u>	<u>16,798</u>
Expenditures:			
Current:			
Salaries and benefits	5,199,589	5,177,469	22,120
Services and supplies	812,911	727,697	85,214
Capital outlay	149,671	142,468	7,203
Debt service	92,831	94,191	(1,360)
Total expenditures	<u>6,255,002</u>	<u>6,141,825</u>	<u>113,177</u>
Excess of revenues over (under) expenditures	33,447	163,422	(129,975)
Other Financing Sources and (Uses):			
Proceeds of long-term debt	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other financing sources (uses) over (under) expenditures	<u>\$ 33,447</u>	163,422	<u>\$ (129,975)</u>
Fund balances, beginning of fiscal year		614,190	
Fund balances, end of fiscal year		<u>\$ 777,612</u>	

ROSS VALLEY FIRE SERVICE
REQUIRED SUPPLEMENTARY INFORMATION - PERS
SCHEDULE OF FUNDING PROGRESS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Since the Authority's PERS plan had less than 100 active members as of June 30, 2003, it is required to participate in a risk pool. Funding progress is no longer reported for individual participant agencies, but in the aggregate for the entire pool starting with the fiscal year ended June 30, 2004 as follows:

SAFETY

Valuation Date	Liability (A)	Assets (B)	Assets (A)-(B)	Status (B)/(A)	Payroll (C)	Payroll [(A)-(B)]/(C)
6/30/2003	\$ 1,248,172,736	\$ 1,045,895,860	\$ 202,276,876	83.8%	\$ 154,384,703	131.02%
6/30/2004	\$ 1,252,474,736	\$ 1,026,500,742	\$ 225,973,994	82.0%	154,903,754	145.88%
6/30/2005	\$ 1,325,510,754	\$ 1,105,298,221	\$ 220,212,533	83.4%	161,446,071	136.40%
6/30/2006	\$ 1,473,284,852	\$ 1,252,059,468	\$ 221,225,384	85.0%	177,088,890	124.92%
6/30/2007	\$ 1,648,159,522	\$ 1,422,143,105	\$ 226,016,417	86.3%	200,537,256	112.71%
6/30/2008			*** Not Available***			
6/30/2009			*** Not Available***			

MISCELLANEOUS

Valuation Date	Normal Accrued Liability (A)	Actuarial Value of Assets (B)	Liability/ (Excess Assets) (A)-(B)	Funded Status (B)/(A)	Annual Covered Payroll (C)	UAAL as a % of Payroll [(A)-(B)]/(C)
6/30/2003	\$ 515,421,442	\$ 456,062,164	\$ 59,359,278	88.5%	\$ 120,692,360	49.18%
6/30/2004	\$ 681,517,006	\$ 580,960,891	\$ 100,556,115	85.2%	160,107,449	62.81%
6/30/2005	\$ 872,346,612	\$ 729,556,809	\$ 142,789,803	83.6%	203,995,039	70.00%
6/30/2006	\$ 1,280,157,040	\$ 1,069,546,974	\$ 210,610,066	83.5%	304,898,179	69.08%
6/30/2007	\$ 1,627,025,950	\$ 1,362,059,317	\$ 264,966,633	83.7%	376,292,121	70.42%
6/30/2008			*** Not Available***			
6/30/2009			*** Not Available***			

October 28, 2009

Board of Directors
Ross Valley Fire Service
San Anselmo, California

**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**

We have audited the basic financial statements of the Ross Valley Fire Service ("Authority") as of and for the fiscal year ended June 30, 2009, and have issued our report thereon dated October 28, 2009. 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 Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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.

This report is intended solely for the information of the members of the Authority's Board of Directors, management, and the applicable grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

Odenberg Ullakko Muranishi & Co LLP

December 28, 2009

To the Board of Directors of
Ross Valley Fire Service

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Ross Valley Fire Service ("Authority") as of and for the year ended June 30, 2009, and have issued our report thereon dated October 28, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 17, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planning Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our Audit Planning Memorandum about planning matters on October 10, 2009.

Significant Accounting Policies and Estimates

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal 2009. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Management's judgments and accounting estimates are based on knowledge and experience about past and current events and assumptions about future events. We apply audit procedures to management's estimates to ascertain whether the estimates are reasonable under the circumstances and do not materially misstate the financial statements. We believe management has selected and applied significant accounting policies appropriately and consistently with those of the prior year. Significant management estimates impacting the financial statements include the collectability of receivables and depreciation expense.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 28, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Authority's board members and management of Ross Valley Fire Service and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Odenberg Ullakko Muranishi & Co LLP

ODENBERG, ULLAKKO, MURANISHI & CO. LLP