

ROSS VALLEY FIRE DEPARTMENT
BASIC FINANCIAL STATEMENTS
AND REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

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**ROSS VALLEY FIRE DEPARTMENT
 BASIC FINANCIAL STATEMENTS
 AND REQUIRED SUPPLEMENTARY INFORMATION
 For the Year Ended June 30, 2014**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Ross Valley Fire Department
San Anselmo, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund, of the Ross Valley Fire Department (Department) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Department's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Department as of June 30, 2014, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and budgetary comparison information for the general fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Maze & Associates

Pleasant Hill, California
August 29, 2014

**ROSS VALLEY FIRE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

This discussion and analysis of the Ross Valley Fire Department (the "Department") fiscal performance provides an overview of the Department's financial activities for the fiscal year ended June 30, 2014. Please review it in conjunction with the transmittal letter and the basic financial statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

From the Statement of Net Position and Statement of Activities - see pages 10 and 11

- Total net position is \$1,271,497 compared with \$1,052,136 at the end of fiscal year 2013.
- Unrestricted net position, the part of net position that can be used to finance day-to-day operations, is \$171,412.

From the Governmental Fund Financial Statements - see pages 14 - 17

- Total revenues increased from \$8,283,616 in fiscal year 2013 to \$8,319,924 in fiscal year 2014 and expenditures increased from \$8,127,803 to \$8,265,810. The increase in revenues is the result of the increase in outside revenue sources. In Fiscal year 2013, expenses included the additional payoff amounts for numerous retirements.
- The General Fund balance increased by \$54,114 from the prior fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

The Department'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 10 - 11

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

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

The Statement of Activities presents information showing how the Department's net position 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 net an expenditure, and compensated absences are expensed in the period earned.

**ROSS VALLEY FIRE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Governmental fund financial statements found on pages 14 - 17

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 15 and 17.

Notes to the financial statements on pages 19-35

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

Required Supplementary information on page 36

In addition to basic financial statements and accompanying notes, this report also presents budgetary comparison schedules.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Position

Net Position for the Department is summarized below and an analysis follows:

	Governmental Activities		Total Percent Change
	2014	2013	
Cash and investments	\$ 811,972	\$ 1,074,938	-25%
Capital assets, net	1,184,921	1,289,035	-8%
Pension assets	1,557,200	2,076,267	-25%
Other assets	196,022	45,616	330%
Total assets	3,750,115	4,485,856	-16%
Long-term debt, net	\$1,741,323	2,390,803	-27%
Other liabilities	737,295	1,042,917	-29%
Total liabilities	2,478,618	3,433,720	-28%
Invested in capital assets, net	1,100,085	1,122,766	-2%
Unrestricted	171,412	(70,630)	343%
Net assets	\$ 1,271,497	\$ 1,052,136	21%

Net Position serves over time as a useful indicator of the Department's financial position. In the case of the Department, assets exceeded liabilities by \$1,271,497 as of June 30, 2014, as compared to \$1,052,136 on June 30, 2013.

Net capital assets decreased by \$104,114. The Department added \$45,239 in capital assets and showed \$136,058 in depreciation of existing assets.

ROSS VALLEY FIRE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Long term debt decreased by \$649,480. Long-term debt includes compensated absences, capital leases for fire apparatus, and the Pension Obligation Bonds.

Other liabilities decreased by \$305,622. Other liabilities include; accounts payable, pension obligation, accrued liabilities, and current portion of long-term debt. The increase, for the most part, is the result of anticipated payouts for compensated absences.

Investment in capital assets consists of capital assets less any related debt that is still outstanding.

Unrestricted assets which are used to finance day-to-day operations are \$171,412.

Analysis of Changes in Net Position

Changes in net position for the Department are summarized below and an analysis follows:

	Activities		Percent Change
	2014	2013	
Revenues:			
Program revenues:			
Charges for services	\$ 8,306,888	\$ 8,276,895	0%
General revenues:			
Investment earnings	1,412	1,757	-20%
Miscellaneous	11,624	4,964	134%
Total revenues	8,319,924	8,283,616	0%
Expenses:			
Fire services	8,100,563	8,324,612	-3%
Total expenses	8,100,563	8,324,612	-3%
Change	\$ 219,361	\$ (40,996)	635%

Revenues increased by \$36,308 and expenses decreased by \$224,049 from 2013 levels. Net Position increased by \$219,361.

**ROSS VALLEY FIRE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

GOVERNMENTAL FUNDS ANALYSIS

The following schedule presents a summary of general fund revenues and expenditures for the fiscal years ended June 30, 2014 and 2013.

	<u>2014</u>	<u>2013</u>
Revenues:		
Intergovernmental:		
Town of San Anselmo (Contract)	2,678,548	\$ 2,623,650
Town of Fairfax (Contract)	1,539,477	1,507,925
Sleepy Hollow (Contract)	845,722	828,388
County of Marin (Contract)	131,135	127,043
Town of Ross (Contract)	1,589,159	1,557,507
Ross Apprentice Program		112,572
Prior Authority		
Side fund payment	549,393	522,746
Compensated absences		50,000
Retiree health	168,329	162,788
MERA Bond	38,220	38,194
Debt service contribution	90,105	88,383
Other sources	560,524	552,614
Charges for services	116,276	105,085
Investment earnings	1,412	1,757
Miscellaneous	11,624	4,964
Total revenue	<u>8,319,924</u>	<u>8,283,616</u>
Expenditures:		
Salaries and benefits	6,615,417	6,486,003
Services and supplies	966,251	976,843
Debt service:		
Principal	570,030	525,795
Interest	68,873	82,322
Capital outlay	45,239	56,840
Total expenditures	<u>8,265,810</u>	<u>8,127,803</u>
Excess of expenditures over revenues	<u>54,114</u>	<u>155,813</u>
Excess of revenues and other financing sources over expenditures	54,114	155,813
Fund balances, beginning of year	883,285	727,472
Fund balances, end of year	<u>\$ 937,399</u>	<u>\$ 883,285</u>

ROSS VALLEY FIRE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

COMMENTS ON BUDGET COMPARISONS - see Supplementary information page 36

Revenue: Total revenues were in excess of the final budget numbers by \$145,751. Plan Check Fees and Re-sale Inspection Fees exceeded budget estimates by \$28,276. Other sources which include Budget Reserves and OES and Workers Compensation reimbursements exceed estimates by a total of \$214,752.

Expenses: Total expenses were under the final budget by \$48,515. Salaries and Benefits were over budget by \$34,628. Services and Supplies were under budget by \$86,612. Capital Outlay was under budget by \$1,161. Debt Service Interest was over budget by \$4,630.

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 through a Joint Powers Agreement. In addition to these two entities, the Sleepy Hollow Fire Protection District contracted with the Town of San Anselmo to provide fire protection services, through June 2010.

An Amended and Restated Joint Powers Agreement (JPA) was entered into, effective July 1, 2010, between the Town of Fairfax, Town of San Anselmo, and Sleepy Hollow Fire Protection District to provide fire protection, emergency medical and related services within their respective jurisdictions. As part of the Amended and Restated JPA, the name of the Department was changed from Ross Valley Fire Service to Ross Valley Fire Department. The Board of Directors was expanded to six members, two voting members appointed by and serving at the pleasure of each of the member agencies

The First Amendment to the Amended and Restated Joint Powers Agreement, effective July 1, 2012, expanded the JPA to include the Town of Ross as a member. The Board of Directors was expanded to eight members, two voting members appointed by and serving at the pleasure of each of the member agencies. Personnel from the Town of Ross Fire Department as of June 30, 2012, with the exception of the Fire Chief, became Department employees as of July 1, 2012. Effective July 1, 2012, the cost sharing percentages were set as follows: Town of San Anselmo 40.53% Town of Fairfax 23.30%, Town of Ross 23.37%, and Sleepy Hollow Fire Protection District 12.80%.

The Department is mainly funded directly by each of the member agencies, so it must compete with Police, Public Works, etc. for General Fund dollars. The Department also provides contract services to the County of Marin, for initial response to the unincorporated areas which border the jurisdiction and the Ross Valley Paramedic Authority, to provide engine company paramedics. The Department also collects fees for service related to fire inspection services.

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 member agencies.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Department'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 Department, 777 San Anselmo Avenue, San Anselmo, CA 94960.

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ROSS VALLEY FIRE DEPARTMENT

**STATEMENT OF NET POSITION
AND STATEMENT OF ACTIVITIES**

ROSS VALLEY FIRE DEPARTMENT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities
ASSETS	
Current Assets:	
Cash and investments (Note 2)	\$811,972
Accounts receivable	195,699
Interest receivable	323
Capital assets, net of accumulated depreciation (Note 3)	1,184,921
Pension asset (Note 9)	1,557,200
Total Assets	3,750,115
 LIABILITIES	
Current Liabilities:	
Accounts payable	8,367
Accrued liabilities	62,228
Compensated absences (Note 5)	
Due in one year	60,248
Due in more than one year	542,231
Long-term debt (Note 6)	
Due in one year	606,452
Due in more than one year	1,199,092
Total Liabilities	2,478,618
 NET POSITION (Note 8)	
Net investment in capital assets	1,100,085
Unrestricted	171,412
Total Net Position	\$1,271,497

See accompanying notes to basic financial statements

ROSS VALLEY FIRE DEPARTMENT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Expenses:	
Public safety - fire protection:	
Personnel services	\$6,916,086
Services and supplies	979,546
Depreciation	136,058
Interest	<u>68,873</u>
Total Program Expenses	<u>8,100,563</u>
Program revenues:	
Charges for services	<u>8,306,888</u>
Total Program Revenues	<u>8,306,888</u>
Net program revenue under expenses	<u>206,325</u>
General revenues:	
Investment earnings	1,412
Miscellaneous	<u>11,624</u>
Total General Revenues	<u>13,036</u>
Increase in net assets	219,361
Net Position - beginning of year	<u>1,052,136</u>
Net Position - end of year	<u><u>\$1,271,497</u></u>

See accompanying notes to basic financial statements

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ROSS VALLEY FIRE DEPARTMENT

FUND FINANCIAL STATEMENTS

MAJOR GOVERNMENTAL FUNDS

ROSS VALLEY FIRE DEPARTMENT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2014

	General	Total Governmental Funds
ASSETS		
Cash and investments (Note 2)	\$811,972	\$811,972
Accounts receivable	195,699	195,699
Interest receivable	323	323
	Total Assets	Total Assets
	\$1,007,994	\$1,007,994
LIABILITIES		
Accounts payable	\$8,367	\$8,367
Accrued liabilities	62,228	62,228
	Total Liabilities	Total Liabilities
	70,595	70,595
FUND BALANCES (Note 8)		
Restricted		
Pension obligation bonds	1,201	1,201
Committed:		
San Anselmo	70,744	70,744
Fairfax	40,655	40,655
Sleepy Hollow	22,333	22,333
Assigned:		
Compensated absences	47,955	47,955
Equipment	157,534	157,534
Unassigned	596,977	596,977
	Total Fund Balances	Total Fund Balances
	937,399	937,399
	Total Liabilities and Fund Balances	Total Liabilities and Fund Balances
	\$1,007,994	\$1,007,994

See accompanying notes to basic financial statements

ROSS VALLEY FIRE DEPARTMENT
 Reconciliation of the
 GOVERNMENTAL FUNDS - BALANCE SHEET
 with the
 STATEMENT OF NET POSITION
 JUNE 30, 2014

Total Fund Balances - Total Government Funds **\$937,399**

Amounts reported for governmental activities in the Statement of Net Position is different because:

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

Capital assets	3,174,718
Less: Accumulated depreciation	(1,989,797)

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

Pension asset	1,557,200
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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:

Pension obligation bonds and Capital Leases	(1,805,544)
Compensated absences	(602,479)

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$1,271,497
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See accompanying notes to basic financial statements

ROSS VALLEY FIRE DEPARTMENT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014

	General	Total Governmental Funds
REVENUES:		
Intergovernmental:		
Town of San Anselmo (Contract)	\$2,678,548	\$2,678,548
Town of Fairfax (Contract)	1,539,477	1,539,477
Sleepy Hollow (Contract)	845,722	845,722
County of Marin (Contract)	131,135	131,135
Town of Ross (Contract)	1,589,159	1,589,159
Ross Apprentice Program		
Prior Authority:		
Side fund payment	549,393	549,393
Retiree health	168,329	168,329
MERA Bond	38,220	38,220
Debt service contributions	90,105	90,105
Other sources	560,524	560,524
Charges for services	116,276	116,276
Investment earnings	1,412	1,412
Miscellaneous	11,624	11,624
	8,319,924	8,319,924
EXPENDITURES:		
Current:		
Salaries and benefits	6,615,417	6,615,417
Services and supplies	966,251	966,251
Debt service:		
Principal	570,030	570,030
Interest	68,873	68,873
Capital Outlay	45,239	45,239
	8,265,810	8,265,810
Net change in fund balance	54,114	54,114
Fund balances - beginning of year	883,285	883,285
Fund balances - end of year	\$937,399	\$937,399

See accompanying notes to basic financial statements

ROSS VALLEY FIRE DEPARTMENT
 Reconciliation of the
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 with the
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2014

Net Change in Fund Balances - Total Governmental Funds \$54,114

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

Governmental funds report capital outlays as expenditures. However, in the Statements of Activities, the cost of those assets is allocated over their estimated useful lives and recorded as depreciation expense

Capital outlay	45,239
Non-capitalized outlay expenditures	(10,585)
Depreciation expense	(136,058)
Loss on disposal	(2,710)

Governmental funds report the contribution to the pension system in excess of the required contribution as an expenditure when paid, but the amount is amortized in the Statement of Activities

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

Net Pension Asset	(519,067)
Change in compensated absences	218,398

Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position

Principal repayments on long-term debt	570,030
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Change in Net Position of Governmental Activities	\$219,361
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See accompanying notes to basic financial statements

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**ROSS VALLEY FIRE DEPARTMENT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
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A. Description of the Ross Valley Fire Department

The Ross Valley Fire Department (the "Department") was created in 1982. An Amended and Restated Joint Powers Agreement was entered into effective July 1, 2010, between the Town of Fairfax, Town of San Anselmo and the Sleepy Hollow Fire Protection District ("Sleepy Hollow"), to provide fire protection, emergency medical and related services within their respective jurisdictions. On July 1, 2012, the Department entered into a First Amendment to the Amended and Restated Joint Powers Agreement to admit the Town of Ross as a member. The Department is governed by an eight voting member Board of Directors, consisting of, two from the Fairfax Town Council, two from the San Anselmo Town Council, two from Sleepy Hollow Fire Protection District, and two from Ross Town Council. The Department is administered by the Town Manager (Executive Officer) and shall rotate among Fairfax, San Anselmo, and Ross for two year terms, or such other terms as may be determined by the Board.

Effective July 1, 2012, the cost sharing percentages are as follows:

Town of San Anselmo	40.53%
Town of Fairfax	23.30%
Town of Ross	23.37%
Sleepy Hollow Fire Protection District	<u>12.80%</u>
	<u>100.00%</u>

B. Basis of Presentation

The accounting policies of the Department conform with accounting principles generally accepted in the United States of America and are applicable to governments. The following is a summary of the significant policies.

The accounts of the Department 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 2014, the Department had one fund.

Government - Wide Financial Statements

The Department's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental Activities for the Department 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 Department's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. 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.

ROSS VALLEY FIRE DEPARTMENT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Department. In fiscal 2014, the Department operated one government program.

Net position 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 position 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 Department. 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. Non-major funds are aggregated and presented in a single column. The Department had no non-major funds in the fiscal year ended June 30, 2014.

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 position as presented in these statements to the net position 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 Department, are intergovernmental revenues and interest. Expenses are recorded in the accounting period in which the related fund liability is incurred.

**ROSS VALLEY FIRE DEPARTMENT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Department's General Fund was the only major fund in the fiscal year ended June 30, 2014. The General Fund is the operating fund of the Department. It is used to account for all financial resources except those required to be accounted for in another fund.

C. *Budgets and budgetary accounting*

The Department 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.

D. *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.

E. *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.

**ROSS VALLEY FIRE DEPARTMENT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

NOTE 2 – CASH AND INVESTMENTS

A. Policies

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the Department's cash on deposit or first trust deed mortgage notes with a value of 150% of the Conservancy's cash on deposit as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the Conservancy's name and places the Conservancy ahead of general creditors of the institution.

Investments are stated at cost, which approximates fair value at June 30, 2014.

B. Classification

The Department's cash and investments consist of the following at June 30, 2014:

LAIF	\$586,366
Cash in checking accounts	224,405
Cash with Fiscal Agent	<u>1,201</u>
Total cash and investments	<u><u>\$811,972</u></u>

C. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity is of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The Department is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Department reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2014, these investments matured in an average of 232 days.

All of the Department's investments are held in LAIF and mature in less than twelve months.

D. Credit Risk

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. None of the Department's investments are subject to credit ratings.

ROSS VALLEY FIRE DEPARTMENT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 3 –CAPITAL ASSETS

The Department'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 Department has assigned the useful lives listed below to capital assets:

Building improvements	5-40 years
Fire Trucks	15-20 years
Furniture and fixtures	3-5 years
Non-emergency vehicles	10 years
Machinery and equipment	3-10 years

A summary of changes in capital assets for the fiscal year ended June 30, 2014 is as follows:

	<u>Balance at June 30, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2014</u>
Capital assets being depreciated:				
Vehicles	\$2,031,085			\$2,031,085
Machinery and equipment	928,345	\$27,837	(\$15,536)	940,646
Furniture and fixtures	39,292	1,766	(845)	40,213
Building Improvements	157,723	5,051		162,774
	<u>3,156,445</u>	<u>34,654</u>	<u>(16,381)</u>	<u>3,174,718</u>
Total capital assets being depreciated				
Less accumulated depreciation for:				
Vehicles	1,117,841	78,271		1,196,112
Machinery and equipment	683,937	48,546	(13,586)	718,897
Furniture and fixtures	29,181	3,080	(85)	32,176
Building Improvements	36,451	6,161		42,612
	<u>1,867,410</u>	<u>136,058</u>	<u>(13,671)</u>	<u>1,989,797</u>
Total accumulated depreciation				
Net capital assets being depreciated	<u>\$1,289,035</u>	<u>(\$101,404)</u>	<u>(\$2,710)</u>	<u>\$1,184,921</u>

**ROSS VALLEY FIRE DEPARTMENT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

NOTE 4 – DEFERRED COMPENSATION ARRANGEMENT

The Department 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 Department 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 Department 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 Department 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 Position 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 following is a schedule of changes in compensated absences for the fiscal year ended June 30, 2014:

	Governmental Activities
Beginning Balance	\$820,877
Additions	74,412
Payments	(292,810)
Ending Balance	\$602,479
Current Portion	\$60,248

ROSS VALLEY FIRE DEPARTMENT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 6 –LONG TERM DEBT

The following is a schedule of changes in long-term debt for the fiscal year ended June 30, 2014:

	Balance June 30, 2013	Retirements	Balance June 30, 2014	Current Portion
2010 Capital Lease - Fire Engine	\$166,269	\$81,433	\$84,836	\$84,836
Pension Obligation Bonds	2,209,305	488,597	1,720,708	521,616
Total	<u>\$2,375,574</u>	<u>\$570,030</u>	<u>\$1,805,544</u>	<u>\$606,452</u>

The Department's total lease obligation for fiscal 2014 is \$88,383, consisting of \$81,433 in principal and \$6,950 in interest all for the 2010 Fire Engine.

2010 Capital lease - Fire Engine: In March 2010, the Department entered into a lease purchase agreement to finance a Pierce Type I Fire Engine for a total purchase price of \$498,092, consisting of a \$100,000 down payment and \$398,092 capital lease. The 2010 capital lease provides for five annual payments of \$88,383, including principal and interest, commencing October 26, 2010 and ending October 26, 2014. The Department took advantage of a 100% prepay discount for the construction of the fire apparatus. Delivery and acceptance of the engine occurred in October 2010.

Pension Obligation Bonds: On May 31, 2012, the Department issued \$2,656,934 in taxable pension obligation bonds to refund the Department's outstanding Safety Plan Side Fund obligation to the California Public Employees' Retirement System. As of June 30, 2014, the outstanding balance was \$1,720,708. Principal and interest payments are due monthly commencing July 15, 2012. Monthly payments escalate from \$44,464 per month to \$50,451. The bonds are fully amortized on July 15, 2017. Interest rate is fixed during the entire term at 3.03%.

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

Ending June 30	Principal	Interest	Total
2015	\$521,616	\$44,954	\$566,570
2016	556,254	28,671	584,925
2017	592,514	11,316	603,830
2018	50,324	127	50,451
Total	<u>\$1,720,708</u>	<u>\$85,068</u>	<u>\$1,805,776</u>

NOTE 7 – OPERATING LEASE

In August, 2009, the Department entered into a contract to lease a digital copy system. The lease is for 48 months and requires a monthly payment of \$206. Rent expense under this lease during the year was \$412. The final payment for this lease was made during the current fiscal year.

**ROSS VALLEY FIRE DEPARTMENT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

NOTE 8 – NET POSITION AND FUND BALANCES

Net Position is on the full accrual basis while Fund Balances are measured on the modified accrual basis

A. Net Position

Net Position is the excess of all the Department's assets and deferred outflows over all its liabilities and deferred inflows, regardless of fund. Net Position are divided into three captions. These captions apply only to Net Position, which is determined only at the Government-wide level, and are described below:

Net Investment in Capital Assets describes the portion of Net Position which is represented by the current net book value of the Department's capital assets.

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter. These principally include debt service and acquisition and construction of facilities and equipment.

Unrestricted describes the portion of Net Position which is not restricted to use.

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

B. Fund Balances

The Department has adopted the provisions of GASB Statement No. 54, "Fund Balance and Governmental Fund Type Definitions". GASB 54 establishes Fund Balance classifications based largely upon the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Governmental Fund statements conform to this new classification. GASB 54 establishes the following classifications depicting the relative strength of the constraints that control how specific amounts can be spent:

Nonspendable: Nonspendable fund balances includes amounts that cannot be spent because they are not in spendable form, such as prepaid items or items that are legally or contractually required to be maintained intact, such as principal of an endowment fund. As of June 30, 2014, the Department did not have any nonspendable fund balances.

Restricted: Restricted fund balances include amounts that can be spent only for the specific purposes stipulated by externally enforceable legal restrictions. This includes externally imposed restrictions by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation. As of June 30, 2014, the Department has restricted fund balance totaling \$1,201.

**ROSS VALLEY FIRE DEPARTMENT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

NOTE 8 – NET POSITION AND FUND BALANCES (Continued)

Committed: Committed fund balances include amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally. The Board of Directors is considered the highest authority for the Department. As of June 30, 2014, the Department has committed fund balances totaling \$133,732.

Assigned: Assigned fund balances include amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. As of June 30, 2014, the Department has assigned fund balances totaling \$205,489.

Unassigned: Unassigned fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. As of June 30, 2014, the Department has unassigned fund balance totaling \$596,977.

The Department's policy is that committed and assigned fund balances are considered to have been spent first before unassigned fund balances are spent.

NOTE 9 – PENSION PLAN

A. Plan description

The Department 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 board resolution.

The Department's employees participate in the separate Safety and Miscellaneous Employee Plans. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by PERS; the Department must contribute these amounts. The Plans' provisions and benefits in effect at June 30, 2014, are summarized as follows:

	Safety	Miscellaneous
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50
Monthly benefits, as a % of annual salary	2.4% to 3.0%	2.0% to 2.7%
Required employee contribution rates	9%	8%
Required employer contribution rates	23.397%	10.050%
Actuarially required contributions	\$739,750	\$17,490

ROSS VALLEY FIRE DEPARTMENT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 9 – PENSION PLAN (Continued)

For June 30, 2014, the Department's annual pension cost of \$757,240 for PERS was equal to the Department's required and actual contributions. The required contribution was determined as part of the June 30, 2012 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included 7.5% investment rate of return (net of administrative expenses) and an inflation rate of 2.75%. 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.

On May 31, 2012, the Department issued taxable pension obligation bonds to refund the Department's Side Fund with PERS in the amount of \$2,595,334. As a result of the \$2,595,334 Side Fund payment, the Safety employer contribution rate decreased from 40.799% to 23.006%. This has an amortization period of 4 years.

Annual Pension Costs and Net Pension Asset, representing the payment of all contributions required by PERS, for the last three fiscal years were as follows:

Fiscal year Ending	Annual Pension Cost (APC)	Contributions	Percentage of APC Contributed	Net Pension Asset
June 30, 2012	\$1,313,278	\$3,908,612	298%	\$2,595,334
June 30, 2013	1,352,592	1,352,592	100%	2,076,267
June 30, 2014	757,240	757,240	100%	1,557,200

The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The Plans' actuarial value (which differs from market value) and funding progress over the most recent three years available are set forth below at their actuarial valuation of June 30:

Safety - 3.0% at 55 Risk Pool

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2010	\$1,915,095,826	\$1,628,915,283	\$286,180,543	85.1%	\$224,562,008	127.4%
2011	2,061,923,933	1,759,286,797	302,637,136	85.3%	225,026,216	134.5%
2012	2,183,549,942	1,896,139,291	287,410,651	86.8%	232,078,083	123.8%

**ROSS VALLEY FIRE DEPARTMENT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

NOTE 9 – PENSION PLAN (Continued)

Miscellaneous - 2.7% at 55 Risk Pool

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2010	\$2,297,871,345	\$1,815,671,616	\$482,199,729	79.0%	\$434,023,381	111.1%
2011	2,486,708,579	1,981,073,089	505,635,490	79.7%	427,300,410	118.3%
2012	2,680,181,441	2,178,799,790	501,381,651	81.3%	417,600,034	120.1%

Audited annual financial statements and ten-year trend information are available from PERS at P.O. Box 942709, Sacramento, CA 94229-2709. PERS usually reports information for each fiscal year seventeen months after the end of that fiscal year.

B. *Public Employees' Pension Reform Act (PEPRA)*

Assembly Bill 340 (AB 340) created the Public Employees' Pension Reform Act (PEPRA) that implemented new benefit formulas and final compensation periods, as well as new contribution requirements for new employees hired on or after January 1, 2013, who meet the definition of new member under PEPRA.

The table below provides the details of the new provisions.

Benefit formula	Safety 2.7% at age 57	Miscellaneous 2% at age 62
Final compensation period	3 year final compensation	3 year final compensation
Employer contribution rate as a percentage of payroll	12.25% of reportable compensation	6.25% of reportable compensation
Member contribution rate as a percentage of payroll	12.25% of reportable compensation	6.25% of reportable compensation

NOTE 10 – OTHER POST EMPLOYEMENT BENEFITS

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

A. *Retiree Medical Benefits:*

The Department provides postretirement health care benefits to employees who retire from the Department. As of June 30, 2014 there were 34 participants receiving these health care benefits.

Plan Description

The Department provides medical insurance benefits under the CalPERS health plan to eligible retirees and dependents in accordance with a labor agreement. Employees are eligible for retiree health benefits if they retire from the Department and are eligible for a PERS pension.

**ROSS VALLEY FIRE DEPARTMENT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS (Continued)

Funding Policy and Annual Pension Cost

The Department's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount which was determined as part of a July 1, 2011 actuarial evaluation in accordance with the parameters of GASB Statement No. 45, "Accounting and Financial Reporting of Postretirement Benefits Other than Pensions by State and Local Government Employers". The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the Department over a period not to exceed thirty years. The ARC is subject to change with each actuarial evaluation date performed every two years.

Annual OPEB Cost and Net OPEB Obligation

The Department has calculated the Net OPEB Obligation, representing the difference between the ARC, amortization and contributions, as follows:

Annual required contribution	\$463,378
Adjustment to annual required contribution	_____
Annual OPEB cost	463,378
Contributions made	(463,378)
(Decrease) increase in net OPEB obligations	
Net OPEB obligation (asset) June 30, 2013	_____
Net OPEB obligation (asset) June 30, 2014	_____

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan as understood by the employer and plan members, and include the types of plan benefits provided at the time of the valuation and the historical pattern of sharing benefit costs between employer and plan members to that point. The projection of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

**ROSS VALLEY FIRE DEPARTMENT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS (Continued)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded (Overfunded) Actuarial Accrued Liability (B - A)	Funded Ratio (A/B)	Covered Payroll (C)	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll [(B - A)/C]
6/30/2010	\$275,120	\$4,625,866	\$4,350,746	5.95%	\$2,812,455	154.70%
6/30/2011	501,941	5,419,061	4,917,120	9.26%	3,264,416	150.63%
6/30/2011	753,539	5,724,473	4,970,934	13.16%	3,370,510	147.48%

In the January 1, 2011 actuarial evaluation, the entry age actuarial cost method was used. The actuarial assumptions include 7.50% investment rate of return and payroll increases of 3.25% per year. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll over 30 years.

Funding Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, presents three-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for plan benefits.

Following is a schedule of funding progress:

Fiscal Year	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
June 30, 2012	\$358,844	\$358,844	100%	
June 30, 2013	448,792	448,792	100%	
June 30, 2014	463,378	463,378	100%	

ROSS VALLEY FIRE DEPARTMENT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 11 –PUBLIC ENTITY RISK POOLS

Fire Agencies Self Insurance System

Effective September 1993, the Department was self-insured for workers' compensation coverage as a member of the Fire Agencies Self-Insurance System (the "System"). The System is a public Authority risk pool created pursuant to a joint powers agreement between the approximately 200 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. The most recent condensed financial information (unaudited) for the System is as of June 30, 2013:

Total assets	\$49,783,974
Total liabilities	32,256,509
Fund equity	<u>\$17,527,465</u>
Total operating revenues	\$7,950,081
Total operating expenses	10,095,471
Operating income (loss)	<u>(2,145,390)</u>
Non-operating revenue	150,368
Net income (loss)	<u>(\$1,995,022)</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 March 31, 2014, 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 \$32,102,533 at the expected level discounted for present value. Components of the liability represent:

Unpaid claims and claim adjustment expenses at June 30, 2012	<u>\$30,645,495</u>
Incurred claims and claim adjustment expenses:	
Provision for insured events of the current fiscal year	8,123,567
Increase (Decrease) in provisions for insured events of prior fiscal years	<u>(400,436)</u>
Total incurred claims and claim adjustment expenses	7,723,131
Payments:	
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	1,726,199
Claims and claim adjustment expenses attributable to insured events of the prior fiscal years	<u>4,539,894</u>
Total payments	<u>6,266,093</u>
Unpaid claims and claim adjustment expenses at June 30, 2013	<u>\$32,102,533</u>

**ROSS VALLEY FIRE DEPARTMENT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

NOTE 11 –PUBLIC ENTITY RISK POOLS (Continued)

Fire Agencies Insurance Risk Authority

Effective July 1, 1989 Ross Valley Fire Department 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 approximately 100 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 purchases first dollar coverage for general liability, auto liability, auto physical damage and property, from the American Alternative Insurance Company, a subsidiary of the Glatfelter Insurance Group. The Risk Authority's current policy through American Alternative Insurance Company is in force through June 30, 2012. Currently the Risk Authority continues to be fully insured for all lines of coverage including: General Liability, Auto Liability, Property, Director and Officers Errors and Omissions, and Medical Malpractice. The Risk Authority is not a component entity of Ross Valley Fire Department for purposes of Government Accounting Standards Board Statement No. 14.

The most recent condensed financial information (unaudited) for the System is as of June 30, 2013:

Total assets	\$3,061,038
Total liabilities	<u>6,127</u>
Fund equity	<u>\$3,054,911</u>
Total operating revenues	\$2,785,262
Total operating expenses	<u>2,720,215</u>
Operating income	65,047
Non-operating revenue	<u>54,791</u>
Net income	<u>\$119,840</u>

NOTE 12 – CONTINGENCIES

On February 4, 1991, the Department 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, 2014, the balance owed is \$495,307 which includes interest of \$219,740 at 10% per annum. The District has offset this receivable with an allowance for doubtful accounts since there have been no collections on the judgment. Therefore, this receivable is not recorded in the accompanying Statement of Net Assets.

The Department is involved in various other claims and litigation arising in the ordinary course of business. Department 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 Department's financial position or results of operations.

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REQUIRED SUPPLEMENTARY INFORMATION

ROSS VALLEY FIRE DEPARTMENT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental :				
Town of San Anselmo (Contract)	\$2,757,898	\$2,757,898	\$2,678,548	\$79,350
Town of Fairfax (Contract)	1,585,077	1,585,077	1,539,477	45,600
Sleepy Hollow (Contract)	870,772	870,772	845,722	25,050
County of Marin (Contract)	131,135	131,135	131,135	
Town of Ross (Contract)	1,589,159	1,589,159	1,589,159	
Ross Apprentice Program Prior Authority:				
Side fund payment	549,393	549,393	549,393	
Compensated absences				
Retiree health	168,329	168,329	168,329	
MERA Bond	38,219	38,219	38,220	(1)
Debt service contributions	216,080	216,080	90,105	125,975
Other sources	249,177	457,135	560,524	(103,389)
Charges for services	88,000	92,578	116,276	(23,698)
Investment earnings	1,800	1,800	1,412	388
Miscellaneous	7,500	8,100	11,624	(3,524)
Total Revenues	8,252,539	8,465,675	8,319,924	145,751
EXPENDITURES:				
Current:				
Salaries and benefits	6,513,031	6,580,789	6,615,417	(34,628)
Services and supplies	1,136,644	1,052,863	966,251	86,612
Debt service:				
Principal	570,030	570,030	570,030	
Interest	64,243	64,243	68,873	(4,630)
Capital Outlay	63,241	46,400	45,239	1,161
Total Expenditures	8,347,189	8,314,325	8,265,810	48,515
Excess of expenditures over revenues	<u>(\$94,650)</u>	<u>\$151,350</u>	54,114	<u>\$97,236</u>
Fund balances - beginning of year			<u>883,285</u>	
Fund balances - end of year			<u>\$937,399</u>	