ROSS VALLEY FIRE DEPARTMENT

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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ROSS VALLEY FIRE DEPARTMENT
BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

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MAZE & ASSOCIATES

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Ross Valley Fire Department
San Anselmo, California

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, 2019, 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, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

Management adopted the provisions of the following Governmental Accounting Standards Board Statement, which became effective during the year ended June 30, 2019:

> Governmental Accounting Standards Board Statement 88 – *Certain Disclosures Related to Debt including Direct Borrowings and Direct Placements*. See Note 6 to the financial statements for relevant disclosures.

The emphasis of these matters does not constitute a modification of our opinion.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and other Required Supplement Information as listed in the Table of Contents 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
November 1, 2019

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, 2019. Please review it in conjunction with the transmittal letter and the basic financial statements, which begin on page 13.

FINANCIAL HIGHLIGHTS

From the Statement of Net Position and Statement of Activities – see pages 13-14.

- At the end of fiscal year ending June 30, 2019, the Department's total net position is ($11,883,460), an increase of $147,618 from last year ($12,031,078). The increase is due mainly to the higher revenue from fire prevention fees and reimbursements from Office of Emergency Services and Worker's compensation payments.

- The statement of net position, appearing as the first statement of the basic financial statements and summarized in Management's Discussion and Analysis, reports the Department's total assets to be $5,009,117, deferred outflows of resources at $4,954,583, total liabilities of $21,143,203, deferred inflows of resources at $703,957, and net position of ($11,883,460).

- The Department's total program revenue was $11,061,454 and total program expenditures were $10,994,083, resulting in an increase of $67,371 to the net position.

- The Department's capital assets, totaled $3,478,408 including $ 2,283,674 in accumulated depreciation, resulting in net capital assets of $1,194,734, a decrease of $133,335 from fiscal year 2018.

- The Department's long-term debt totaled $20,750,612 as of June 30, 2019, an increase of $757,973 compared to the prior fiscal year. The increase is primarily due to the Department entered into a loan agreement with Sleep Hollow Fire Protection District in the amount of $708,535 to finance a portion of the purchase of two fire engines.

-From the Governmental Fund Financial Statements – see pages 17-20.

- Total revenue increased from $10,457,190 in fiscal year 2018 to $11,141,701 in fiscal year 2019 and expenditures increased from $9,881,104 to $10,368,512. The increase in revenue is the result of increase of members contribution towards operating and prior authority's retirement benefits contribution.

- The General Fund balance increased by $1,538,827 from the prior fiscal year, which included the $708,535 impact from the loan proceeds.

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 13-14.
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 assets. Over time, increases and decreases in net assets 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 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 asset is depreciated, the principal portion of the debt service is net an expenditure, and compensated absences are expensed in the period earned.

Governmental fund financial statements found on pages 17-20.
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 18 and 20.

Notes to the financial statements on pages 21-42.
The notes provide additional information that is essential for a full understanding of the data provided in the financial statements.

Required Supplementary information on pages 45-50.
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
	2019	2018	Change
Cash and investments	$ 2,305,426	$ 2,118,458	9%
Capital assets, net	1,194,734	1,328,069	-10%
Other assets	1,508,957	137,728	996%
Total assets	**5,009,117**	**3,584,255**	40%
OPEB related	1,293,767	1,108,061	
Pension related	3,660,816	4,252,107	-14%
Total deferred outflows of resources	**4,954,583**	**5,360,168**	-8%
Long-term debt, net	20,750,612	19,992,639	4%
Other liabilities	392,591	231,243	70%
Total liabilities	**21,143,203**	**20,223,882**	5%
OPEB related	14,909	29,867	
Pension related	689,048	721,752	-5%
Total deferred invlows of resources	**703,957**	**751,619**	-6%
Net investment in capital assets	1,194,734	1,328,069	-10%
Unrestricted	(13,078,194)	(13,359,147)	-2%
Net position	**$ (11,883,460)**	**$ (12,031,078)**	-1%

The Department's net position indicates that liabilities exceed assets by $11,883,460 as of June 30, 2019. This is due largely to the application of GASB 68 and GASB 75 which requires that net pension and OPEB liabilities be included in the government wide statements.

Total assets are $1,424,862 more than last year, which is mainly due to the prepaids towards the purchase of two fire engines.

Long term debt increased by $757,973. Long-term debt includes compensated absences, note payable, and accrued pension and OPEB obligations.

Net investment in capital assets decreased by $133,335.

Analysis of Changes in Net Position

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

	Activities 2019	Activities 2018	Percent Change
Revenues:			
Program revenues:			
Charges for services	$ 11,061,454	$ 10,402,457	6%
General revenues:			
Investment earnings	17,554	5,649	211%
Miscellaneous	62,693	49,084	28%
Total revenues	**11,141,701**	**10,457,190**	7%
Expenses:			
Fire services	10,994,083	9,780,016	12%
Total expenses	**10,994,083**	**9,780,016**	12%
Change	**$ 147,618**	**$ 677,174**	-78%

Revenues increased by $684,511 and expenses increased by $1,214,067 from 2018 levels. The total change in net position as of June 30, 2019 was $147,618.

GOVERNMENTAL FUNDS ANALYSIS

The following schedule presents a summary of general fund revenues and expenditures for the fiscal years ended June 30, 2019 and 2018.

	2019	2018
Revenues:		
Intergovernmental:		
Town of San Anselmo (Contract)	$ 3,376,047	$ 3,246,346
Town of Fairfax (Contract)	1,940,832	1,865,806
Sleepy Hollow (Contract)	1,066,208	1,024,992
County of Marin (Contract)	201,094	159,920
Town of Ross (Contract)	1,949,787	1,859,101
Ross Apprentice Program		
Prior Authority		
Side fund payment	-	50,451
Retiree health	394,757	473,007
MERA Bond	38,288	38,250
Retirement Contribution	646,332	495,709
Other sources	1,108,158	856,937
Fire Prevention Fees	339,951	331,938
Investment earnings	17,554	5,649
Miscellaneous	62,693	49,084
Total revenue	11,141,701	10,457,190
Expenditures:		
Salaries and benefits	8,952,122	8,752,188
Services and supplies	1,327,589	1,001,874
Debt service:		
Principal	-	50,324
Interest	-	64
Capital outlay	88,801	76,654
Total expenditures	10,368,512	9,881,104
Excess of expenditures over revenues	773,189	576,086
Other Financing Sources (Uses)		
Proceeds from sale of capital assets	57,103	-
Proceeds from note payable	708,535	-
Total Other Financing Sources (Uses)	765,638	-
Fund balances, beginning of year	2,079,656	1,503,570
Fund balances, end of year	$ 3,618,483	$ 2,079,656

COMMENTS ON BUDGET COMPARISONS – see Supplementary information page 50

Revenue: Total revenue was higher than the budgeted amount by $121,733, or 1%. Charges for services such as resale inspections and plan checks, exceeded budget estimates by $29,251. Reimbursements from Office of Emergency Services and for worker's compensation payments accounted for the remainder of the increase. Total revenue increased by $684,511 when compared with prior year revenue. This is largely contributed to increase of member contribution due to cost of living adjustments and increase retirement benefits cost.

Expenditures: Total expenditures were $232,975 less than the final budget, or 2%. Salaries and Benefits were lower than budget by $151,516. This was primarily due to salary savings from vacant Fire Inspector position. Services and Supplies and Capital Outlay line items had a total savings of $81,459.

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%.

In September 2017, Ross Valley Fire Department began exploring options to fill the vacant Fire Chief position. The options included conducting a traditional Fire Chief recruitment or entering into an agreement with another fire agency to provide a Fire Chief and administrative services. After numbers of public meetings, the Board unanimously voted to develop an agreement with Marin County Fire Department to provide Fire Chief and administrative services. At its July 11, 2018 meeting, the agreement was approved for the period of August 1, 2018 through June 30, 2023.

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 boarder 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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STATEMENT OF NET POSITION
AND STATEMENT OF ACTIVITIES

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ROSS VALLEY FIRE DEPARTMENT
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities
ASSETS	
Current Assets:	
Cash and investments (Note 2)	$2,305,426
Accounts receivable	61,076
Interest receivable	3,926
Disability advance payments	1,783
Prepaids	1,442,172
Capital assets, net of accumulated depreciation (Note 3)	1,194,734
Total Assets	5,009,117
DEFERRED OUTFLOWS OF RESOURCES	
OPEB related (Note 9)	1,293,767
Pension related (Note 8)	3,660,816
Total Deferred Outflows of Resources	4,954,583
LIABILITIES	
Current Liabilities:	
Accounts payable	104,261
Accrued liabilities	41,639
Unearned revenue	50,000
Compensated absences (Note 5)	55,264
Interest payable	7,971
Note payable (Note 6)	133,456
Total Current Liabilities	392,591
Non-Current Liabilities:	
Compensated absences (Note 5)	853,377
Note Payable (Note 6)	575,079
Net OPEB liability (Note 9)	6,801,240
Net pension liability (Note 8)	12,520,916
Total Non-Current Liabilities	20,750,612
Total Liabilities	21,143,203
DEFERRED INFLOWS OF RESOURCES	
OPEB related (Note 9)	14,909
Pension related (Note 8)	689,048
Total Deferred Inflows	703,957
NET POSITION (Note 7)	
Net investment in capital assets	1,194,734
Unrestricted	(13,078,194)
Total Net Position	($11,883,460)

See accompanying notes to basic financial statements

ROSS VALLEY FIRE DEPARTMENT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Expenses:	
Public safety - fire protection:	
Personnel services	$9,493,490
Services and supplies	1,329,703
Interest on long-term debt	7,971
Depreciation	162,919
Total Program Expenses	10,994,083
Program revenues:	
Charges for services	11,061,454
Total Program Revenues	11,061,454
Net program revenue under expenses	67,371
General revenues:	
Investment earnings	17,554
Miscellaneous	62,693
Total General Revenues	80,247
Change in Net Position	147,618
Net Position - beginning of year	(12,031,078)
Net Position - end of year	($11,883,460)

See accompanying notes to basic financial statements

FUND FINANCIAL STATEMENTS

MAJOR GOVERNMENTAL FUND

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ROSS VALLEY FIRE DEPARTMENT
GOVERNMENTAL FUND
BALANCE SHEET
JUNE 30, 2019

	General
ASSETS	
Cash and investments (Note 2)	$2,305,426
Accounts receivable	61,076
Interest receivable	3,926
Disability advance payments	1,783
Prepaids	1,442,172
Total Assets	$3,814,383
LIABILITIES	
Accounts payable	$104,261
Accrued liabilities	41,639
Unearned revenue	50,000
Total Liabilities	195,900
FUND BALANCES (Note 7)	
Assigned:	
Compensated absences	136,296
Technologies	51,653
Equipment	2,214,072
Unassigned	1,216,462
Total Fund Balances	3,618,483
Total Liabilities and Fund Balances	$3,814,383

See accompanying notes to basic financial statements

ROSS VALLEY FIRE DEPARTMENT
Reconciliation of the
GOVERNMENTAL FUND - BALANCE SHEET
with the
STATEMENT OF NET POSITION
JUNE 30, 2019

Total Fund Balances - Total Government Funds	$3,618,483
Amounts reported for governmental activities in the Statement of Net Position is different because:	
CAPITAL ASSETS	
Capital assets used in governmental activities are not financial resources. Therefore, they are not reported in the Governmental Funds Balance Sheet	
Capital assets	3,478,408
Less: Accumulated depreciation	(2,283,674)
DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES	
Deferred outflows below are not current assets or financial resources; and deferred inflows are not due and payable in the current period and therefore are not reported in the Governmental Funds	
Deferred outflows	4,954,583
Deferred inflows	(703,957)
LONG-TERM ASSETS AND LIABILITIES	
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:	
Interest payable	(7,971)
Note payable	(708,535)
Compensated absences	(908,641)
Net OPEB liability	(6,801,240)
Net pension liability	(12,520,916)
NET POSITION OF GOVERNMENTAL ACTIVITIES	($11,883,460)

See accompanying notes to basic financial statements

ROSS VALLEY FIRE DEPARTMENT
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	General
REVENUES:	
Intergovernmental:	
Town of San Anselmo (Contract)	$3,376,047
Town of Fairfax (Contract)	1,940,832
Sleepy Hollow (Contract)	1,066,208
County of Marin (Contract)	201,094
Town of Ross (Contract)	1,949,787
Prior Authority:	
Retiree health	394,757
MERA Bond	38,288
Retirement Contributions	646,332
Other sources	1,108,158
Fire prevention fees	339,951
Investment earnings	17,554
Miscellaneous	62,693
Total Revenues	11,141,701
EXPENDITURES:	
Current:	
Salaries and benefits	8,952,122
Services and supplies	1,327,589
Capital Outlay	88,801
Total Expenditures	10,368,512
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	773,189
OTHER FINANCING SOURCES (USES)	
Proceeds from sale of capital assets	57,103
Proceeds from note payable	708,535
Total Other Financing Sources (Uses)	765,638
Net change in fund balance	1,538,827
Fund balances - beginning of year	2,079,656
Fund balances - end of year	$3,618,483

See accompanying notes to basic financial statements

ROSS VALLEY FIRE DEPARTMENT
Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUND
with the
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Net Change in Fund Balances - Total Governmental Funds	$1,538,827
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	88,801
Depreciation expense	(162,919)
Gain on disposal	3,432
Proceeds from sale of capital assets	(57,103)
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	
Change in compensated absences	(91,872)
Change in Net OPEB Liability and related deferred inflow and outflow of resources	282,777
Change in Net Pension Liability and related deferred inflow and outflow of resources	(732,273)
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	
Proceeds and interest payable from note payable is deducted from fund balance	(716,506)
Change in Net Position of Governmental Activities	$147,618

See accompanying notes to basic financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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	12.80%
	100.00%

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 year 2019, 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.

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 year 2019, 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, 2019.

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.

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, 2019. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Department categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

G. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position or balance sheet will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position or balance sheet will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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, 2019.

NOTE 2 – CASH AND INVESTMENTS (Continued)

B. Classification

The Department's cash and investments consist of the following at June 30, 2019:

Local Agency Investment Fund (LAIF)	$614,399
Cash in checking accounts	1,691,027
Total cash and investments	$2,305,426

C. Fair Value Hierarchy

The Department categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. At June 30, 2019, the Department held $614,399 in Local Agency Investment Fund (LAIF), which is exempt from categorization.

D. 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, 2019, these investments matured in an average of 173 days.

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

E. 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.

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 Position 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	5-10 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, 2019 is as follows:

	Balance at June 30, 2018	Additions	Deletions	Balance at June 30, 2019
Capital assets being depreciated:				
Vehicles	$1,893,607		($108,991)	$1,784,616
Machinery and equipment	1,463,823	$78,263	(62,910)	1,479,176
Furniture and fixtures	47,961	4,992	(1,111)	51,842
Building Improvements	162,774			162,774
Total capital assets being depreciated	3,568,165	83,255	(173,012)	3,478,408
Less accumulated depreciation for:				
Vehicles	1,259,696	66,651	(56,347)	1,270,000
Machinery and equipment	878,209	87,512	(62,383)	903,338
Furniture and fixtures	33,927	2,835	(611)	36,151
Building Improvements	68,264	5,921		74,185
Total accumulated depreciation	2,240,096	162,919	(119,341)	2,283,674
Net capital assets being depreciated	$1,328,069	($79,664)	($53,671)	$1,194,734

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. Employees may accumulate 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, 2019:

Beginning Balance	$816,769
Additions	113,720
Payments	(21,848)
Ending Balance	$908,641
Current Portion	$55,264

NOTE 6 – LONG-TERM DEBT

The following is a schedule of changes in long-term debt for the fiscal year ended June 30, 2019:

	Balance June 30, 2018	Additions	Balance June 30, 2019	Current Portion
Direct Borrowing:				
Note Payable from direct borrowings		$708,535	$708,535	$133,456
Total		$708,535	$708,535	$133,456

Note Payable: On February 22, 2019, the Department entered into a loan agreement with Sleepy Hollow Fire Protection District (Lender) in the amount of $708,535, bearing an interest rate of 3.00%. The funds will be used to finance a portion of the purchase of two fire engines which are also the collateral of this Note. Principal and interest payments are due annually, commencing February 2020, maturing on February 2024.

The outstanding note contains a provision that in an event of default, the Lender may declare the entire unpaid principal balance of this Note, together with all accrued interest thereon, immediately due and payable, or (b) exercise any and all rights and remedies available to it under applicable law, including the right to collect from the District all sums due under this Note. The District will pay all costs and expenses incurred by or on behalf of the Lender in connection with the Lender's exercise of any or all of its rights and remedies under this Note, including attorney's fees.

As of June 30, 2019, the outstanding balance of the loan was $708,535.

The annual debt service requirements to mature the loan outstanding at June 30, 2019 were as follows:

Year Ending	Direct Borrowing		
June 30,	Principal	Interest	Total
2020	$133,456	$21,256	$154,712
2021	137,460	17,252	154,712
2022	141,583	13,129	154,712
2023	145,831	8,881	154,712
2024	150,205	4,506	154,711
Total	$708,535	$65,024	$773,559

NOTE 7 – 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 is 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 Department 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

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, 2019, 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, 2019, the Department did not have any restricted fund balances.

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.

NOTE 7 – NET POSITION AND FUND BALANCES (Continued)

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, 2019, the Department has assigned fund balances totaling $187,949.

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, 2019, the Department has unassigned fund balance totaling $3,430,534.

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 8 – PENSION PLAN

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

A. General Information about the Pension Plans

Plan Description – All qualified permanent and probationary employees are eligible to participate in the Department’s separate Safety (police and fire) and Miscellaneous (all other) Employee Pension Rate Plans. The Department’s Miscellaneous and Safety Rate Plans are part of the public agency cost-sharing multiple-employer defined benefit pension plan (PERF C), which is administered by the California Public Employees’ Retirement System (CalPERS). PERF C consists of a miscellaneous pool and a safety pool (also referred to as “risk pools”), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Individual employers may sponsor more than one miscellaneous and safety rate plan. The employer participates in one cost – sharing multiple-employer defined benefit pension plan regardless of the number of rate plans the employer sponsors. Benefit provisions under the Plan are established by State statute and Department resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

NOTE 8 – PENSION PLAN (Continued)

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Safety	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	3.0% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-57	50-57
Monthly benefits, as a % of eligible compensation	2.4% to 3.0%	2.0% to 2.7%
Required employee contribution rates	9.000%	12.750%
Required employer contribution rates	20.416%	12.965%

	Miscellaneous	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.7% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52-67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8.000%	6.842%
Required employer contribution rates	12.212%	6.250%

NOTE 8 – PENSION PLAN (Continued)

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Department is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2019, the contributions to the Plan were as follows:

	Safety	Miscellaneous	Total
Contributions - employer	$1,338,894	$28,436	$1,367,330

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2019, the Department reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Safety	$12,454,442
Miscellaneous	66,474
Total Net Pension Liability	$12,520,916

The Department's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan as of June 30, 2019 is measured as of June 30, 2018, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The Department's proportion of the net pension liability was based on a projection of the Department's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Department's proportionate share of the net pension liability for each Plan as of June 30, 2017 and 2018 was as follows:

	Safety	Miscellaneous
Proportion - June 30, 2017	0.2050%	0.0020%
Proportion - June 30, 2018	0.2123%	0.0018%
Change - Increase (Decrease)	0.007%	-0.0002%

NOTE 8 – PENSION PLAN (Continued)

For the year ended June 30, 2019, the Department recognized pension expense of $2,175,777. At June 30, 2019, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$1,367,330	
Differences between actual and expected experience	270,154	($1,883)
Changes in assumptions	1,229,576	(166,726)
Change in employer's proportion and differences between the employer’s contributions and the employer’s proportionate share of contributions	709,105	(520,439)
Net differences between projected and actual earnings on plan investments	84,651	
Total	$3,660,816	($689,048)

$1,367,330 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2020	$1,260,149
2021	697,578
2022	(266,425)
2023	(86,864)
Total	$1,604,438

NOTE 8 – PENSION PLAN (Continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

	Safety & Miscellaneous Plans
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increases	Depending on age, service and type of employment
Mortality Rate Table	Derived using CalPERS Membership Data for all Funds (1)
Post Retirement Benefit Increase	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.

Change of Assumptions – For the measurement date of June 30, 2018, the inflation rate was reduced from 2.75% to 2.50%.

Discount Rate – The discount rate used to measure the total pension liability for each Plan was 7.15%. The projection of cash flows used to determine the discount rate for each Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, each Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members for all plans in the PERF. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability for each Plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

NOTE 8 – PENSION PLAN (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound geometric returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above adjusted to account for assumed administrative expenses.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class (A)	New Strategic Allocation	Real Return Years 1 - 10(B)	Real Return Years 11+(C)
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Sensitive	-	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	-	-0.92%
Total	100%		

A.) In the CalPERS PARF, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

B.) An expected inflation of 2.00% used for this period.

C.) An expected inflation of 2.92% used for this period.

NOTE 8 – PENSION PLAN (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Department's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Department's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Safety	Miscellaneous	Total
1% Decrease	6.15%	6.15%	6.15%
Net Pension Liability	$19,522,401	$211,793	$19,734,194
Current Discount Rate	7.15%	7.15%	7.15%
Net Pension Liability	$12,454,442	$66,474	$12,520,916
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability (Asset)	$6,663,514	($53,484)	$6,610,030

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS

Other Post Employment Benefits(OPEB) Liabilities, OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB - For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Department's OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the Department's OPEB plan. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

A. General Information about the Department's Other Post Employment Benefit (OPEB) Plan

Plan Description – The Department's Post Employment Benefit Plan is an agent-multiple employer defined benefit OPEB Plan. The Department provides lifetime retiree medical coverage.

Access to coverage*:* Medical coverage is currently provided through CalPERS as permitted under the Public Employees' Medical and Hospital Care Act (PEMHCA). This coverage requires the employee to satisfy the requirements for retirement under CalPERS: either (a) attainment of age 50 (age 52, if a miscellaneous employee new to PERS on or after January 1, 2013) with 5 years of State or public agency service or (b) an approved disability retirement.

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (Continued)

The employee must begin his or her retirement warrant within 120 days of terminating employment with the Department to be eligible to continue medical coverage through the Department and be entitled to the employer subsidy described below. If an eligible employee is not already enrolled in the medical plan, he or she may enroll within 60 days of retirement or during any future open enrollment period. Coverage may be continued at the retiree's option for his or her lifetime. A surviving spouse and other eligible dependents may also continue coverage.

Benefits provided: As a condition of participation in the CalPERS medical program, the Department is obligated to contribute toward the cost of retiree medical coverage for the retiree's lifetime or until coverage is discontinued, as well as to a surviving spouse, if the spouse is entitled to survivor pension benefits.

- Under the terms of the Department's current PEMHCA resolution, executed in 2013, all employees who satisfy the requirements under "Access to Coverage" above and continue their medical coverage through the Department in retirement will receive the PEMHCA minimum employer contribution (MEC)1. The MEC is $133 per month in 2018 and increases to $136 per month in 2019.

- Instead of the minimum contribution described above, employees first covered by the Ross Valley Firefighters Association or the Ross Valley Fire Chief Officers Association prior to April 1, 2013 and Miscellaneous employees hired prior to April 1, 2013 will be reimbursed an amount equal to the Department's share of CalPERS medical premiums as of January 1, 2013, increased annually by a maximum of $100 per month, until such time as the Department's share is the same as the Department's share for active employees.

For the year ended June 30, 2019, the Department's contributions to the Plan were $1,002,745.

Employees Covered by Benefit Terms – Membership in the plan consisted of the following at the measurement date of June 30, 2018:

Active employees	30
Inactive employees or beneficiaries currently receiving benefit payments	32
Inactive employees entitled to but not yet receiving benefit payments	1
Total	63

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (Continued)

B. Net OPEB Liability

Actuarial Methods and Assumptions – The Department's total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation using standard update procedures to determine the total OPEB liability as of June 30, 2018, based on the following actuarial methods and assumptions:

	Actuarial Assumptions
Valuation Date	July 01, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal Cost, level percent of pay
Actuarial Assumptions:	
Discount Rate	6.95%
Inflation	2.75%
Payroll Growth	3.00%
Investment Rate of Return	6.95%
Mortality Rate	Mortality rates used were those published by CalPERS, adjusted to back out 20 years of Scale BB to central year
Mortality Improvement	MacLeod Watts Scale 2017 applied generationally
Healthcare Trend Rate	8% and grade down to 5% for years 2024 and thereafter

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	59.0%	5.98%
Fixed Income	25.0%	2.62%
Treasury Inflation Protection Securities	5.0%	5.00%
Real Estate Investment Trusts	8.0%	1.46%
Commodities	3.0%	2.87%
Total	100.0%	

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (Continued)

Discount Rate – The discount rate used to measure the total OPEB liability was 7.25%. The Department has been and continues to prefund its OPEB liability, contributing 100% or more of the Actuarially Determined Contributions each year. Therefore the discount rate used in this valuation is 7.25%, the long term expected return on trust assets. The projection of cash flows used to determine the discount rate assumed that Department contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

C. Changes in Net OPEB Liability

The changes in the net OPEB liability follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	**Plan Fiduciary Net Position (b)**	**Net OPEB Liability/(Asset) (a) - (b)**
Balance at Measurement Date 6/30/2017	$9,042,903	$2,159,550	$6,883,353
Changes Recognized for the Measurement Period:			
Service Cost	194,348		194,348
Interest on the total OPEB liability	654,393		654,393
Expected investment income		181,281	(181,281)
Contributions from the employer		1,108,061	(1,108,061)
Changes in benefit terms			
Administrative expenses		(1,151)	1,151
Other Expenses		(2,858)	2,858
Benefit payments	(422,295)	(422,295)	
Changes of assumptions	345,115		345,115
Plan experience			
Investment experience		(9,364)	9,364
Net changes	771,561	853,674	(82,113)
Balance at Measurement Date 6/30/2018	$9,814,464	$3,013,224	$6,801,240

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued plan financial report that may be obtained from CalPERS. The benefit payments and refunds include implied subsidy benefit payments in the amount of $124,832.

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (Continued)

D. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Department, as well as what the Department's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Net OPEB Liability/(Asset)		
Discount Rate -1% (5.95%)	Current Discount Rate (6.95%)	Discount Rate +1% (7.95%)
$8,108,817	$6,801,240	$5,724,052

The following presents the net OPEB liability of the Department, as well as what the Department's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Net OPEB Liability/(Asset)		
1% Decrease (7% grade down to 4%)	Current Healthcare Cost Trend Rates (8% grade down to 5%)	1% Increase (9% grade down to 6%)
$5,786,337	$6,801,240	$8,195,844

E. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the Department recognized OPEB expense of $282,777. At June 30, 2019, the Department reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	$1,002,745	
Differences between actual and expected experience		
Changes of assumptions	291,022	
Net differences between projected and actual earnings on plan investments		($14,909)
Total	$1,293,767	($14,909)

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (Continued)

$1,002,745 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as part of OPEB expense as follows:

Year Ended June 30	Annual Amortization
2020	$48,499
2021	48,499
2022	48,500
2023	55,965
2024	54,093
Thereafter	20,557
Total	$276,113

NOTE 10 – 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 for the system can be obtained by contacting the System at the following address or website:

Fire Agencies Self Insurance System
1750 Creekside Oaks Drive, Suite 200
Sacramento, CA 95833
www.fasis.brstest.com

NOTE 10 – 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 for the system can be obtained by contacting the System at the following address or website:

Fire Agencies Insurance Risk Authority
1255 Battery St, Suite 450
San Francisco, CA
www.faira.org

NOTE 11 – 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. On March 24, 2016, an application for renewal of judgment was submitted by the Department, which extends the period of enforceability through March 24, 2026 and the total renewed judgment was $540,035. As of June 30, 2019, the balance owed was $735,122 which includes interest of $195,087 at 10% per annum. The Department 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 Position.

REQUIRED SUPPLEMENTARY INFORMATION

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COST-SHARING EMPLOYER DEFINED PENSION PLAN:

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

This schedule reports the proportion (percentage) of the collective net pension liability, the proportionate share (amount) of the collective net pension liability, the employer's covered employee payroll, the proportionate share (amount of the collective net pension liability as a percentage of the employer's covered employee payroll and the pension plan's fiduciary net position as a percentage of the total pension liability.

SCHEDULE OF CONTRIBUTIONS

This schedule reports the cost sharing employer's contributions to the plan which are actuarially determined, the employer's actual contributions, the difference between the actual and actuarially determined contributions, and a ratio of the actual contributions divided by covered employee payroll.

MULTIPLE EMPLOYER OTHER POSTEMPLOYMENT BENEFIT PLAN:

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

This schedule reports the proportion (percentage) of the collective net OPEB liability, the proportionate share (amount) of the collective net OPEB liability, the employer's covered employee payroll, the proportionate share (amount of the collective net pension liability as a percentage of the employer's covered employee payroll and the pension plan's fiduciary net position as a percentage of the total pension liability.

SCHEDULE OF CONTRIBUTIONS

This schedule reports the employer's contributions to the plan which are actuarially determined, the employer's actual contributions, the difference between the actual and actuarially determined contributions, and a ratio of the actual contributions divided by covered employee payroll.

ROSS VALLEY FIRE DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2019

SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIO AS OF THE MEASUREMENT DATE
Last 10 Years*

	Safety				
	6/30/2014	**6/30/2015**	**6/30/2016**	**6/30/2017**	**6/30/2018**
Plan's proportion of the Net Pension Liability (Asset)	0.12390%	0.18934%	0.20383%	0.20538%	0.21226%
Plan's proportion share of the Net Pension Liability (Asset)	$7,709,944	$7,801,662	$10,556,766	$12,271,962	$12,454,442
Plan's Covered Payroll	$2,949,928	$3,499,269	$3,285,846	$3,677,391	$3,565,056
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	261.36%	222.95%	321.28%	333.71%	349.35%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	79.82%	78.40%	74.06%	73.31%	75.71%
Plan's Proportionate Share of Aggregate Employer Contributions	$1,291,372	$1,193,128	$1,174,809	$1,257,254	$1,637,514

	Miscellaneous				
	6/30/2014	**6/30/2015**	**6/30/2016**	**6/30/2017**	**6/30/2018**
Plan's proportion of the Net Pension Liability (Asset)	(0.00048%)	(0.00003%)	0.00135%	0.00191%	0.00176%
Plan's proportion share of the Net Pension Liability (Asset)	($30,150)	($730)	$47,028	$75,268	$66,474
Plan's Covered Payroll	$148,812	$162,494	$176,620	$286,545	$216,257
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	(18.55%)	(0.45%)	26.63%	26.27%	30.74%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	79.82%	78.40%	74.06%	73.31%	93.81%
Plan's Proportionate Share of Aggregate Employer Contributions	$35,800	$23,266	$26,075	$32,482	$38,388

Change in assumption - For the measurement date of June 30, 2017, the accounting discount rate was decreased from 7.65% to 7.15%.

* Fiscal year 2015 was the 1st year of implementation, therefore only five years are shown.

ROSS VALLEY FIRE DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2019

Cost-Sharing Multiple-Employer Defined Pension Plan
Last 10 Years*

SCHEDULE OF CONTRIBUTIONS

	Safety				
	Fiscal Year 2015	**Fiscal Year 2016**	**Fiscal Year 2017**	**Fiscal Year 2018**	**Fiscal Year 2019**
Actuarially determined contribution	$1,291,372	$1,192,485	$1,083,105	$1,159,683	$1,338,894
Contributions in relation to the actuarially determined contributions	(1,291,372)	(1,192,485)	(1,083,105)	(1,159,683)	(1,338,894)
Contribution deficiency (excess)	$0	$0	$0	$0	$0
Covered payroll	$3,499,269	$3,285,846	$3,677,391	$3,565,056	$3,889,989
Contributions as a percentage of covered-employee payroll	36.90%	36.29%	29.45%	32.53%	34.42%

	Miscellaneous				
	Fiscal Year 2015	**Fiscal Year 2016**	**Fiscal Year 2017**	**Fiscal Year 2018**	**Fiscal Year 2018**
Actuarially determined contribution	$35,800	$23,266	$28,516	$25,799	$28,436
Contributions in relation to the actuarially determined contributions	(35,800)	(23,266)	(28,516)	(25,799)	(28,436)
Contribution deficiency (excess)	$0	$0	$0	$0	$0
Covered payroll	$162,494	$176,620	$286,545	$216,257	$209,196
Contributions as a percentage of covered-employee payroll	10.84%	13.17%	9.95%	11.93%	13.59%

*Fiscal year 2015 was the 1st year of implementation. Therefore, only five years are shown.

ROSS VALLEY FIRE DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2019

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
OPEB Plan - Agent Multiple Employer
Last 10 fiscal years*

Measurement Date	**6/30/17**	**6/30/18**
Total OPEB Liability		
Service Cost	$188,230	$194,348
Interest	624,233	654,393
Changes in benefit terms		
Differences between expected and actual experience		
Changes of assumptions		345,115
Benefit payments	(382,896)	(422,295)
Net change in total OPEB liability	429,567	771,561
Total OPEB liability - beginning	8,613,336	9,042,903
Total OPEB liability - ending (a)	$9,042,903	$9,814,464
Plan fiduciary net position		
Contributions - employer	$785,990	$1,108,061
Contributions - employee		
Net investment income	167,198	171,917
Administrative expense	(854)	(1,151)
Benefit payments	(382,896)	(422,295)
Other Expenses		(2,858)
Net change in plan fiduciary net position	569,438	853,674
Plan fiduciary net position - beginning	1,590,112	2,159,550
Plan fiduciary net position - ending (b)	$2,159,550	$3,013,224
Net OPEB liability - ending (a)-(b)	$6,883,353	$6,801,240
Plan fiduciary net position as a percentage of the total OPEB liability	23.88%	30.70%
Covered-employee payroll	$3,963,937	$3,781,313
Net OPEB liability as a percentage of covered-employee payroll	173.65%	179.86%

* Fiscal year 2018 was the first year of implementation.

ROSS VALLEY FIRE DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2019

SCHEDULE OF CONTRIBUTIONS

OPEB Plan - Agent Multiple Employer

Last 10 fiscal years*

Fiscal Year Ended June 30,	**2018**	**2019**
Actuarially determined contribution	$696,858	$727,745
Contributions in relation to the actuarially determined contribution	1,108,061	1,002,745
Contribution deficiency (excess)	($411,203)	($275,000)
Covered-employee payroll	$3,781,313	$4,099,185
Contributions as a percentage of covered-employee payroll	29.30%	24.46%
Valuation date:	June 30, 2017	June 30, 2018

Methods and assumptions used to determine contribution rates:

Actuarial Assumptions:	
Discount Rate	7.25%
Inflation	2.75%
Payroll Growth	3.00%
Investment Rate of Return	7.25%
Mortality Rate	Mortality rates used were those published by CalPERS, adjusted to back out 20 years of Scale BB to central year 2008, then projected.
Healthcare Trend Rate	8% and grade down to 5% for years 2024 and thereafter

* Fiscal year 2018 was the first year of implementation.

ROSS VALLEY FIRE DEPARTMENT
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES:				
Intergovernmental :				
Town of San Anselmo (Contract)	$3,376,047	$3,376,047	$3,376,047	
Town of Fairfax (Contract)	1,940,832	1,940,832	1,940,832	
Sleepy Hollow (Contract)	1,066,208	1,066,208	1,066,208	
County of Marin (Contract)	197,500	201,094	201,094	
Town of Ross (Contract)	1,949,787	1,949,787	1,949,787	
Prior Authority:				
Retiree health	394,757	394,757	394,757	
MERA Bond	38,288	38,288	38,288	
Retirement contributions	646,332	646,332	646,332	
Other sources	306,056	721,423	808,158	$86,735
Apparatus replacement	300,000	300,000	300,000	
Fire prevention fees	310,700	310,700	339,951	29,251
Investment earnings	7,000	10,000	17,554	7,554
Miscellaneous	62,500	62,500	62,693	193
Total Revenues	10,596,007	11,017,968	11,141,701	123,733
EXPENDITURES:				
Current:				
Salaries and benefits	8,765,679	9,103,638	8,952,122	151,516
Services and supplies	1,447,309	1,447,309	1,327,589	119,720
Capital Outlay	528,265	1,376,799	88,801	1,287,998
Total Expenditures	10,741,253	11,927,746	10,368,512	1,559,234
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(145,246)	(909,778)	773,189	(1,435,501)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		50,000	57,103	(7,103)
Proceeds from note payable			708,535	(708,535)
Total Other Financing Sources (Uses)		50,000	765,638	(715,638)
Net Change in Fund Balance	($145,246)	($859,778)	1,538,827	($2,151,139)
Fund balance - beginning of year			2,079,656	
Fund balances - end of year			$3,618,483	

ROSS VALLEY FIRE DEPARTMENT
MEMORANDUM ON INTERNAL CONTROL

FOR THE YEAR ENDED JUNE 30, 2019

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ROSS VALLEY FIRE DEPARTMENT
MEMORANDUM ON INTERNAL CONTROL

For The Year Ended June 30, 2019

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MEMORANDUM ON INTERNAL CONTROL

To Board of Directors of
the Ross Valley Fire Department
San Anselmo, California

In planning and performing our audit of the basic financial statements of the Ross Valley Fire Department as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Department 's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department 's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department 's internal control.

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Included in the Schedule of Other Matters are recommendations not meeting the above definitions that we believe are opportunities for strengthening internal controls and operating efficiency.

Management's written responses included in this report have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, Board of Directors, others within the organization, and agencies and pass-through entities requiring compliance with *Government Auditing Standards*, and is not intended to be and should not be used by anyone other than these specified parties.

Maze & Associates

Pleasant Hill, California
November 1, 2019

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ROSS VALLEY FIRE DEPARTMENT

MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

2019-01: Outdated Signature Cards

Criteria: Signature cards for bank and investment accounts should be updated immediately upon change in authorized signers.

Condition: During our examination of the Department's bank account signature card, we noted that a former employee of the Town of San Anselmo was still listed as an authorized signer while her replacement had not been added.

Potential Effect: Outdated bank account signature cards can cause confusion to the bank and does not provide for good internal control.

Cause: The Department was unable to update their signature card due to its bank requiring all authorized signers to be present during the update, which is difficult for the Department to coordinate considering the number of authorized signers.

Recommendation: We recommend the Department work with the bank for a possible solution of the above condition. In addition, the Department should consider reducing the number of authorized signers on the account.

Management Response: The Department will work with the bank to update the signature card in a timely manner.

ROSS VALLEY FIRE DEPARTMENT

MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

NEW GASB PRONOUNCEMENTS OR PRONOUNCEMENTS NOT YET EFFECTIVE

The following comment represents new pronouncements taking effect in the next few years. We have cited them here to keep you abreast of developments:

EFFECTIVE FISCAL YEAR 2019/20:

GASB 84 – *Fiduciary Activities*

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

GASB 90 - *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61)*

The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

EFFECTIVE FISCAL YEAR 2020/21:

GASB 87 – *Leases*

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period*

The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

EFFECTIVE FISCAL YEAR 2021/22:

GASB 91 - *Conduit Debt Obligations*

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

ROSS VALLEY FIRE DEPARTMENT
REQUIRED COMMUNICATIONS

FOR THE YEAR ENDED JUNE 30, 2019

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ROSS VALLEY FIRE DEPARTMENT
REQUIRED COMMUNICATIONS

For The Year Ended June 30, 2019

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REQUIRED COMMUNICATIONS

To the Board of Directors of
the Ross Valley Fire Department
San Anselmo, California

We have audited the basic financial statements of the Ross Valley Fire Department (Department) for the year ended June 30, 2019. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards.

Significant Audit Findings

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Department are described in Note 1 to the financial statements.

The following Governmental Accounting Standards Board (GASB) pronouncement became effective, but did not have a material effect on the financial statements.

> **GASB 83** ***Certain Asset Retirement Obligations***

The following GASB pronouncement became effective, but did not have a material effect on the financial statements. See Note 6 in the financial statements for additional disclosure.

> **GASB 88** ***Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements***

Unusual Transactions, Controversial or Emerging Areas

We noted no transactions entered into by the Department during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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Accounting Estimates

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. The most sensitive estimate(s) affecting the Department's financial statements was:

- *Estimated Fair Value of Investments:* The Department's cash and investments balances were measured by fair value as disclosed in Note 2 to the financial statements. Fair value is essentially market pricing in effect as of June 30, 2019. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2019.

- *Estimated Net Pension Liabilities and Pension-Related Deferred Outflows and Inflows of Resources:* Management's estimate of the net pension liabilities and deferred outflows/inflows of resources are disclosed in Note 8 to the financial statements and are based on accounting valuations prepared by the California Public Employees Retirement System and GASB 67/68 Pension Accounting Reports prepared by a consultant, which are based on the experience of the Department. We evaluated the key factors and assumptions used to develop the estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

- *Estimated Net OPEB Liabilities and OPEB-Related Deferred Outflows and Inflows of Resources:* Management's estimate of the net OPEB liabilities and deferred outflows/inflows of resources are disclosed in Note 9 to the financial statements and are based on an actuarial valuation prepared by a consultant, which is based on the experience of the Department. We evaluated the key factors and assumptions used to develop the estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Disclosures

The financial statement disclosures are neutral, consistent, and clear.

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 clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Professional standards require us to accumulate all known and likely uncorrected misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the Board of Directors.

Disagreements with Management

For purposes of this letter, a disagreement with management is 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 a management representation letter dated November 1, 2019.

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 Department'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 Department's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information Accompanying the Financial Statements

We applied certain limited procedures to the required supplementary information that accompanies and supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the required supplementary information and do not express an opinion or provide any assurance on the required supplementary information.

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This information is intended solely for the use of the Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Maze & Associates

Pleasant Hill, California
November 1, 2019

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