ROSS VALLEY FIRE DEPARTMENT
REQUIRED COMMUNICATIONS

FOR THE YEAR ENDED JUNE 30, 2018

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ROSS VALLEY FIRE DEPARTMENT
REQUIRED COMMUNICATIONS

For The Year Ended June 30, 2018

Table of Contents

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MAZE & ASSOCIATES

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, 2018. 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) pronouncements became effective during the year ended June 30, 2018 and required a prior period adjustment to the financial statements as discussed in Note 7C:

GASB 75 – Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions

The following pronouncements became effective, but did not have a material effect on the financial statements:

GASB 81 – Irrevocable Split-Interest Agreements

GASB 85 – Omnibus 2017

GASB 86 – Certain Debt Extinguishment Issues

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:* As of June 30, 2018, the Department held approximately $2.1 million of cash and investments, as measured by fair value as disclosed in Note 2. Fair value is essentially market pricing in effect as of June 30, 2018. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2018.

- *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 January 31, 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
January 31, 2019

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ROSS VALLEY FIRE DEPARTMENT

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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ROSS VALLEY FIRE DEPARTMENT
BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

INTRODUCTORY SECTION

Page

FINANCIAL SECTION

REQUIRED SUPPLEMENTAL INFORMATION

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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, 2018, 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, 2018, 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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Change in Accounting Principles

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which became effective during the year ended June 30, 2018 and required a prior period adjustment to the financial statements and required the restatement of net position as discussed in Notes 7C and Note 9.

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
January 31, 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, 2018. 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, 2018, the Department's total net position is ($12,031,078), a decrease of $5,683,248 from last year ($6,347,830). The decrease is due mainly to the implementation of GASB 75 (OPEB retiree medical benefits plan). The Department restated and reduced beginning net position by $6,360,422.

- 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 $3,584,255, deferred outflows of resources at $5,360,168, total liabilities of $20,223,882, deferred inflows of resources at $751,619, and net position of ($12,031,078).

- The Department's total program revenue was $10,402,457 and total program expenditures were $9,780,016, resulting in an increase of $622,441 to the net position. Out of $622,441, $478,000 was assigned for Apparatus replacement purpose.

- The Department's capital assets, totaled $3,568,165 including $ 2,240,096 in accumulated depreciation, resulting in net capital assets of $1,328,069, a decrease of $84,344 from fiscal year 2017.

- The Department's long-term debt and obligations totaled $19,992,639 as of June 30, 2018, an increase of $8,578,573 compared to the prior fiscal year. The increase is primarily due to the implementation of GASB 75.

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

- Total revenue increased from $10,088,253 in fiscal year 2017 to $10,457,190 in fiscal year 2018 and expenditures decreased from $9,889,288 to $9,881,104. The increase in revenue is the result of increase of members contribution towards operating and prior authority's debt service contribution.

- The General Fund balance increased by $576,086 from the prior fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide financial statements found on pages 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 21-43.

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 47-52.

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
	2018	2017	Change
Cash and investments	$ 2,118,458	$ 1,217,485	74%
Capital assets, net	1,328,069	1,412,413	-6%
Pension assets	-	21,470	-100%
Other assets	137,728	348,135	-60%
Total assets	**3,584,255**	**2,999,503**	19%
OPEB related	1,108,061	-	
Pension related	4,252,107	3,294,943	29%
Total deferred outflows of resources	**5,360,168**	**3,294,943**	63%
Long-term debt, net	19,992,639	11,414,066	75%
Other liabilities	231,243	176,833	31%
Total liabilities	**20,223,882**	**11,590,899**	74%
OPEB related	29,867	-	
Pension related	721,752	1,051,377	-31%
Total deferred invlows of resources	**751,619**	**1,051,377**	-29%
Net investment in capital assets	1,328,069	1,412,413	-6%
Unrestricted	(13,359,147)	(7,760,243)	72%
Net position	**$ (12,031,078)**	**$ (6,347,830)**	90%

The Department's net position indicates that liabilities exceed assets by $12,031,078 as of June 30, 2018. 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 $584,752 more than last year, which is mainly due to additional funding available for Apparatus replacement and savings from personnel cost.

Long term debt increased by $8,578,573. Long-term debt includes compensated absences and accrued pension and OPEB obligations.

Net investment in capital assets decreased by $84,344.

Analysis of Changes in Net Position

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

	Activities		Percent
	2018	2017	Change
Revenues:			
Program revenues:			
Charges for services	$ 10,402,457	$ 10,018,006	4%
General revenues:			
Investment earnings	5,649	4,407	28%
Miscellaneous	49,084	65,840	-25%
Total revenues	10,457,190	10,088,253	4%
Expenses:			
Fire services	9,780,016	9,480,458	3%
Total expenses	9,780,016	9,480,458	3%
Change	$ 677,174	$ 607,795	11%

Revenues increased by $368,937 and expenses increased by $299,558 from 2017 levels. Net position increased by $677,174.

GOVERNMENTAL FUNDS ANALYSIS

The following schedule presents a summary of general fund revenues and expenditures for the fiscal years ended June 30, 2018 and 2017.

	2018	2017
Revenues:		
Intergovernmental:		
Town of San Anselmo (Contract)	$ 3,246,346	$ 3,045,097
Town of Fairfax (Contract)	1,865,806	1,750,143
Sleepy Hollow (Contract)	1,024,992	961,451
County of Marin (Contract)	159,920	152,834
Town of Ross (Contract)	1,859,101	1,754,649
Ross Apprentice Program		
Prior Authority		
Side fund payment	50,451	603,860
Retiree health	473,007	154,474
MERA Bond	38,250	34,291
Retirement Contribution	495,709	392,072
Other sources	856,937	768,766
Fire Prevention Fees	331,938	400,369
Investment earnings	5,649	4,407
Miscellaneous	49,084	65,840
Total revenue	10,457,190	10,088,253
Expenditures:		
Salaries and benefits	8,752,188	8,257,640
Services and supplies	1,001,874	932,149
Debt service:		
Principal	50,324	592,514
Interest	64	10,568
Capital outlay	76,654	96,417
Total expenditures	9,881,104	9,889,288
Excess of expenditures over revenues	576,086	198,965
Fund balances, beginning of year	1,503,570	1,304,605
Fund balances, end of year	$ 2,079,656	$ 1,503,570

COMMENTS ON BUDGET COMPARISONS - see Supplementary information page 52.

Revenue: Total revenue was higher than the budgeted amount by $114,334, or 1%. Charges for services such as resale inspections and plan checks, exceeded budget estimates by $21,938. Reimbursements from Office of Emergency Services and for worker's compensation payments accounted for the remainder of the increase. Total revenue increased by $368,937 when compared with prior year revenue. This is largely contributed to the additional $200,000 Apparatus replacement contribution from its member agencies.

Expenditures: Total expenditures were $258,011 less than the final budget, or 2.5%. Salaries and Benefits were lower than budget by $188,098. This was primarily due to salary savings from vacant Fire Chief and Fire Inspector positions. Services and Supplies and Capital Outlay line items had a total savings of $69,913.

Total expenditures remain flat as compared to last fiscal year.

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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ROSS VALLEY FIRE DEPARTMENT

STATEMENT OF NET POSITION
AND STATEMENT OF ACTIVITIES

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ROSS VALLEY FIRE DEPARTMENT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS	
Current Assets:	
Cash and investments (Note 2)	$2,118,458
Accounts receivable	81,076
Disability advance payments	32,675
Prepaids	23,977
Capital assets, net of accumulated depreciation (Note 3)	1,328,069
Total Assets	3,584,255
DEFERRED OUTFLOWS OF RESOURCES	
OPEB related (Note 9)	1,108,061
Pension related (Note 8)	4,252,107
Total Deferred Outflows of Resources	5,360,168
LIABILITIES	
Current Liabilities:	
Accounts payable	126,898
Accrued liabilities	49,632
Compensated absences (Note 5)	54,713
Total Current Liabilities	231,243
Non-Current Liabilities:	
Compensated absences (Note 5)	762,056
Net OPEB liability (Note 9)	6,883,353
Net pension liability (Note 8)	12,347,230
Total Non-Current Liabilities	19,992,639
Total Liabilities	20,223,882
DEFERRED INFLOWS OF RESOURCES	
OPEB related (Note 9)	29,867
Pension related (Note 8)	721,752
Total Deferred Inflows	751,619
NET POSITION (Note 7)	
Net investment in capital assets	1,328,069
Unrestricted	(13,359,147)
Total Net Position	($12,031,078)

See accompanying notes to basic financial statements

ROSS VALLEY FIRE DEPARTMENT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Expenses:	
Public safety - fire protection:	
Personnel services	$8,617,080
Services and supplies	999,329
Depreciation	163,543
Interest	64
Total Program Expenses	9,780,016
Program revenues:	
Charges for services	10,402,457
Total Program Revenues	10,402,457
Net program revenue under expenses	622,441
General revenues:	
Investment earnings	5,649
Miscellaneous	49,084
Total General Revenues	54,733
Change in Net Position	677,174
Net Position - beginning of year, as restated (Note 7C)	(12,708,252)
Net Position - end of year	($12,031,078)

See accompanying notes to basic financial statements

ROSS VALLEY FIRE DEPARTMENT

FUND FINANCIAL STATEMENTS

MAJOR GOVERNMENTAL FUND

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ROSS VALLEY FIRE DEPARTMENT
GENERAL FUND
BALANCE SHEET
JUNE 30, 2018

	General
ASSETS	
Cash and investments (Note 2)	$2,118,458
Accounts receivable	81,076
Disability advance payments	32,675
Prepaids	23,977
Total Assets	$2,256,186
LIABILITIES	
Accounts payable	$126,898
Accrued liabilities	49,632
Total Liabilities	176,530
FUND BALANCES (Note 7)	
Assigned:	
Compensated absences	122,515
Technologies	29,196
Equipment	1,148,434
Unassigned	779,511
Total Fund Balances	2,079,656
Total Liabilities and Fund Balances	$2,256,186

See accompanying notes to basic financial statements

ROSS VALLEY FIRE DEPARTMENT
Reconciliation of the
GENERAL FUND - BALANCE SHEET
with the
STATEMENT OF NET POSITION
JUNE 30, 2018

Total Fund Balances - Total Government Funds	$2,079,656
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	3,568,165
Less: Accumulated depreciation	(2,240,096)
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	5,360,168
Deferred inflows	(751,619)
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:	
Compensated absences	(816,769)
Net OPEB liability	(6,883,353)
Net pension liability	(12,347,230)
NET POSITION OF GOVERNMENTAL ACTIVITIES	($12,031,078)

See accompanying notes to basic financial statements

ROSS VALLEY FIRE DEPARTMENT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	General
REVENUES:	
Intergovernmental:	
Town of San Anselmo (Contract)	$3,246,346
Town of Fairfax (Contract)	1,865,806
Sleepy Hollow (Contract)	1,024,992
County of Marin (Contract)	159,920
Town of Ross (Contract)	1,859,101
Prior Authority:	
Side fund payment	50,451
Retiree health	473,007
MERA Bond	38,250
Retirement Contributions	495,709
Other sources	856,937
Fire prevention fees	331,938
Investment earnings	5,649
Miscellaneous	49,084
Total Revenues	10,457,190
EXPENDITURES:	
Current:	
Salaries and benefits	8,752,188
Services and supplies	1,001,874
Debt service:	
Principal	50,324
Interest	64
Capital Outlay	76,654
Total Expenditures	9,881,104
Net change in fund balance	576,086
Fund balances - beginning of year	1,503,570
Fund balances - end of year	$2,079,656

See accompanying notes to basic financial statements

ROSS VALLEY FIRE DEPARTMENT
Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GENERAL FUND
with the
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Net Change in Fund Balances - Total Governmental Funds	$576,086
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	76,654
Depreciation expense	(163,543)
Loss on disposal	(229)
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	57,962
Change in Net OPEB Liability and related deferred inflow and outflow of resources	533,793
Change in Net Pension Liability and related deferred inflow and outflow of resources	(456,647)
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position	
Principal repayments on long-term debt	50,324
Change in Net Position of Governmental Activities	$677,174

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 2018, 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 2018, 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, 2018.

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, 2018. 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, 2018.

NOTE 2 – CASH AND INVESTMENTS (Continued)

B. Classification

The Department's cash and investments consist of the following at June 30, 2018:

Local Agency Investment Fund (LAIF)	$600,772
Cash in checking accounts	1,517,686
Total cash and investments	$2,118,458

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, 2018, the Department held $600,772 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, 2018, these investments matured in an average of 193 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	3-5 years
Non-emergency vehicles	10 years
Machinery and equipment	3-10 years

A summary of changes in capital assets for the fiscal year ended June 30, 2018 is as follows:

	Balance at June 30, 2017	Additions	Deletions	Balance at June 30, 2018
Capital assets being depreciated:				
Vehicles	$2,123,607		($230,000)	$1,893,607
Machinery and equipment	1,477,977	$67,751	(81,905)	1,463,823
Furniture and fixtures	38,275	11,677	(1,991)	47,961
Building Improvements	162,774			162,774
Total capital assets being depreciated	3,802,633	79,428	(313,896)	3,568,165
Less accumulated depreciation for:				
Vehicles	1,417,309	72,387	(230,000)	1,259,696
Machinery and equipment	877,442	82,672	(81,905)	878,209
Furniture and fixtures	33,618	2,071	(1,762)	33,927
Building Improvements	61,851	6,413		68,264
Total accumulated depreciation	2,390,220	163,543	(313,667)	2,240,096
Net capital assets being depreciated	$1,412,413	($84,115)	($229)	$1,328,069

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, 2018:

Beginning Balance	$874,731
Additions	74,654
Payments	(132,616)
Ending Balance	$816,769
Current Portion	$54,713

NOTE 6 – LONG-TERM DEBT

The following is a schedule of changes in long-term debt for the fiscal year ended June 30, 2018:

	Balance June 30, 2017	Retirements	Balance June 30, 2018	Current Portion
Pension Obligation Bonds	$50,324	$50,324		
Total	$50,324	$50,324		

Pension Obligation Bonds: On May 31, 2012, the Department issued $2,656,934 in taxable pension obligation bonds to refund the Department's outstanding Safety Plan Side Fund obligation to the California Public Employees' Retirement System. Principal and interest payments are due monthly commencing July 15, 2012. Monthly payments escalate from $44,464 per month to $50,451. The bonds were fully amortized on July 15, 2017. Interest rate is fixed during the entire term at 3.03%. As of June 30, 2018, the bond was repaid.

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.

NOTE 7 – NET POSITION AND FUND BALANCES (Continued)

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, 2018, 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, 2018, the Department 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.

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, 2018, the Department has assigned fund balances totaling $1,300,145.

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, 2018, the Department has unassigned fund balance totaling $779,511.

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 7 – NET POSITION AND FUND BALANCES (Continued)

C. Net Position Restatements

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (OPEB), which became effective during the year ended June 30, 2018. In June 2015, GASB issued Statement No. 75 and the intention of this Statement is to improve the usefulness of information for decisions made by the various users of the financial reports of governments whose employees – both active employees and inactive employees – are provided with postemployment benefits other than pensions by requiring recognition of the entire net OPEB liability and a more comprehensive measure of OPEB expense.

The implementation of the Statement required the Department to make prior period adjustments. As a result, the beginning net positions of the Governmental Activities was restated and reduced by $6,360,422 at July 1, 2017. See Note 9.

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.

NOTE 8 – PENSION PLAN (Continued)

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.

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, 2018, 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 2.5%
Required employee contribution rates	9.000%	12.250%
Required employer contribution rates	19.520%	12.729%

	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	50-57	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%	6.250%
Required employer contribution rates	11.675%	6.533%

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, 2018, the contributions to the Plan were as follows:

	Safety	Miscellaneous	Total
Contributions - employer	$1,159,683	$25,799	$1,185,482

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

As of June 30, 2018, 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	$12,271,962
Miscellaneous	75,268
Total Net Pension Liability	$12,347,230

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, 2018 is measured as of June 30, 2017, 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, 2016 rolled forward to June 30, 2017 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, 2016 and 2017 was as follows:

	Safety	Miscellaneous
Proportion - June 30, 2016	0.204%	0.001%
Proportion - June 30, 2017	0.205%	0.002%
Change - Increase (Decrease)	0.001%	0.001%

NOTE 8 – PENSION PLAN (Continued)

For the year ended June 30, 2018, the Department recognized pension expense of $1,642,129. At June 30, 2018, 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	$1,185,482	
Differences between actual and expected experience	144,071	($41,980)
Changes in assumptions	2,123,799	(162,925)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	335,367	(516,847)
Net differences between projected and actual earnings on plan investments	463,388	
Total	$4,252,107	($721,752)

$1,185,482 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, 2019. 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
2019	$429,273
2020	1,400,203
2021	786,616
2022	(271,219)
Total	$2,344,873

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, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
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 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% 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, 2017, the accounting discount rate was reduced from 7.65% to 7.15%.

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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 returns were calculated over the short-term (first 10 years) and the long-term (11-60 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 and rounded down to the nearest one quarter of one percent.

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	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	100%		

(a) An expected inflation of 2.5% used for this period.
(b) An expected inflation of 3.0% 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	$19,159,393	$203,704	$19,363,097
Current Discount Rate	7.15%	7.15%	7.15%
Net Pension Liability	$12,271,962	$75,268	$12,347,230
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability (Asset)	$6,641,830	($31,106)	$6,610,724

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 $128 per month in 2017 and increases to $133 per month in 2018.

- 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, 2018, the Department's contributions to the Plan were $1,108,061.

Employees Covered by Benefit Terms – Membership in the plan consisted of the following at the measurement date of June 30, 2017:

Active employees	30
Inactive employees or beneficiaries currently receiving benefit payments	26
Inactive employees entitled to but not yet receiving benefit payments	7
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, 2017, based on the following actuarial methods and assumptions:

	Actuarial Assumptions
Valuation Date	July 01, 2017
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal Cost, level percent of pay
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.
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	57.0%	8.32%
Fixed Income	27.0%	4.87%
Treasury Inflation Protection Securities	5.0%	3.94%
Real Estate Investment Trusts	8.0%	6.75%
Commodities	3.0%	4.84%
Total	100.0%	6.94%

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 6/30/2016	$8,613,336	$1,590,112	$7,023,224
Changes Recognized for the Measurement Period:			
Service Cost	188,230		188,230
Interest on the total OPEB liability	624,233		624,233
Expected investment income		129,864	(129,864)
Contributions from the employer		785,990	(785,990)
Changes in benefit terms			
Administrative expenses		(854)	854
Benefit payments	(382,896)	(382,896)	
Changes of assumptions			
Plan experience			
Investment experience		37,334	(37,334)
Net changes	429,567	569,438	(139,871)
Balance at Measurement Date 6/30/2017	$9,042,903	$2,159,550	$6,883,353

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 $111,746.

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% (6.25 %)	Current Discount Rate (7.25%)	Discount Rate +1% (8.25%)
$8,074,706	$6,883,353	$5,901,414

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%)
$5,998,024	$6,883,353	$8,096,106

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

For the year ended June 30, 2018, the Department recognized OPEB expense of $574,268. At June 30, 2018, 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	$1,108,061	
Differences between actual and expected experience		
Changes of assumptions		
Net differences between projected and actual earnings on plan investments		(29,867)
Total	$1,108,061	($29,867)

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (Continued)

$1,08,061 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, 2019. 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
2019	($7,467)
2020	(7,467)
2021	(7,467)
2022	(7,466)
Total	($29,867)

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, 2018, the balance owed was $668,293 which includes interest of $128,258 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.

NOTE 12 – SUBSEQUENT EVENT

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. In November the Department held a public workshop to receive input from the Board, Department staff, and public. At the December Board meeting, Marin County Fire Chief Jason Weber gave a presentation outlining the basic concept of a shared service option. Following the presentation, in consideration of the discussions to date, the Board directed staff to continue to explore both options, traditional fire chief recruitment and a shared service agreement with the Marin County Fire Department.

At the regular April 2018 meeting the Board reviewed the candidate pool for Fire Chief. A week later, at a special meeting of the Board, the Board received the Executive Summary for Marin County Fire Department to provide Fire Chief and administrative services for the Department. At the May meeting, the Board voted unanimously to suspend the traditional fire chief recruitment and to direct staff work with legal counsel to develop an agreement for Marin County Fire Department to provide Fire Chief and administrative services for Ross Valley Fire Department.

At the July 11, 2018 meeting, the Board authorized the Board President to execute the agreement for the Marin County Fire Department to provide Fire Chief and administrative services for Ross Valley Fire Department for the period of August 1, 2018 through June 30, 2023.

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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, 2018

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

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

	Safety			
	6/30/2014	**6/30/2015**	**6/30/2016**	**6/30/2017**
Plan's proportion of the Net Pension Liability (Asset)	0.12390%	0.18934%	0.20383%	0.20538%
Plan's proportion share of the Net Pension Liability (Asset)	$7,709,944	$7,801,662	$10,556,766	$12,271,962
Plan's Covered Payroll	$2,949,928	$3,479,598	$3,633,169	$3,677,391
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	261.36%	224.21%	290.57%	333.71%
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%

	Miscellaneous			
	6/30/2014	**6/30/2015**	**6/30/2016**	**6/30/2017**
Plan's proportion of the Net Pension Liability (Asset)	(0.00048%)	(0.00003%)	0.00135%	0.00191%
Plan's proportion share of the Net Pension Liability (Asset)	($30,150)	($730)	$47,028	$75,268
Plan's Covered Payroll	$148,812	$163,900	$295,026	$286,545
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	(18.55%)	(0.45%)	15.94%	26.27%
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%

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 three years are shown.

ROSS VALLEY FIRE DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

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
Actuarially determined contribution	$1,291,372	$1,192,485	$1,083,105	$1,159,683
Contributions in relation to the actuarially determined contributions	(1,291,372)	(1,192,485)	(1,083,105)	(1,159,683)
Contribution deficiency (excess)	$0	$0	$0	$0
Covered payroll	$3,499,269	$3,285,846	$3,677,391	$3,565,056
Contributions as a percentage of covered-employee payroll	36.90%	36.29%	29.45%	32.53%

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

ROSS VALLEY FIRE DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

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**
Total OPEB Liability	
Service Cost	$188,230
Interest	624,233
Changes in benefit terms	
Differences between expected and actual experience	
Changes of assumptions	
Benefit payments	(382,896)
Net change in total OPEB liability	429,567
Total OPEB liability - beginning	8,613,336
Total OPEB liability - ending (a)	$9,042,903
Plan fiduciary net position	
Contributions - employer	$785,990
Contributions - employee	
Net investment income	167,198
Administrative expense	(854)
Benefit payments	(382,896)
Net change in plan fiduciary net position	569,438
Plan fiduciary net position - beginning	1,590,112
Plan fiduciary net position - ending (b)	$2,159,550
Net OPEB liability - ending (a)-(b)	$6,883,353
Plan fiduciary net position as a percentage of the total OPEB liability	23.88%
Covered-employee payroll	$3,963,936
Net OPEB liability as a percentage of covered-employee payroll	173.65%

* Fiscal year 2018 was the first year of implementation.

ROSS VALLEY FIRE DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

SCHEDULE OF CONTRIBUTIONS

OPEB Plan - Agent Mutliple Employer

Last 10 fiscal years*

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

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, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
REVENUES:				
Intergovernmental :				
Town of San Anselmo (Contract)	$3,246,346	$3,246,346	$3,246,346	
Town of Fairfax (Contract)	1,865,806	1,865,806	1,865,806	
Sleepy Hollow (Contract)	1,024,992	1,024,992	1,024,992	
County of Marin (Contract)	159,620	159,620	159,920	$300
Town of Ross (Contract)	1,859,101	1,859,101	1,859,101	
Prior Authority:				
Side fund payment	50,451	50,451	50,451	
Retiree health	198,007	473,007	473,007	
MERA Bond	38,250	38,250	38,250	
Retirement contributions	770,709	495,709	495,709	
Other sources	78,176	554,574	656,937	102,363
Apparatus replacement	200,000	200,000	200,000	
Fire prevention fees	310,000	310,000	331,938	21,938
Investment earnings	2,500	2,500	5,649	3,149
Miscellaneous	62,500	62,500	49,084	(13,416)
Total Revenues	9,866,458	10,342,856	10,457,190	114,334
EXPENDITURES:				
Current:				
Salaries and benefits	8,253,199	8,940,286	8,752,188	188,098
Services and supplies	901,454	1,037,237	1,001,874	35,363
Debt service:				
Principal	50,324	50,324	50,324	
Interest	127	127	64	63
Capital Outlay	110,041	111,141	76,654	34,487
Total Expenditures	9,315,145	10,139,115	9,881,104	258,011
Net Change in Fund Balance	$551,313	$203,741	576,086	($143,677)
Fund balance - beginning of year			1,503,570	
Fund balances - end of year			$2,079,656	

ROSS VALLEY FIRE DEPARTMENT
MEMORANDUM ON INTERNAL CONTROL

FOR THE YEAR ENDED JUNE 30, 2018

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ROSS VALLEY FIRE DEPARTMENT
MEMORANDUM ON INTERNAL CONTROL

For The Year Ended June 30, 2018

Table of Contents

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MAZE & ASSOCIATES

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 (Department) as of and for the year ended June 30, 2018, 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 our auditing 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 is not intended to be and should not be used by anyone other than these specified parties.

Maze & Associates

Pleasant Hill, California
January 31, 2019

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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 two years. We have cited them here to keep you abreast of developments:

Effective in fiscal year 2018-19:

GASB 83 – ***Certain Asset Retirement Obligations***

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

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

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

Effective in fiscal year 2019-20:

GASB 84 – ***Fiduciary Activities***

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.

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

This Statement 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.

EFFECTIVE FISCAL YEAR 2020/21:

GASB 87 – ***Leases***

This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements.

GASB 89 – ***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.

ROSS VALLEY FIRE DEPARTMENT

MEMORANDUM ON INTERNAL CONTROL

STATUS OF PRIOR YEAR SIGNIFICANT DEFICIENCIES

2017-01 - Service Organization Monitoring

Criteria: The Department contracts with the Town of San Anselmo (Town) for accounting services. Although the Town manages the day-to-day activities, it is still the Department's responsibility to ensure that its accounting records are accurate.

Condition: We noted the following during our audit:

Lack of Review by a Second Employee

In the following areas, while the Department staff is involved in reviewing some of the source documents, they do not review the accounting records once the transactions are recorded in the Department's books:

- Journal entries - the Director of Finance & Administrative Services of the Town prepares journal entries and posts them to the accounting system. Although the Department staff reviews the journal entries indirectly through the review of monthly financial reports, individual journal entries are not reviewed and traced to supporting documents.
- Investment reconciliation - the Department only has one investment in the Local Agency Investment Fund (LAIF), with limited activities. Department staff reviews the LAIF statement monthly at which point the Town performs the reconciliation. There is no review of the reconciliation by another party.
- Bank reconciliations - the Director of Finance & Administrative Services of the Town prepares the reconciliation monthly. There is no review of the reconciliation by another party.

Lack of Evidence of Review of Accounting Records by Department Staff

For payroll runs, the Battalion Chiefs of the Department enter data into the Emergency Reporting System. After the Accounting/Benefits Technician of the Town verifies the information in the Emergency Reporting System, she enters the payroll data into the accounting system. The Director of Finance & Administrative Services of the Town reviews payroll runs. The Town then sends copies of the detailed payroll register, paper checks, and direct deposit advice forms to the Department. However, we could not obtain audit evidence that the Department staff reviews the detailed payroll register by comparing that to the data in the Emergency Reporting System.

Potential Effect: They are as follows:

Lack of Review by a Second Employee

Without a proper review by a second employee, errors may go undetected.

ROSS VALLEY FIRE DEPARTMENT

MEMORANDUM ON INTERNAL CONTROL

STATUS OF PRIOR YEAR SIGNIFICANT DEFICIENCIES

Lack of Evidence of Review of Accounting Records by Department Staff

Monitoring is an important component of internal controls as it involves evaluating the effectiveness of controls on an ongoing basis and taking remedial actions when necessary. Without physical evidence showing that a review has taken place, it is difficult for the Department to ensure that a key control is executed, review of payroll register in this case. Therefore, the effectiveness of such control decreases.

Cause: Before March 2016, the Department performed its own accounting functions. When these functions were transferred to the Town, policies and procedures have not been updated completely to reflect the outsourcing of the accounting functions.

Recommendation: We recommend the following:

Lack of Review by a Second Employee

A Department staff should review journal entries, investment reconciliations and bank reconciliations timely prepared by the Town. These reviews should be documented to allow for monitoring.

Lack of Evidence of Review of Accounting Records by Department Staff

After each payroll run, the Department staff should review the payroll register and reconcile it to the information in the Emergency Reporting System. Such review should be documented to allow for monitoring.

Current Status: Implemented.

ROSS VALLEY FIRE DEPARTMENT

MEMORANDUM ON INTERNAL CONTROL

STATUS OF PRIOR YEAR SIGNIFICANT DEFICIENCIES

2016 - 01: **Formal Financial Policies and Procedures Performed by the Town of San Anselmo**

Criteria: Formal financial policies and procedures are adopted to provide guidance on how to adhere and maintain proper internal controls over various financial transactions and reconciliations. This includes, but is not limited to, procedures over bank reconciliations, payroll registers, check registers, and cash receipt reconciliations.

Condition: Starting March 2016, the Town of San Anselmo assumed the accounting responsibility over the Department. The joint effort was intended to begin July 1, 2016, however, due to an unforeseen circumstance, the Town began providing their accounting services earlier than anticipated. Transaction processes such as bank reconciliations, accounts payable and payroll, transferred to the Town. While testing the internal controls over the various transaction cycles, we noted a review process was performed by both the Town and the Department. However, because of the sudden transition in responsibilities, no formal financial policy and procedures were documented set in place that outlines the expectations of services the Town was to provide the Department.

Potential Effect: Although the Town of San Anselmo is performing many of the Department's financial functions, outlining a formal financial policy and procedure ensures what controls are to be in place and what expectations are outlined by both the Department and the Town.

Cause: The Town of San Anselmo began performing the financial operations for the Department in March 2016, prior to the anticipated turnover, which did not allow for formal documentation of financial policies and procedures to be put in place that align with the Department's current transactions and the Town's accounting services responsibilities.

Recommendation: We recommend that the Fire Department, along with the Town of San Anselmo, establish policies and procedures to ensure compliance with the Department's current practice.

Current Status: See Significant Deficiency 2017 - 01

ROSS VALLEY FIRE DEPARTMENT

MEMORANDUM ON INTERNAL CONTROL

STATUS OF PRIOR YEAR SIGNIFICANT DEFICIENCIES

2016 - 03: **Segregation of Duties in Cash Disbursement Procedures**

Criteria: The employee who approves Cal card disbursements should not be able to approve their own disbursement transaction.

Condition: Pursuant to the testing of Cal card disbursements, we noted 2 transactions that had been approved by the card-holder.

Potential Effect: Although the procurement card's billing statements are submitted to the Administrative Assistant for processing, the approver whom signs off on review and approval should not be one of the employees also making purchases on the card.

Cause: Despite the Town of San Anselmo performing financial operation duties for the Department, the segregation of duties for approving Cal card statements is not a current practice.

Recommendation: We recommend any employee involved with reviewing and approving the Cal card statements should not review their own statements.

Current Status: Implemented.