

November 11, 2010

Board of Directors
Ross Valley Fire Department
San Anselmo, California

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

We have audited the basic financial statements of the Ross Valley Fire Department ("Department") as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated November 11, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

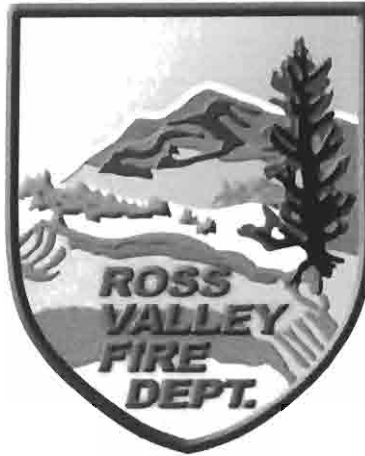
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

Odenberg Ullakko Muranishi & Co LLP

ROSS VALLEY FIRE DEPARTMENT



BASIC FINANCIAL STATEMENTS

AND REQUIRED SUPPLEMENTARY INFORMATION

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JUNE 30, 2010

ROSS VALLEY FIRE DEPARTMENT
BASIC FINANCIAL STATEMENTS
AND REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
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November 11, 2010

Board of Directors
Ross Valley Fire Department
San Anselmo, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying basic financial statements of the Ross Valley Fire Department ("Department") as of and for the fiscal year ended June 30, 2010, as listed in the accompanying table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Department at June 30, 2010 and the results of its operations and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 10 to the financial statements, the Department adopted the provisions of Governmental Accounting Standards Board Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and Governmental Accounting Standards Board Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* as those statements relate to financial reporting requirements for postemployment benefit plans other than pension plans.

In accordance with Government Auditing Standards, we have also issued our report dated November 11, 2010 on our consideration of the Department's internal control over financial reporting and on our tests of compliance with certain laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of our testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of our audit.

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

Odenberg Ullakko Muranishi & Co LLP

**ROSS VALLEY FIRE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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, 2010. Please review it in conjunction with the basic financial statements, which begin on page 7.

FINANCIAL HIGHLIGHTS

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

- Total net assets are \$1,161,682 compared with \$1,124,167 at end of fiscal year 2009. This is a 3% increase.
- Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, are a deficit of \$<76,901>. The significant difference between total net assets and unrestricted net assets is almost entirely the result the capital lease for the 2010 fire engine of \$398,092 and the liability for compensated absences of \$810,609.

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

- Total revenues decreased from \$6,305,247 in fiscal 2009 to \$6,275,296 in fiscal 2010 and expenditures increased from \$6,141,825 to \$6,717,292. Expenditures include the lease purchase of a 2010 Pierce fire engine, totaling \$498,092.
- The General Fund balance decreased by \$43,904 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 7 - 8

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 Assets and the Statement of Activities and Changes in Net Assets ("Statement of Activities").

The Statement of Net Assets presents information on all of the 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.

**ROSS VALLEY FIRE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Like in a private-sector business capital assets are depreciated, the principal portion of the debt service is net an expenditure, and compensated absences are expensed in the period earned.

Governmental fund financial statements found on pages 9 - 12

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

Notes to the financial statements on pages 13 - 27

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

Required Supplementary information on pages 28-29

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules and a PERS schedule of funding progress.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Assets

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

	2010	2009	Change
Cash and investments	\$ 803,376	\$ 738,480	9%
Capital assets, net	1,636,675	1,246,632	31%
Other assets	2,901	59,615	-95%
Total assets	2,442,952	2,044,727	19%
Long-term debt, net	1,062,019	810,567	31%
Other liabilities	219,251	109,994	99%
Total liabilities	1,281,270	920,561	39%
Invested in capital assets, net	1,238,583	1,120,665	11%
Restricted	-	-	0%
Unrestricted	(76,901)	3,502	-2296%
Net assets	\$ 1,161,682	\$ 1,124,167	3%

Net assets serve over time as a useful indicator of the Department's financial position. In the case of the Department, assets exceeded liabilities by \$1,161,682 and \$1,124,167 as of June 30, 2010 and 2009, respectively.

**ROSS VALLEY FIRE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Investment in capital assets consists of capital assets less any related debt that is still outstanding. Net capital assets increased by \$421,433. The Department added \$579,181 in capital assets and showed \$157,748 in depreciation of existing assets.

Long term debt increased by \$251,452. Long-term debt includes compensated absences and the capital leases for fire apparatus. The Department made the final payment on two capital leases, 2003 Capital Lease - Fire Engine and 2008 Capital Lease - Trucks (staff vehicles). The Department also entered into a new 5-year capital lease agreement for a 2010 Pierce fire engine.

Unrestricted assets are used to finance day-to-day operations, including debt service. The significant difference between total net assets and unrestricted net assets is almost entirely the result of capital leases for fire apparatus of \$398,092 and the liability for compensated absences of \$810,609.

Analysis of Changes in Net Assets

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

	2010	2009	Change
Revenues:			
Program revenues:			
Charges for services	\$ 6,159,293	\$ 5,951,445	3%
General revenues:			
OES Reimbursement Out of County	112,232	343,333	-67%
Investment earnings	3,771	10,469	-64%
Total revenues	6,275,296	6,305,247	0%
Expenses:			
Fire services	6,237,781	6,101,563	2%
Total expenses	6,237,781	6,101,563	2%
Change	\$ 37,515	\$ 203,684	-82%

Fire service expenses increased by 2% and total revenues decreased by less than 1% from 2009 levels.

The increase in expenses over 2009 was largely associated with employee salary and benefits cost.

The decrease in total revenue is the result of reimbursements from California OES for responses to California wildfires being down significantly from 2009; the Department is reimbursed for actual cost for responses plus an administration fee. Charges for services increased by 3% which included a 3.6% increase in the contribution amount by the Towns.

**ROSS VALLEY FIRE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

GOVERNMENTAL FUNDS ANALYSIS

The following schedule presents a summary of general fund revenues and expenditures for the fiscal years ended June 30, 2010 and 2009.

Revenues:	2010	2009
Intergovernmental:		
Town of San Anselmo (Contract)	\$ 3,976,420	\$ 3,839,339
Town of Fairfax (Contract)	1,736,827	1,676,595
County of Marin (Contract)	120,775	112,194
Town of Ross (Contract)	24,000	3,000
State of California OES	112,233	343,333
Other sources	229,481	224,220
Total intergovernmental	6,199,736	6,198,681
Charges for services	67,178	62,895
Investment earnings	3,771	10,469
Miscellaneous	4,611	33,202
Total revenue	6,275,296	6,305,247
Expenses:		
Salaries and benefits	5,274,182	5,177,469
Services and supplies	707,734	727,697
Debt service:		
Principal	125,967	88,534
Interest	6,396	5,657
Capital outlay	603,013	142,468
Total expenses	6,717,292	6,141,825
Excess (deficiency) of revenues over (under) expenses	(441,996)	163,422
Other financing sources and (uses):		
Proceeds of long-term debt	398,092	
Total other financing sources and uses	398,092	-
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenses	(43,904)	163,422
Fund balances, beginning of year	777,612	614,190
Fund balances, end of year	\$ 733,708	\$ 777,612

**ROSS VALLEY FIRE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

COMMENTS ON BUDGET COMPARISONS - see Supplementary information pages 28 - 29

Revenue: Total revenues were below budget estimates by \$30,749. Budget estimates included \$42,162 in FEMA reimbursements that were not received. Plan Check Fees and Re-sale Inspection Fees exceeded budget estimates by \$13,178.

Expenses: Total expenses were below budget estimates by \$143,342. Salaries and Benefits were below budget estimates by \$34,364 and Service and Supplies were under budget estimates by \$106,768. Services and Supplies include budget contingencies totaling \$70,000 which were not utilized.

HISTORY AND ECONOMIC FACTORS

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

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

As of July 1, 2010, the Fire Service JPA was expanded to include Sleepy Hollow Fire Protection District as a full member. The Fire Board was expanded to six voting members, two from the Fairfax Town Council, two from the San Anselmo Town Council, and two from the Sleepy Hollow Fire Protection District Board of Directors. With the expansion of the JPA, Sleepy Hollow Fire Protection District ended its contractual relationship with the Town of San Anselmo for fire protection. Additionally, as part of the Amended and Restated JPA agreement, the name of the Department was changed from Ross Valley Fire Service to the Ross Valley Fire Department.

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.

GOVERNMENT-WIDE
FINANCIAL STATEMENTS

ROSS VALLEY FIRE DEPARTMENT
STATEMENT OF NET ASSETS
JUNE 30, 2010

ASSETS

Current assets:

Cash and investments	\$ 803,376
Accounts receivable	2,100
Interest receivable	<u>801</u>
Total current assets	806,277

Capital assets, net of accumulated depreciation	<u>1,636,675</u>
Total assets	<u><u>2,442,952</u></u>

LIABILITIES

Current liabilities:

Accounts payable	54,088
Accrued liabilities	18,481
Current portion of long-term debt	<u>146,682</u>
Total current liabilities	219,251

Non-current liabilities:

Long-term debt, net	<u>1,062,019</u>
Total liabilities	<u><u>1,281,270</u></u>

NET ASSETS

Invested in capital assets, net of related debt	1,238,583
Unrestricted	<u>(76,901)</u>
Total net assets	<u><u>\$ 1,161,682</u></u>

See accompanying notes to basic financial statements

ROSS VALLEY FIRE DEPARTMENT
STATEMENT OF ACTIVITIES
AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Expenses:

Public safety - fire protection	
Personal services	\$ 5,310,681
Services and supplies	762,956
Depreciation	157,748
Interest	<u>6,396</u>
Total program expenses	<u>6,237,781</u>

Program revenues:

Charges for services	<u>6,266,914</u>
Net program revenue	<u>29,133</u>

General revenues:

Investment earnings	3,771
Miscellaneous	<u>4,611</u>
Total general revenues	<u>8,382</u>

Increase in net assets 37,515

Net assets - beginning of year 1,124,167

Net assets - end of year \$ 1,161,682

See accompanying notes to basic financial statements

GOVERNMENTAL FUND

FINANCIAL STATEMENTS

ROSS VALLEY FIRE DEPARTMENT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2010

	General Fund	Total Governmental Funds
ASSETS		
Cash and investments	\$ 803,376	\$ 803,376
Accounts receivable	2,100	2,100
Interest receivable	801	801
Total assets	\$ 806,277	\$ 806,277
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 54,088	\$ 54,088
Accrued liabilities	18,481	18,481
Total liabilities	72,569	72,569
Fund balances:		
Unreserved:		
Designated for compensated absences	56,298	56,298
Designated for fire hazard abatement	28,500	28,500
Designated for apparatus replacement	51,400	51,400
Undesignated	597,510	597,510
Total fund balances	733,708	733,708
Total liabilities and fund balances	\$ 806,277	\$ 806,277

See accompanying notes to basic financial statements

ROSS VALLEY FIRE DEPARTMENT
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET
TO THE GOVERNMENT -WIDE STATEMENT OF NET ASSETS
JUNE 30, 2010

Total Fund Balances - Total Government Funds \$ 733,708

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

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

Capital assets	\$	3,266,002	
Less: Accumulated depreciation		1,629,327	1,636,675

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

Capital leases		(398,092)	
Compensated absences		(810,609)	(1,208,701)

Net Assets of Governmental Activities **\$ 1,161,682**

See accompanying notes to basic financial statements

ROSS VALLEY FIRE DEPARTMENT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>General Fund</u>	<u>Total Governmental Funds</u>
Revenues		
Intergovernmental:		
Town of San Anselmo (Contract)	\$ 3,976,420	\$ 3,976,420
Town of Fairfax (Contract)	1,736,827	1,736,827
County of Marin (Contract)	120,775	120,775
Town of Ross (Contract)	24,000	24,000
State of California OES	112,233	112,233
Other sources	<u>229,481</u>	<u>229,481</u>
Total intergovernmental	6,199,736	6,199,736
Charges for services	67,178	67,178
Investment earnings	3,771	3,771
Miscellaneous	<u>4,611</u>	<u>4,611</u>
Total revenues	<u>6,275,296</u>	<u>6,275,296</u>
Expenditures		
Current:		
Salaries and benefits	5,274,182	5,274,182
Services and supplies	707,734	707,734
Debt service:		
Principal	125,967	125,967
Interest	6,396	6,396
Capital outlay	<u>603,013</u>	<u>603,013</u>
Total expenditures	<u>6,717,292</u>	<u>6,717,292</u>
Deficiency of revenues under expenditures	(441,996)	(441,996)
Other Financing Sources and (Uses)		
Proceeds of long-term debt	<u>398,092</u>	<u>398,092</u>
Total other financing sources and (uses)	<u>398,092</u>	<u>398,092</u>
Deficiency of revenues and other financing sources (uses) under expenditures	(43,904)	(43,904)
Fund balances - beginning of year	<u>777,612</u>	<u>777,612</u>
Fund balances - end of year	<u>\$ 733,708</u>	<u>\$ 733,708</u>

See accompanying notes to basic financial statements

ROSS VALLEY FIRE DEPARTMENT
GOVERNMENTAL FUNDS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Net Changes in Fund Balances - Total Governmental Funds \$ (43,904)

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

Governmental funds report capital outlays as expenditures.

However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and recorded as depreciation expense

Capital outlay	\$ 547,791	
Depreciation expense	<u>(157,748)</u>	390,043

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	(36,499)
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Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets

Principal repayments on long-term debt	125,967	
Long-term debt proceeds - Capital lease	<u>(398,092)</u>	<u>(272,125)</u>

Total Changes in Net Assets of Governmental Activities **\$ 37,515**

See accompanying notes to basic financial statements

NOTES TO BASIC FINANCIAL STATEMENTS

ROSS VALLEY FIRE DEPARTMENT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1 - Summary of significant accounting policies:

Description of the Ross Valley Fire Department:

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

Description of funds

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 2010, the Department had one fund.

Government - Wide Financial Statements

The Department's Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental Activities for the 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 Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

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

ROSS VALLEY FIRE DEPARTMENT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

to which each program is self-financing or draws from the general revenues of the Department. In fiscal 2010, the Department operated one government program.

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

Separate financial statements are provided for governmental funds. Fund financial statements report detailed information about the 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, 2010.

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

Governmental Fund Financial Statements

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

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

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

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

ROSS VALLEY FIRE DEPARTMENT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

The Department's General Fund was the only major fund in the fiscal year ended June 30, 2010. 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.

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.

Encumbrances

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

Cash and investments

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

Investments are stated at cost, which approximates fair value at June 30, 2010.

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

ROSS VALLEY FIRE DEPARTMENT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

New Accounting Pronouncement

In February 2009, the Governmental Accounting Standards Board issued Statement of Governmental Accounting Standards No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes new categories for reporting fund balance and revises the definitions for governmental fund types. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010.

NOTE 2 - Cash and investments:

Cash deposits

The Department maintains its cash in demand deposits with federally insured banks. The bank balances are covered up to \$250,000 by federal depository insurance at June 30, 2010. At June 30, 2010, the book balance was \$225,665 and the bank balance was \$305,947. The difference between the carrying amount and the bank balances is due to checks outstanding as of June 30, 2010.

Investments

The Department also invests in the Local Authority Investments Fund ("LAIF") maintained by the Treasurer of the State of California, which primarily invests in insured or collateralized cash equivalents and debt securities with average maturities of less than one year. The Department's deposits are available for withdrawal on demand. Cash invested with LAIF as of June 30, 2010 was \$577,711, and these investments are carried at a value not materially different from fair value.

	<u>Carrying Value</u>	<u>Fair Value</u>
State of California Local Agency Investment Fund	\$ 577,711	\$ 578,660
Cash in checking accounts	225,665	225,665
	<u>\$ 803,376</u>	<u>\$ 804,325</u>
Unrestricted	\$ 803,376	
Restricted	-	
	<u>\$ 803,376</u>	

ROSS VALLEY FIRE DEPARTMENT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

Investment Type	Remaining Maturity (in Months)				
	Fair Value	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
State Investment Pool (LAIF)	\$ 577,711	\$ 577,711	\$ -	\$ -	\$ -
Total	<u>\$ 577,711</u>	<u>\$ 577,711</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Investment Type	Fair Value	Exempt From Disclosure	Rating as of Fiscal Year End	
			AAA	Not Rated
State Investment Pool (LAIF)	\$ 577,711	\$ -	\$ -	\$ 577,711
Total	<u>\$ 577,711</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 577,711</u>

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. The Department's capitalization threshold is \$500.

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

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

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

ROSS VALLEY FIRE DEPARTMENT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

A summary of changes in capital assets for the fiscal year ended June 30, 2010 is as follows:

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Dispositions/ Adjustments</u>	<u>Balance</u> <u>June 30, 2010</u>
Vehicles	\$ 1,728,504	\$ -	\$ (6,264)	\$ 1,722,240
Vehicle - CIP	-	498,092	-	498,092
Machinery and equipment	853,835	81,089	(73,253)	861,671
Furniture and fixtures	27,621	-	(1,345)	26,276
Building improvements	157,723	-	-	157,723
	<u>2,767,683</u>	<u>579,181</u>	<u>(80,862)</u>	<u>3,266,002</u>
Less: accumulated				
depreciation	<u>1,521,051</u>	<u>157,748</u>	<u>(49,472)</u>	<u>1,629,327</u>
Total capital assets, net	<u>\$ 1,246,632</u>	<u>\$ 421,433</u>	<u>\$ (31,390)</u>	<u>\$ 1,636,675</u>

NOTE 4 - Deferred compensation arrangement:

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

NOTE 5 - Compensated absences:

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

Additionally, employees may earn 1-1/2 compensatory hours for each hour of off-duty attendance of qualified educational programs. Compensatory hours of those employees who earn an

ROSS VALLEY FIRE DEPARTMENT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

educational incentive are assessed annually to ensure that they have met their statutory 30 hours per year of education. These required hours may not be used for any other purpose and are deducted from each qualifying employee's total compensatory hours. Employees with balances of less than 30 hours at the time of the annual assessment forfeit their right to educational incentive until the statutory 30 hours is achieved. Any remaining balance after applying the deduction is accumulated to a maximum of 240 hours.

Compensatory absences as shown on the Statement of Net Assets include the value of accumulated vacation, the portion of sick pay benefits expected to be paid at retirement and the value of compensatory time accumulated. The Department estimates that \$68,055 will be paid in compensated absences upon retirements in 2010-2011. Other benefits are expected to be paid in future periods.

NOTE 6 - Long-term debt:

The following is a schedule of changes in long-term debt for the fiscal year ended June 30, 2010:

	Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010	Due in One Year
2003 Capital Lease - Fire Engine	\$ 72,514	\$ -	\$ (72,514)	\$ -	\$ -
Capital Lease - Vehicles	53,453		(53,453)	-	-
2010 Capital Lease - Fire Engine	-	398,092	-	398,092	78,627
	125,967	398,092	(125,967)	398,092	78,627
Compensated absences	774,110	36,499	-	810,609	68,055
Total	\$ 900,077	\$ 434,591	\$ (125,967)	\$ 1,208,701	\$ 146,682

The Department's total lease obligation for fiscal 2010 is \$132,363, which includes a remaining obligation under the 1999 capital lease discussed below.

1999 Capital lease - Fire Engine: In October 1999, the Department entered into a lease purchase agreement to finance a Pierce Saber Type 1 Fire Engine for the amount of \$269,999. Accumulated depreciation as of June 30, 2010 related to this fire engine was \$141,750. The lease provides for annual payments of \$63,210 including principal and interest commencing October 20, 2000 and ending October 20, 2006. This lease obligation was rolled into the 2003 capital lease discussed below.

2003 Capital lease - Fire Engine: In May 2003, the Department entered into a lease purchase agreement to finance a Pierce Saber All Wheel Steer Pumper Fire Engine for a total purchase price of \$332,198. Accumulated depreciation as of June 30, 2010 related to this fire engine was \$107,966. The lease obligation for the purchase of the 2003 fire engine was recognized in fiscal 2004, when the fire engine was delivered and placed in service. The 2003 capital lease provides for one payment of

ROSS VALLEY FIRE DEPARTMENT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

\$63,210, including principal and interest, on July 27, 2003 and six annual payments of \$75,581, including principal and interest, commencing July 27, 2006 and ending July 27, 2009.

Capital lease - Vehicles: In June 2008, the Department entered into a lease purchase agreement to finance one 2008 Chevy Tahoe and one 2008 Chevy Silverado Truck for the total amount of \$72,417. Accumulated depreciation as of June 30, 2010 for these pickup trucks was \$18,390. The lease provides for annual payments of \$19,537 including principal and interest commencing July 31, 2008 and ending July 21, 2011. The remaining balance was paid off in April 2010.

2010 Capital lease - Fire Engine: In March 2010, the Department entered into a lease purchase agreement to finance a Pierce Type I Fire Engine for a total purchase price of \$498,092, consisting of a \$100,000 down payment and \$398,092 capital lease. Accumulated depreciation as of June 30, 2010 related to this fire engine was \$0, as this asset was not in service as of June 30, 2010. The 2010 capital lease provides for six annual payments of \$88,383, including principal and interest, commencing October 26, 2010 and ending October 26, 2014. The Department took advantage of a 100% prepay discount for the construction of the fire apparatus. Delivery and acceptance of the engine is expected to occur in November 2010.

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

<u>Fiscal year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 78,627	\$ 9,756	\$ 88,383
2012	75,029	13,354	88,383
2013	78,166	10,217	88,383
2014	81,433	6,950	88,383
2015	84,837	3,546	88,383
	<u>\$ 398,092</u>	<u>\$ 43,823</u>	<u>\$ 441,915</u>

NOTE 7 - Operating lease:

In August 2009, the Department entered into a contract to lease a digital copy system. The lease is for 48 months and requires a monthly payment of \$206. Rent expense under this lease during the year was \$2,060.

ROSS VALLEY FIRE DEPARTMENT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

The minimum future obligation under this operating lease is as follows:

<u>Fiscal year ending June 30</u>	<u>Amount</u>
2011	\$ 2,472
2012	2,472
2013	2,472
2014	412
	<u>\$ 7,828</u>

NOTE 8 - Employee benefits - defined benefit pension plan:

Plan description

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

Funding policy

Participants are required to contribute 9% (for safety employees) and 8% (for non-safety employees) of their annual covered salary. The Department makes the contributions required of Authority employees on their behalf and for their account. The Department is required to contribute at an actuarially determined rate; the current rate is 0.000% for non-safety employees, and 36.104% for fire-safety employees, of annual covered payroll. The contribution requirements of plan members and the Department are established, and may be amended, by PERS.

Annual pension cost

For 2010, the Department's annual pension cost of \$1,324,602 for PERS was equal to the Department's required and actual contributions. The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis.

ROSS VALLEY FIRE DEPARTMENT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Three year trend information for PERS

	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2010	\$ 1,324,602	100%	\$ -
6/30/2009	1,310,308	100%	-
6/30/2008	1,136,227	100%	-

NOTE 9 - Post employment benefits other than retirement:

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

(1) Post retirement health care benefits to all employees who retire with at least 5 years of service. All eligible retirees may continue medical coverage with the plans provided for active employees. Currently, twenty-two retirees and seven surviving spouses meet the eligibility requirements. The Department's cost is reduced to the uncovered Medicare portion when the retiree or retiree's surviving spouse attains the age of 65. The Department accounts for these benefits on the pre funding level percentage of pay method. The Department's cost for fiscal year ended June 30, 2010 was \$299,981.

(2) Life-time medical benefits for workers compensation claims (as defined) to certain past employees. Currently, two past employees are eligible for these post employment benefit payments. The Department accounts for these benefits on the pay as you go method. The Department's cost for fiscal year ended June 30, 2010 was \$168.

NOTE 10 - Post-retirement health benefits:

Plan Description

During the fiscal year ended June 30, 2010, the Department implemented Governmental Accounting Standards Board Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and Governmental Accounting Standards Board Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* ("GASB Statement No. 45"). These statements established uniform financial reporting standards for employers providing postemployment benefits. The provisions of this statement are applied on a prospective basis.

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

ROSS VALLEY FIRE DEPARTMENT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Funding Policy

The Department's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount which was determined as part of a January 1, 2008 actuarial evaluation in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the Department over a period not to exceed thirty years. The ARC is subject to change with each actuarial evaluation date performed at least every three years.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution / Annual OPEB cost	\$ 299,981
Contributions made	<u>(299,981)</u>
Increase in net OPEB obligation	-
Net OPEB obligation - beginning of the year	<u>-</u>
Net OPEB obligation - end of the year	<u><u>\$ -</u></u>

Actuarial Methods and Assumptions

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

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

In the January 1, 2008 actuarial evaluation, the entry age actuarial cost method was used. The actuarial assumptions include a 7.75% investment rate of return and payroll increases of 3.25% per year. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll over 30 years.

ROSS VALLEY FIRE DEPARTMENT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Funding Status and Funding Progress

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

Following is a schedule of funding progress:

Fiscal year ended June 30	Annual OPEB		Percentage of Annual OPEB	
	Cost	Contributions	Cost Contributed	Net OPEB Obligation
2010	\$ 299,981	\$ 299,981	100%	\$ -

Note: Three-year funding progress data will be shown when three years' funding progress data becomes available.

NOTE 11 - Public entity risk pools:

Fire Agencies Self Insurance System

Effective September 1993, the Department was self-insured for workers' compensation coverage as a member of the Fire Agencies Self-Insurance System (the "System"). The System is a public Authority risk pool created pursuant to a joint powers agreement between the 203 member fire agencies. The System manages one pool for all member agencies. Each member pays an annual premium to the System based on the number of personnel, and estimated dollar amount of payroll and an experience factor. At fiscal year end, when actual payroll expenses are available, an adjustment to the year's annual premium is made. The System reinsures through a commercial carrier for claims in excess of \$500,000 for each insured event. The System is not a component entity of the Authority for purposes of Government Standards Board Statement No. 14. Condensed financial information (unaudited) for the System as of June 30, 2010 is as follows:

ROSS VALLEY FIRE DEPARTMENT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Total assets	\$ 46,360,002
Total liabilities	<u>23,606,520</u>
Fund equity	<u><u>\$ 22,753,482</u></u>
Total operating revenues	\$ 8,843,022
Total operating expenses	<u>9,312,732</u>
Operating income (loss)	(469,710)
Non-operating revenue	<u>1,051,114</u>
Net income	<u><u>\$ 581,404</u></u>

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

Estimated outstanding losses, including allocated loss adjusting expenses (ALAE) as of June 30, 2010, are the cost of unpaid claims. The estimated outstanding losses include case reserves and a provision that includes development of known claims and late reported claims, collectively referred to as IBNR. All other ALAE are the direct settlement expenses for specific claims, primarily legal expenses. The actuarial consultants estimated the outstanding liability for future claims, ALAE, and IBNR to be \$23,451,033 at the expected level discounted for present value. Components of the liability represent:

Unpaid claims and claim adjustment expenses at June 30, 2009	<u>\$ 21,221,720</u>
Incurred claims and claim adjustment expenses:	
Provision for insured events of the current fiscal year	5,703,504
Increases in provisions for insured events of prior fiscal years	<u>1,438,522</u>
Total incurred claims and claim adjustment expenses	<u>7,142,026</u>
Payments:	
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	1,001,022
Claims and claim adjustment expenses attributable to insured events of the prior fiscal years	<u>3,911,691</u>
Total payments	<u>4,912,713</u>
Unpaid claims and claim adjustment expenses at June 30, 2010	<u><u>\$ 23,451,033</u></u>

Financial statements for the System may be obtained from 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA, 95833.

Fire Agencies Insurance Risk Authority

ROSS VALLEY FIRE DEPARTMENT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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, 2011. 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.

Condensed financial information for the Risk Authority as of June 30, 2010 is as follows:

Total assets	\$ 2,687,654
Total liabilities	71,397
Fund equity	<u>\$ 2,616,257</u>
Total operating revenues	\$ 2,738,100
Total operating expenses	2,696,527
Operating income	41,573
Non-operating revenue	97,884
Net income	<u>\$ 139,457</u>

Financial statements for the Risk Authority may be obtained from 451 Airport Road, Suite D, Novato, CA, 94945.

NOTE 12 - Contingencies:

On February 4, 1991, the Department was awarded a judgment of \$464,000, plus interest, relating to embezzlements committed by a former employee over several years. On July 18, 2006 the judgment was renewed to extend the period of enforceability through to July 17, 2016 and the total renewed judgment was \$277,567. As of June 30, 2010, the balance owed is \$384,280 (including interest of \$108,713 at 10% per annum). This receivable is not recorded in the accompanying Statement of Net Assets.

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

ROSS VALLEY FIRE DEPARTMENT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 13 - Subsequent events:

The Department has evaluated subsequent events through November 11, 2010. As of July 1, 2010, the Fire Service JPA was expanded to include Sleepy Hollow Fire Protection District as a full member. The Fire Board was expanded to six voting members, two from the Fairfax Town Council, two from the San Anselmo Town Council, and two from the Sleepy Hollow Fire Protection District Board of Directors. With the expansion of the JPA, Sleepy Hollow Fire Protection District ended its contractual relationship with the Town of San Anselmo for fire protection. Additionally, as part of the Amended and Restated JPA agreement, the name of the Department was changed from Ross Valley Fire Service to the Ross Valley Fire Department.

NOTE 14 - Excess of expenses over fund appropriations:

	<u>Appropriation</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund:			
Debt Service	\$ 132,342	\$ 132,363	\$ (21)

The excess expenses for fiscal 2010 were funded by available financial resources.

ROSS VALLEY FIRE DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original and Final Budgeted Amounts	Actual Amounts	Variance Positive (Negative)
Revenues			
Intergovernmental:			
Town of San Anselmo (Contract)	\$ 3,976,420	\$ 3,976,420	\$ -
Town of Fairfax (Contract)	1,736,827	1,736,827	-
County of Marin (Contract)	120,775	120,775	-
Town of Ross (Contract)	24,000	24,000	-
State of California OES	112,233	112,233	-
Other sources	229,353	229,481	128
Total intergovernmental	6,199,608	6,199,736	128
Charges for services	54,000	67,178	13,178
Investment earnings	3,775	3,771	(4)
Miscellaneous	48,662	4,611	(44,051)
Total revenues	6,306,045	6,275,296	(30,749)
Expenditures			
Current:			
Salaries and benefits	5,308,546	5,274,182	34,364
Services and supplies	814,502	707,734	106,768
Debt service:			
Principal	125,967	125,967	-
Interest	6,375	6,396	(21)
Capital outlay	605,244	603,013	2,231
Total expenditures	6,860,634	6,717,292	143,342
Deficiency of revenues under expenditures	(554,589)	(441,996)	112,593
Other Financing Sources and (Uses)			
Proceeds of long-term debt	398,092	398,092	-
Total other financing sources and (uses)	398,092	398,092	-
Deficiency of revenues and other financing sources (uses) under expenditures	\$ (156,497)	(43,904)	\$ 112,593
Fund balances - beginning of year		777,612	
Fund balances - end of year		\$ 733,708	

REQUIRED SUPPLEMENTARY INFORMATION

ROSS VALLEY FIRE DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION - PERS
SCHEDULE OF FUNDING PROGRESS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

Safety 3.0% at 55 Risk Pool

Valuation Date	Accrued Liabilities (AL)	Actuarial Value of Assets (AVA)	Unfunded Liabilities (UL)	Funded Ratio (AVA/AL)	Annual Covered Payroll	UL as a % of Payroll
6/30/2004	\$ 1,252,474,736	\$ 1,026,500,742	\$ 225,973,994	82.0%	\$ 154,903,754	145.9%
6/30/2005	\$ 1,325,510,754	\$ 1,105,298,221	\$ 220,212,533	83.4%	\$ 161,446,071	136.4%
6/30/2006	\$ 1,473,284,852	\$ 1,252,059,468	\$ 221,225,384	85.0%	\$ 177,088,890	124.9%
6/30/2007	\$ 1,648,159,522	\$ 1,422,143,105	\$ 226,016,417	86.3%	\$ 200,537,256	112.7%
6/30/2008	\$ 1,755,559,311	\$ 1,517,609,609	\$ 237,949,702	86.4%	\$ 210,590,567	113.0%
6/30/2009			*** Not Available ***			
6/30/2010			*** Not Available ***			

Miscellaneous 2.7% at 55 Risk Pool

Valuation Date	Accrued Liabilities (AL)	Actuarial Value of Assets (AVA)	Unfunded Liabilities (UL)	Funded Ratio (AVA/AL)	Annual Covered Payroll	UL as a % of Payroll
6/30/2004	\$ 681,517,006	\$ 580,960,891	\$ 100,556,115	85.2%	\$ 160,107,449	62.8%
6/30/2005	\$ 872,346,612	\$ 729,556,809	\$ 142,789,803	83.6%	\$ 203,995,039	70.0%
6/30/2006	\$ 1,280,157,040	\$ 1,069,546,974	\$ 210,610,066	83.5%	\$ 304,898,179	69.1%
6/30/2007	\$ 1,627,025,950	\$ 1,362,059,317	\$ 264,966,633	83.7%	\$ 376,292,121	70.4%
6/30/2008	\$ 1,823,366,479	\$ 1,529,548,799	\$ 293,817,680	83.9%	\$ 414,589,514	70.9%
6/30/2009			*** Not Available ***			
6/30/2010			*** Not Available ***			