ROSS VALLEY FIRE DEPARTMENT

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

This Page Left Intentionally Blank

ROSS VALLEY FIRE DEPARTMENT
BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

INTRODUCTORY SECTION **Page**

Table of Contents i

FINANCIAL SECTION

Independent Auditor's Report 1

Management's Discussion and Analysis 3

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Position 13

Statement of Activities 14

Governmental Fund Financial Statements:

Balance Sheet – Governmental Funds 17

Reconciliation of the Governmental Funds Balance Sheet with the Statement of Net Position 18

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds 19

Reconciliation of the Net Change in Fund Balances – Total Governmental Funds with the Statement of Activities 20

Notes to the Basic Financial Statements 21

REQUIRED SUPPLEMENTAL INFORMATION

Cost-Sharing Employer Defined Pension Plan:

Schedule of the Plan's Proportionate Share of the Net Pension Liability and Related Ratio as of the Measurement Date 43

Schedule of Contributions 44

Schedule of Funding Progress – Other Post-Employment Benefits 45

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual 46

This Page Left Intentionally Blank

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, 2017, 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, 2017, 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.

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W **mazeassociates.com**

Other Matters

Required Supplementary Information

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

Maze & Associates

Pleasant Hill, California
November 29, 2017

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, 2017. 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, 2017, the Department's total net position is ($6,347,830), an increase of $607,795 from last year ($6,955,625). The increase is due mainly to a decrease in long term debt of $542,190 from prior year.

- 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 $2,999,503, deferred outflows of resources at $3,294,943, total liabilities of $11,590,899, deferred inflows of resources at $1,051,377, and net position of ($6,347,830).

- The Department's total program revenue was $9,625,934 and total program expenditures were $9,480,458, resulting in an increase of $145,476 to the net position.

- The Department's capital assets, totaled $3,802,633 including $ 2,390,220 in accumulated depreciation, resulting in net capital assets of $1,412,413, a decrease of $67,163 from fiscal year 2016.

- The Department's long-term debt and obligations totaled $11,414,066 as of June 30, 2017, an increase of $2,772,479 compared to the prior fiscal year. The increase is primarily due to the increase of net pension liability.

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

- Total revenue increased from $9,598,396 in fiscal year 2016 to $10,088,253 in fiscal year 2017 and expenditures increased from $9,225,214 to $9,889,288. 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 $198,965 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 21-39

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 42-46

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
	2017	2016	Change
Cash and investments	$ 1,217,485	$ 1,338,192	-9%
Capital assets, net	1,412,413	1,479,576	-5%
Pension assets	21,470	13,249	62%
Other assets	348,135	177,907	96%
Total assets	**2,999,503**	**3,008,924**	0%
Pension related	3,294,943	1,214,092	171%
Total deferred outflows of resources	**3,294,943**	**1,214,092**	171%
Long-term debt, net	$925,055	$1,479,791	-37%
Other liabilities	10,665,844	8,012,425	33%
Total liabilities	**11,590,899**	**9,492,216**	22%
Pension related	1,051,377	1,686,425	-38%
Total deferred invlows of resources	**1,051,377**	**1,686,425**	-38%
Net investment in capital assets	1,412,413	1,479,576	-5%
Unrestricted	(7,760,243)	(8,435,201)	-8%
Net position	**$ (6,347,830)**	**$ (6,955,625)**	-9%

The Department's net position indicates that liabilities exceed assets by $6,347,830 as of June 30, 2017. This is due largely to the application of GASB 68 which requires that net pension liabilities be included in the government wide statements.

Total assets remain flat as compared to last year.

Long term debt decreased by $554,736. Long-term debt includes compensated absences and the Pension Obligation Bonds.

Other liabilities increased by $2,653,419. Other liabilities include; accounts payable, accrued liabilities, and pension obligation.

Investment in capital assets consists of capital assets less any related debt that is still outstanding, which decreased by $67,163.

Analysis of Changes in Net Position

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

	Activities 2017	Activities 2016	Percent Change
Revenues:			
Program revenues:			
Charges for services	$ 9,625,934	$ 9,263,908	4%
General revenues:			
Investment earnings	4,407	3,621	22%
Miscellaneous	65,840	6,871	858%
Prior authority retirement	392,072	323,996	21%
Total revenues	**10,088,253**	**9,598,396**	5%
Expenses:			
Fire services	9,480,458	8,237,907	15%
Total expenses	**9,480,458**	**8,237,907**	15%
Change	**$ 607,795**	**$ 1,360,489**	-55%

Revenues increased by $489,857 and expenses increased by $1,242,551 from 2016 levels. Net position increased by $607,795.

GOVERNMENTAL FUNDS ANALYSIS

The following schedule presents a summary of general fund revenues and expenditures for the fiscal years ended June 30, 2017 and 2016.

	2017	2016
Revenues:		
Intergovernmental:		
Town of San Anselmo (Contract)	$ 3,045,097	$ 2,883,411
Town of Fairfax (Contract)	1,750,143	1,657,215
Sleepy Hollow (Contract)	961,451	910,401
County of Marin (Contract)	152,834	141,683
Town of Ross (Contract)	1,754,649	1,661,482
Ross Apprentice Program		
Prior Authority		
Side fund payment	603,860	584,223
Retiree health	154,474	154,474
MERA Bond	34,291	38,220
Debt service contribution	392,072	
Other sources	768,766	1,232,481
Fire Prevention Fees	400,369	324,314
Investment earnings	4,407	3,621
Miscellaneous	65,840	6,871
Total revenue	10,088,253	9,598,396
Expenditures:		
Salaries and benefits	8,257,640	7,242,453
Services and supplies	932,149	1,281,793
Debt service:		
Principal	592,514	556,254
Interest	10,568	27,969
Capital outlay	96,417	116,745
Total expenditures	9,889,288	9,225,214
Excess of expenditures over revenues	198,965	373,182
Fund balances, beginning of year	1,304,605	931,423
Fund balances, end of year	$ 1,503,570	$ 1,304,605

COMMENTS ON BUDGET COMPARISONS – see Required Supplementary information page 46

Revenue: Total revenue was higher than the budgeted amount by $605,339, or 6.4%. Charges for services such as resale inspections and plan checks, exceeded budget estimates by $58,369. Reimbursements from Office of Emergency Services and for worker's compensation payments accounted for the remainder of the increase since these reimbursements are not budgeted. Total revenue increased by $489,857 when compared with prior year revenue.

Expenditures: Total expenditures exceeded the final budget by $410,320, or 4%. Salaries and Benefits were over budget by $300,587. This was primarily due to unbudgeted expenses that were related to Office of Emergency Services responses. Services and Supplies exceeded budgeted amounts by $243,066, including paramedic response supplies which exceeded budget estimates by $28,880.

Total expenditures increased by $664,074 as compared to the previous fiscal year. The increase was largely due to increased labor costs.

HISTORY AND ECONOMIC FACTORS

Ross Valley Fire Service was formed in 1982 by merging the Fire Departments of the Towns of Fairfax and San Anselmo through a Joint Powers Agreement. In addition to these two entities, the Sleepy Hollow Fire Protection District contracted with the Town of San Anselmo to provide fire protection services, through June 2010.

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

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

The Department is mainly funded directly by each of the member agencies, so it must compete with Police, Public Works, etc. for General Fund dollars. The Department also provides contract services to the County of Marin, for initial response to the unincorporated areas which 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.

This Page Left Intentionally Blank

ROSS VALLEY FIRE DEPARTMENT

STATEMENT OF NET POSITION
AND STATEMENT OF ACTIVITIES

This Page Left Intentionally Blank

ROSS VALLEY FIRE DEPARTMENT
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
ASSETS	
Current Assets:	
Cash and investments (Note 2)	$1,217,485
Accounts receivable	346,768
Interest receivable	1,367
Capital assets, net of accumulated depreciation (Note 3)	1,412,413
Net OPEB asset (Note 9)	21,470
Total Assets	2,999,503
DEFERRED OUTFLOWS OF RESOURCES	
Pension related (Note 8)	3,294,943
LIABILITIES	
Current Liabilities:	
Accounts payable	6,279
Accrued liabilities	55,771
Compensated absences (Note 5)	64,459
Long-term debt (Note 6)	50,324
Total Current Liabilities	176,833
Non-Current Liabilities:	
Compensated absences (Note 5)	810,272
Net pension liability (Note 8)	10,603,794
Total Non-Current Liabilities	11,414,066
Total Liabilities	11,590,899
DEFERRED INFLOWS OF RESOURCES	
Pension related (Note 8)	1,051,377
Total Deferred Inflows	1,051,377
NET POSITION (Note 7)	
Net investment in capital assets	1,412,413
Unrestricted	(7,760,243)
Total Net Position	($6,347,830)

See accompanying notes to basic financial statements

ROSS VALLEY FIRE DEPARTMENT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Expenses:	
Public safety - fire protection:	
Personnel services	$8,374,161
Services and supplies	935,855
Depreciation	159,874
Interest	10,568
Total Program Expenses	9,480,458
Program revenues:	
Charges for services	9,625,934
Total Program Revenues	9,625,934
Net program revenue under expenses	145,476
General revenues:	
Investment earnings	4,407
Miscellaneous	65,840
Prior authority retirement	392,072
Total General Revenues	462,319
Change in Net Position	607,795
Net Position - beginning of year	(6,955,625)
Net Position - end of year	($6,347,830)

See accompanying notes to basic financial statements

FUND FINANCIAL STATEMENTS

MAJOR GOVERNMENTAL FUND

This Page Left Intentionally Blank

ROSS VALLEY FIRE DEPARTMENT
GOVERNMENTAL FUND
BALANCE SHEET
JUNE 30, 2017

	General
ASSETS	
Cash and investments (Note 2)	$1,217,485
Accounts receivable	346,768
Interest receivable	1,367
Total Assets	$1,565,620
LIABILITIES	
Accounts payable	$6,279
Accrued liabilities	55,771
Total Liabilities	62,050
FUND BALANCES (Note 7)	
Restricted	
Pension obligation bonds	1,246
Assigned:	
Compensated absences	77,749
Equipment	541,434
Breathing apparatus	120,000
Unassigned	763,141
Total Fund Balances	1,503,570
Total Liabilities and Fund Balances	$1,565,620

See accompanying notes to basic financial statements

ROSS VALLEY FIRE DEPARTMENT
Reconciliation of the
GOVERNMENTAL FUND - BALANCE SHEET
with the
STATEMENT OF NET POSITION
JUNE 30, 2017

Total Fund Balances - Total Government Funds	$1,503,570
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	3,802,633
Less: Accumulated depreciation	(2,390,220)
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	3,294,943
Deferred inflows	(1,051,377)
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:	
Pension obligation bonds and capital leases	(50,324)
Compensated absences	(874,731)
Net OPEB asset	21,470
Net pension liability	(10,603,794)
NET POSITION OF GOVERNMENTAL ACTIVITIES	($6,347,830)

See accompanying notes to basic financial statements

ROSS VALLEY FIRE DEPARTMENT
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	General
REVENUES:	
Intergovernmental:	
Town of San Anselmo (Contract)	$3,045,097
Town of Fairfax (Contract)	1,750,143
Sleepy Hollow (Contract)	961,451
County of Marin (Contract)	152,834
Town of Ross (Contract)	1,754,649
Prior Authority:	
Side fund payment	603,860
Retiree health	154,474
MERA Bond	34,291
Retirement Contributions	392,072
Other sources	768,766
Fire prevention fees	400,369
Investment earnings	4,407
Miscellaneous	65,840
Total Revenues	10,088,253
EXPENDITURES:	
Current:	
Salaries and benefits	8,257,640
Services and supplies	932,149
Debt service:	
Principal	592,514
Interest	10,568
Capital Outlay	96,417
Total Expenditures	9,889,288
Net change in fund balance	198,965
Fund balances - beginning of year	1,304,605
Fund balances - end of year	$1,503,570

See accompanying notes to basic financial statements

ROSS VALLEY FIRE DEPARTMENT
Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUND
with the
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Net Change in Fund Balances - Total Governmental Funds	$198,965
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	96,417
Depreciation expense	(159,874)
Loss on disposal	(3,706)
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	(37,778)
Change in OPEB	8,221
Pension expense	(86,964)
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	592,514
Change in Net Position of Governmental Activities	$607,795

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 2017, 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 2017, 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, 2017.

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, 2017. 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.

Expenditures exceeded budget for the following funds:

Fund	Expenditures in Excess of Appropriations
General Fund	$410,320

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, 2017.

NOTE 2 – CASH AND INVESTMENTS (Continued)

B. Classification

The Department's cash and investments consist of the following at June 30, 2017:

Local Agency Investment Fund (LAIF)	$593,755
Cash in checking accounts	622,484
Cash with fiscal agent	1,246
Total cash and investments	$1,217,485

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, 2017, the Department held $593,755 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, 2017, these investments matured in an average of 194 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, 2017 is as follows:

	Balance at June 30, 2016	Additions	Deletions	Balance at June 30, 2017
Capital assets being depreciated:				
Vehicles	$2,145,607		($22,000)	$2,123,607
Machinery and equipment	1,423,023	$95,052	(40,098)	1,477,977
Furniture and fixtures	40,213	1,365	(3,303)	38,275
Building Improvements	162,774			162,774
Total capital assets being depreciated	3,771,617	96,417	(65,401)	3,802,633
Less accumulated depreciation for:				
Vehicles	1,362,643	76,666	(22,000)	1,417,309
Machinery and equipment	838,487	75,347	(36,392)	877,442
Furniture and fixtures	35,473	1,448	(3,303)	33,618
Building Improvements	55,438	6,413		61,851
Total accumulated depreciation	2,292,041	159,874	(61,695)	2,390,220
Net capital assets being depreciated	$1,479,576	($63,457)	($3,706)	$1,412,413

NOTE 4 – DEFERRED COMPENSATION ARRANGEMENT

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

NOTE 5 – COMPENSATED ABSENCES

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

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

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

The following is a schedule of changes in compensated absences for the fiscal year ended June 30, 2017:

Beginning Balance	$836,953
Additions	114,430
Payments	(76,652)
Ending Balance	$874,731
Current Portion	$64,459

NOTE 6 – LONG-TERM DEBT

The following is a schedule of changes in long-term debt for the fiscal year ended June 30, 2017:

	Balance June 30, 2016	Retirements	Balance June 30, 2017	Current Portion
Pension Obligation Bonds	$642,838	$592,514	$50,324	$50,324
Total	$642,838	$592,514	$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, 2017, the outstanding balance was $50,324.

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

Ending June 30	Principal	Interest	Total
2018	$50,324	$127	$50,451

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 District cannot unilaterally alter. These principally include debt service and acquisition and construction of facilities and equipment.

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

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

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, 2017 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, 2017, the Department has restricted fund balance totaling $1,246.

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, 2017, the Department has assigned fund balances totaling $739,183.

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, 2017, the Department has unassigned fund balance totaling $763,141.

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

NOTE 8 – PENSION PLAN

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

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, 2017, 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	50
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	19.334%	12.821%

	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	52
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	11.634%	0.000%

NOTE 8 – PENSION PLAN (Continued)

Beginning in fiscal year 2016, CalPERS collects employer contributions for the plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward unfunded liability and side fund. The dollar amounts are billed on a monthly basis. The Departments' contribution for the unfunded liability and side fund was $996,073 in fiscal year 2017.

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, 2017, the contributions to the Plan were as follows:

	Safety	Miscellaneous	Total
Contributions - employer	$1,083,105	$28,516	$1,111,621

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

As of June 30, 2017, 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	$10,556,766
Miscellaneous	47,028
Total Net Pension Liability	$10,603,794

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 is measured as of June 30, 2016, 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, 2015 and 2016 was as follows:

	Safety	Miscellaneous
Proportion - June 30, 2015	0.189%	0.000%
Proportion - June 30, 2016	0.212%	0.000%
Change - Increase (Decrease)	0.023%	0.000%

NOTE 8 – PENSION PLAN (Continued)

For the year ended June 30, 2017, the Department recognized pension expense of $1,206,871. At June 30, 2017, 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	$1,111,621	
Differences between actual and expected experience	900	($75,566)
Changes in assumptions		(337,095)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	510,570	(572,329)
Net differences between projected and actual earnings on plan investments	1,658,619	
Adjustments due to differences in proportions	13,233	(66,387)
Total	$3,294,943	($1,051,377)

$1,111,621 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, 2017. 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
2018	($130,416)
2019	(39,155)
2020	869,787
2021	431,729

NOTE 8 – PENSION PLAN (Continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

	Safety & Miscellaneous Plans
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.2% - 20% (1)
Investment Rate of Return	7.5% (2)
Mortality	Derived using CalPERS Membership Data for all Funds (3)

(1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation
(3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvement 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.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of a January 2015 actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

Discount Rate – The discount rate used to measure the total pension liability was 7.65% 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 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% 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	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
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	6.65%	6.65%	6.65%
Net Pension Liability	$16,605,109	$147,627	$16,752,736
Current Discount Rate	7.65%	7.65%	7.65%
Net Pension Liability	$10,556,766	$47,028	$10,603,794
1% Increase	8.65%	8.65%	8.65%
Net Pension Liability	$5,591,696	($36,113)	$5,555,583

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

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

A. Retiree Medical Benefits:

The Department provides postretirement health care benefits to employees who retire from the Department. As of June 30, 2017 there were 31 participants receiving these health care benefits.

Plan Description

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

Funding Policy and Annual Pension Cost

The Department's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount which was determined as part of a July 1, 2015 actuarial evaluation in accordance with the parameters of GASB Statement No. 45, "Accounting and Financial Reporting of Postretirement Benefits Other than Pensions by State and Local Government Employers". The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the Department over a 30-year closed period, effective July 1, 2009. The ARC is subject to change with each actuarial evaluation date performed every two years.

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (Continued)

To comply with newly revised Actuarial Standard of Practice No. 6 (ASOP 6), the June 30, 2015 actuarial valuation includes an implicit subsidy liability. This liability was not calculated in prior reports because of the former "community rating" exemption for employers participating in large pooled health plans like CalPERS. When premiums for retirees are determined using a blend of active employee and retiree experience, it creates an implicit subsidy to the retirees, since retiree healthcare costs are generally higher than those of active employees. ASOP 6 effectively requires most public agencies to calculate an implicit subsidy liability whenever their retirees participate in the group medical plans, but pay the same premiums as active employees. ASOP 6 is effective for all actuarial valuations with a measurement dated on or after March 31, 2015.

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	$676,080
Adjustment to annual required contribution	(29)
Annual OPEB cost	676,051
Contributions made to the Trust	(403,094)
Benefits payments	(281,178)
(Decrease) increase in net OPEB obligations	(8,221)
Net OPEB obligation (asset) June 30, 2016	(13,249)
Net OPEB obligation (asset) June 30, 2017	($21,470)

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (Continued)

The Department's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2017 and the two preceding fiscal years were as follows:

Fiscal Year	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
June 30, 2015	$469,806	$482,496	103%	($12,690)
June 30, 2016	485,075	485,634	100%	(13,249)
June 30, 2017	676,051	684,272	101%	(21,470)

Funding Status and Funding Progress

The funded status of the Plan as of June 30, 2015, the Plan's most recent actuarial valuation date, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded (Overfunded) Actuarial Accrued Liability (B - A)	Funded Ratio (A/B)	Covered Payroll (C)	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll [(B - A)/C]
6/30/2015	1,673,839	8,495,948	6,822,109	19.70%	4,094,015	166.64%

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost 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 following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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.

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (Continued)

In the January 1, 2015 actuarial evaluation, the entry age actuarial cost method was used. The actuarial assumptions include 7.25% 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.

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

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, 2017, the balance owed was $607,539 which includes interest of $67,504 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.

This Page Left Intentionally Blank

REQUIRED SUPPLEMENTARY INFORMATION

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.

OTHER POST-EMPLOYMENT BENEFITS - SCHEDULE OF FUNDING PROGRESS

This schedule presents trend information about whether the actuarial value of plans assets is increasing or decreasing over time relative to the actuarial liability for benefits.

ROSS VALLEY FIRE DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2017

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**
Plan's proportion of the Net Pension Liability (Asset)	0.12390%	0.18934%	0.20383%
Plan's proportion share of the Net Pension Liability (Asset)	$7,709,944	$7,801,662	$10,556,766
Plan's Covered Payroll	$2,949,928	$3,479,598	$3,633,169
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	261.36%	224.21%	290.57%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	81.57%	91.54%	76.31%
Plan's Proportionate Share of Aggregate Employer Contributions	$956,435	$1,291,372	$1,192,485

	Miscellaneous		
	6/30/2014	**6/30/2015**	**6/30/2016**
Plan's proportion of the Net Pension Liability (Asset)	(0.00048%)	(0.00003%)	0.00135%
Plan's proportion share of the Net Pension Liability (Asset)	($30,150)	($730)	$47,028
Plan's Covered Payroll	$148,812	$163,900	$295,026
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	(18.55%)	(0.45%)	15.94%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	104.96%	100.11%	93.71%
Plan's Proportionate Share of Aggregate Employer Contributions	$17,262	$35,800	$23,266

*- 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, 2017

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

	Safety		
	Fiscal Year 2015	**Fiscal Year 2016**	**Fiscal Year 2017**
Actuarially determined contribution	$1,291,372	$1,192,485	$1,083,105
Contributions in relation to the actuarially determined contributions	(1,291,372)	(1,192,485)	(1,083,105)
Contribution deficiency (excess)	$0	$0	$0
Covered payroll	$3,499,269	$3,285,846	$3,677,391
Contributions as a percentage of covered-employee payroll	36.90%	36.29%	29.45%
Notes to Schedule			
Valuation date:	6/30/2013	6/30/2014	6/30/2015

	Miscellaneous		
	Fiscal Year 2015	**Fiscal Year 2016**	**Fiscal Year 2017**
Actuarially determined contribution	$35,800	$23,266	$28,516
Contributions in relation to the actuarially determined contributions	(35,800)	(23,266)	(28,516)
Contribution deficiency (excess)	$0	$0	$0
Covered payroll	$162,494	$176,620	$286,545
Contributions as a percentage of covered-employee payroll	10.84%	13.17%	9.95%
Notes to Schedule			
Valuation date:	6/30/2013	6/30/2014	6/30/2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	(1)
Investment rate of return	7.50% (2)
Mortality	Derived using CalPERS Membership Data
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation

* 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, 2017

Schedule of Funding Progress – Other Post-Employment Benefits
Last Three Actuarial Valuations

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded (Overfunded) Actuarial Accrued Liability (B - A)	Funded Ratio (A/B)	Covered Payroll (C)	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll [(B - A)/C]
6/30/2011	$501,941	$5,419,061	$4,917,120	9.26%	$3,264,416	150.63%
6/30/2013	1,047,477	6,169,092	5,121,615	16.98%	3,565,949	143.63%
6/30/2015	1,673,839	8,495,948	6,822,109	19.70%	4,094,015	166.64%

ROSS VALLEY FIRE DEPARTMENT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES:				
Intergovernmental :				
Town of San Anselmo (Contract)	$3,045,097	$3,045,097	$3,045,097	
Town of Fairfax (Contract)	1,750,142	1,750,142	1,750,143	$1
Sleepy Hollow (Contract)	961,451	961,451	961,451	
County of Marin (Contract)	144,697	144,697	152,834	8,137
Town of Ross (Contract)	1,754,649	1,754,649	1,754,649	
Prior Authority:				
Side fund payment	603,860	603,860	603,860	
Retiree health	154,475	154,475	154,474	(1)
MERA Bond	34,291	34,291	34,291	
Retirement contributions	392,074	392,074	392,072	(2)
Other sources	289,978	290,878	768,766	477,888
Fire prevention fees	213,900	342,000	400,369	58,369
Investment earnings	1,800	1,800	4,407	2,607
Miscellaneous	7,500	7,500	65,840	58,340
Total Revenues	9,353,914	9,482,914	10,088,253	605,339
EXPENDITURES:				
Current:				
Salaries and benefits	7,394,599	7,957,053	8,257,640	(300,587)
Services and supplies	1,132,983	689,083	932,149	(243,066)
Debt service:				
Principal	592,514	592,514	592,514	
Interest	12,546	12,546	10,568	1,978
Capital Outlay	221,272	227,772	96,417	131,355
Total Expenditures	9,353,914	9,478,968	9,889,288	(410,320)
Net Change in Fund Balance		$3,946	198,965	$1,015,659
Fund balance - beginning of year			1,304,605	
Fund balances - end of year			$1,503,570	