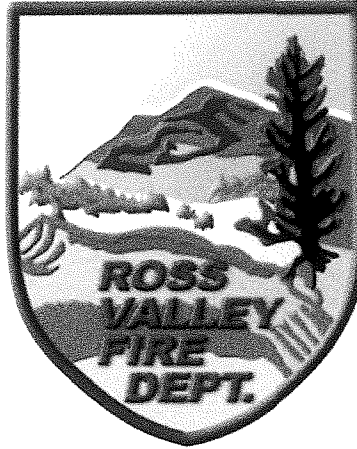


ROSS VALLEY FIRE DEPARTMENT



BASIC FINANCIAL STATEMENTS

AND REQUIRED SUPPLEMENTARY INFORMATION

* * * * *

JUNE 30, 2012



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January 22, 2013

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, 2012, 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, 2012 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.

In accordance with Government Auditing Standards, we have also issued our report dated January 22, 2013 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.

OUM & Co. LLP

San Francisco, CA



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January 22, 2013

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, 2012, and have issued our report thereon dated January 22, 2013. 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.

OUM & Co. LLP

San Francisco, CA

ROSS VALLEY FIRE DEPARTMENT
BASIC FINANCIAL STATEMENTS
AND REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
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**ROSS VALLEY FIRE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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, 2012. Please review it in conjunction with the transmittal letter and 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 \$1,153,131 compared with \$1,187,236 at the end of fiscal year 2011.
- Unrestricted net deficit is \$(5,080).

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

- Total revenues decreased from \$6,201,579 in fiscal 2011 to \$6,188,574 in fiscal year 2012 and expenditures increased from \$6,258,906 to \$8,827,917. Expenditures in fiscal year 2012 included the payoff of the CalPERS Pension Side Fund in the amount of \$2,595,334.
- The General Fund balance decreased by \$42,409 from the prior fiscal year.

Pension Obligation Bonds - page 22

- In 2003 CalPERS combined pension plans for agencies with less than 100 members into risk pools based on plan type. At that time, Pension Side Funds were created to account for the difference between the funded status of the pool and the funded status of individual plans. In the Department's case, the funded status of the Department's Safety plan was less than that of the pool. On May 31, 2012, the Department issued taxable Pension Obligation Bonds, in the amount of \$2,656,934, to refund the CalPERS Pension Side Fund. As a result of the \$2,595,334 Side Fund payment, the Safety plan employer contribution rate decreased from 40.799% to 23.006%

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.

**ROSS VALLEY FIRE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 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 - 28

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

Required Supplementary information on page 29 - 30

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

	Governmental Activities		Total Percent Change
	2012	2011	
Cash and investments	\$ 959,024	\$ 805,225	19%
Capital assets, net	1,402,646	1,514,303	-7%
Pension asset	2,595,334	-	
Other assets	60,520	689	8684%
Total assets	5,017,524	2,320,217	116%
Long-term debt, net	2,985,707	986,237	203%
Other liabilities	878,686	146,744	499%
Total liabilities	3,864,393	1,132,981	241%
Invested in capital assets, net	1,158,211	1,194,838	-3%
Restricted	-	-	0%
Unrestricted	(5,080)	(7,602)	-33%
Net assets	\$ 1,153,131	\$ 1,187,236	-3%

**ROSS VALLEY FIRE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 \$1,153,131 as of June 30, 2012, as compared to \$1,187,236 on June 30, 2011.

Net capital assets decreased by \$111,657. The Department added \$41,487 in capital assets and showed \$153,144 in depreciation of existing assets.

Long term debt, net of the current portion, increased by \$1,999,470. Long-term debt includes compensated absences, capital leases for fire apparatus, and the Pension Obligation Bonds.

Other liabilities increased by \$731,942. Other liabilities include: accounts payable, pension obligation, accrued liabilities, and current portion of long-term debt. The increase from 2011 is associated with the Pension Obligation Bonds, pension obligations that were not paid prior to June 30, 2012, and an increase in anticipated compensated absences payout.

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

Unrestricted net deficit is \$(5,080).

Analysis of Changes in Net Assets

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

	Governmental Activities		Total Percent Change
	2012	2011	
Revenues:			
Program revenues:			
Charges for services	\$ 6,172,642	\$ 6,161,328	0%
General revenues:			
Investment earnings	2,181	2,827	-23%
Miscellaneous	13,751	37,424	-63%
Total revenues	<u>6,188,574</u>	<u>6,201,579</u>	0%
Expenses:			
Fire services	6,222,678	6,269,525	-1%
Total expenses	<u>6,222,678</u>	<u>6,269,525</u>	-1%
Fund Contribution - Sleepy Hollow		93,500	
Change	<u>\$ (34,105)</u>	<u>\$ 25,554</u>	-233%

Charges for services increased by \$11,314 from 2011. Fire service expenses decreased by \$46,847 from 2011 levels. Net assets decreased by \$34,105.

**ROSS VALLEY FIRE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

GOVERNMENTAL FUNDS ANALYSIS

The following schedule presents a summary of general fund revenues and expenditures for the fiscal years ended June 30, 2012 and 2011.

	<u>2012</u>	<u>2011</u>
Revenues:		
Intergovernmental:		
Town of San Anselmo (Contract)	\$ 3,022,255	\$ 3,022,255
Town of Fairfax (Contract)	1,736,796	1,736,796
Sleepy Hollow (Contract)	954,096	954,096
County of Marin (Contract)	129,003	124,391
Town of Ross (Contract)	26,016	25,156
State of California EMA	-	-
Other sources	216,396	227,841
Total intergovernmental	<u>6,084,562</u>	<u>6,090,535</u>
Charges for services	88,080	70,793
Investment earnings	2,181	2,827
Miscellaneous	13,751	37,424
Total revenue	<u>6,188,574</u>	<u>6,201,579</u>
Expenditures:		
Salaries and benefits	7,957,111	5,376,059
Services and supplies	730,609	743,028
Debt service:		
Principal	75,030	78,627
Interest	17,940	14,611
Capital outlay	47,227	46,581
Total expenditures	<u>8,827,917</u>	<u>6,258,906</u>
Excess of expenditures over revenues	<u>(2,639,343)</u>	<u>(57,327)</u>
Other financing sources and (uses):		
Sleepy Hollow (one-time fund balance contribution)		93,500
Proceeds of long-term debt	2,656,934	-
Uses pertaining to debt financing -cost of issuance	(60,000)	-
Total other financing sources and uses	<u>2,596,934</u>	<u>93,500</u>
Excess of revenues and other financing sources over (under) expenditures	(42,409)	36,173
Fund balances, beginning of year	769,881	733,708
Fund balances, end of year	<u>\$ 727,472</u>	<u>\$ 769,881</u>

**ROSS VALLEY FIRE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

COMMENTS ON BUDGET COMPARISONS - see Supplementary information pages 29 - 30

Revenue: Total revenues exceeded the final budget by \$30,281. Plan Check Fees and Re-sale Inspection Fees exceeded budget estimates by \$26,080.

Expenses: Total expenses exceeded the final budget \$2,398,976. Salaries and Benefits exceeded the budget by \$2,437,897. Salaries and Benefits includes the payoff of the CalPERS Pension Side Fund in the amount of \$2,595,334. Overtime costs were \$58,130 under budget. Services and Supplies and Capital Outlay were under budget by \$36,141 and \$9,489 respectively. Debt Service Interest exceeded the budget by \$6,709.

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, through June 2010, to provide fire protection services.

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 the Ross Valley Fire Department. The Department is governed by a six member Board of Directors, consisting of two voting members appointed by and which serve at the pleasure of each of the member agencies.

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 Town of Ross for operational battalion chief services. Additionally, the Department 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.

As of July 1, 2012, the First Amendment to the Amended and Restated Joint Powers Agreement was entered into to admit the Town of Ross as a member. The Board of Directors has been expanded to consist of 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 are 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%.

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, 2012

ASSETS

Current assets:

Cash and investments	\$ 959,024
Interest receivable	<u>520</u>
Total current assets	959,544

Capital assets, net of accumulated depreciation 1,402,646

Other assets:

Bond issuance costs, net of accumulated amortization	60,000
Pension asset	<u>2,595,334</u>

Total assets 5,017,524

LIABILITIES

Current liabilities:

Accounts payable	95,298
Pension obligation	85,710
Accrued liabilities	51,064
Current portion of long-term debt	<u>646,614</u>
Total current liabilities	878,686

Non-current liabilities:

Long-term debt, net	<u>2,985,707</u>
Total liabilities	<u>3,864,393</u>

NET ASSETS

Invested in capital assets, net of related debt	1,158,211
Unrestricted	<u>(5,080)</u>
Total net assets	<u>\$ 1,153,131</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, 2012

Expenses:

Public safety - fire protection:

Personal services	\$ 5,315,246
Services and supplies	736,348
Depreciation	153,144
Interest	<u>17,940</u>
Total program expenses	<u>6,222,678</u>

Program revenues:

Charges for services	<u>6,172,642</u>
Net program revenue under expenses	<u>(50,036)</u>

General revenues:

Investment earnings	2,181
Miscellaneous	<u>13,750</u>
Total general revenues	<u>15,931</u>

Decrease in net assets (34,105)

Net assets - beginning of year 1,187,236

Net assets - end of year \$ 1,153,131

See accompanying notes to basic financial statements

GOVERNMENTAL FUND
FINANCIAL STATEMENTS

ROSS VALLEY FIRE DEPARTMENT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2012

	<u>General Fund</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash and investments	\$ 959,024	\$ 959,024
Interest receivable	520	520
Total assets	<u>\$ 959,544</u>	<u>\$ 959,544</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 95,298	\$ 95,298
Pension obligation	85,710	85,710
Accrued liabilities	51,064	51,064
Total liabilities	<u>232,072</u>	<u>232,072</u>
 Fund balances:		
Restricted for pension obligation bond	1,600	1,600
Assigned for compensated absences	160,000	160,000
Assigned for equipment	73,844	73,844
Unassigned	492,028	492,028
Total fund balances	<u>727,472</u>	<u>727,472</u>
Total liabilities and fund balances	<u>\$ 959,544</u>	<u>\$ 959,544</u>

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, 2012

Total Fund Balances - Total Government Funds \$ 727,472

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	\$ 3,351,061	
Less: Accumulated depreciation	<u>1,948,415</u>	1,402,646

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

Pension asset	2,595,334	
Bond issuance costs	<u>60,000</u>	2,655,334

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	(2,656,934)	
Capital leases	(244,435)	
Compensated absences	<u>(730,952)</u>	<u>(3,632,321)</u>

Net Assets of Governmental Activities **\$ 1,153,131**

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, 2012

	<u>General Fund</u>	<u>Total Governmental Funds</u>
Revenues		
Intergovernmental:		
Town of San Anselmo (Contract)	\$ 3,022,255	\$ 3,022,255
Town of Fairfax (Contract)	1,736,796	1,736,796
Sleepy Hollow (Contract)	954,096	954,096
County of Marin (Contract)	129,003	129,003
Town of Ross (Contract)	26,016	26,016
Other sources	<u>216,396</u>	<u>216,396</u>
Total intergovernmental	6,084,562	6,084,562
Charges for services	88,080	88,080
Investment earnings	2,181	2,181
Miscellaneous	<u>13,751</u>	<u>13,751</u>
Total revenues	<u>6,188,574</u>	<u>6,188,574</u>
Expenditures		
Current:		
Salaries and benefits	7,957,111	7,957,111
Services and supplies	730,609	730,609
Debt service:		
Principal	75,030	75,030
Interest	17,940	17,940
Capital outlay	<u>47,227</u>	<u>47,227</u>
Total expenditures	<u>8,827,917</u>	<u>8,827,917</u>
Excess of expenditures over revenues	<u>(2,639,343)</u>	(2,639,343)
Other Financing Sources (Uses)		
Proceeds of long-term debt	2,656,934	2,656,934
Uses pertaining to debt financing		
Costs of issuance	<u>(60,000)</u>	<u>(60,000)</u>
Total other financing sources (uses)	<u>2,596,934</u>	<u>2,596,934</u>
Net change in fund balances	(42,409)	(42,409)
Fund balances - beginning of year	<u>769,881</u>	<u>769,881</u>
Fund balances - end of year	<u>\$ 727,472</u>	<u>\$ 727,472</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, 2012

Net Change in Fund Balances - Total Governmental Funds \$ (42,409)

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	\$ 41,487	
Depreciation expense	(153,144)	(111,657)

Governmental funds report the contribution to the pension system in excess of the required contribution as an expenditure when paid, but the amount is amortized in the statement of activities 2,595,334

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 46,531

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

Cost of issuance - pension obligation bonds	60,000	
Long-term debt proceeds - pension obligation bonds	(2,656,934)	
Principal repayments on long-term debt	75,030	(2,521,904)

Change in Net Assets of Governmental Activities **\$ (34,105)**

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, 2012

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. 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. The Department is governed by a six member Board of Directors, consisting of two members appointed by and serve at the pleasure of the Fairfax Town Council, two members appointed by and serve at the pleasure of the San Anselmo Town Council and two members appointed by and serve at the pleasure of the Board of Directors of the Sleepy Hollow Fire Protection District. The Department is administered by the Town Manager (Executive Officer) of one of the towns, as appointed by the Board of Directors.

The cost sharing percentages are as follows:

Town of San Anselmo	52.90%
Town of Fairfax	30.40%
Sleepy Hollow Fire Protection District	16.70%
	<u>100.00%</u>

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 2012, 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.

ROSS VALLEY FIRE DEPARTMENT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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 2012, 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, 2012.

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,

ROSS VALLEY FIRE DEPARTMENT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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.

The Department's General Fund was the only major fund in the fiscal year ended June 30, 2012. 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, 2012.

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NOTES TO BASIC FINANCIAL STATEMENTS
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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.

Fund Balances

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

Nonspendable: Nonspendable fund balances includes amounts that cannot be spent because they are not in spendable form, such as prepaid items or items that are legally or contractually required to be maintained intact, such as principal of an endowment fund. As of June 30, 2012, 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, 2012, the Department had a restricted fund balance of \$1,600.

Committed: Committed fund balances include amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally. The Board of Directors is considered the highest authority for the Department. As of June 30, 2012, the Department did not have any committed fund balances.

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, 2012, the Department has assigned fund balances totaling \$233,844.

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

ROSS VALLEY FIRE DEPARTMENT
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available for any purpose. As of June 30, 2012, the Department has an unassigned fund balance of \$492,028.

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

New Accounting Pronouncements

In June 2011, the Governmental Accounting Standards Board issued Statement of Governmental Accounting Standards No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". This Statement establishes guidance for reporting deferred outflows of resources, deferred inflows of resources and net position in the statement of financial position. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.

In June 2012, the Governmental Accounting Standards Board issued Statement of Governmental Accounting Standards No. 68, "Accounting and Financial Reporting for Pensions". This Statement revises and establishes new financial reporting requirements for governments that provide their employees with pension benefits. The provisions of this Statement are effective for financial statements starting with the fiscal year ending June 30, 2015.

NOTE 2 - Cash and investments:

Cash deposits

The Department maintains its cash in demand deposits with federally insured banks. Deposits in these financial institutions may, from time to time, exceed federal insurance limits. The Department has not experienced any losses on its deposits of cash and cash equivalents. All of the Department's non-interest bearing cash balances were fully insured at June 30, 2012 due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under the program, there is no limit to the amount of insurance coverage for eligible accounts. Beginning 2013, insurance coverage will revert to \$250,000 per depositor at each financial institution, and the Department's non-interest bearing cash balances may again exceed federally insured limits. At June 30, 2012, the book balance was \$374,422 and the bank balance was \$421,207. The difference between the carrying amount and the bank balances is due to checks outstanding as of June 30, 2012.

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, 2012 was \$583,002, and these investments are carried at a value not materially different from fair value.

ROSS VALLEY FIRE DEPARTMENT

NOTES TO BASIC FINANCIAL STATEMENTS

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	Carrying Value	Fair Value
State of California Local Agency Investment Fund	\$ 583,002	\$ 583,002
Cash in checking accounts	374,422	374,422
Cash with Fiscal Agent	1,600	1,600
	\$ 959,024	\$ 959,024
Unrestricted	\$ 957,424	
Restricted	1,600	
	\$ 959,024	

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)	\$ 583,002	\$ 583,002	\$ -	\$ -	\$ -
Total	\$ 583,002	\$ 583,002	\$ -	\$ -	\$ -

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)	\$ 583,002	\$ -	\$ -	\$ 583,002
Total	\$ 583,002	\$ -	\$ -	\$ 583,002

ROSS VALLEY FIRE DEPARTMENT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 3 - Capital assets:

The Department's capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated. Capital assets are recorded at cost and depreciated over their estimated useful lives. Depreciation is charged to governmental activities by function.

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

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

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

A summary of changes in capital assets for the fiscal year ended June 30, 2012 is as follows:

	Balance June 30, 2011	Additions	Dispositions / Adjustments	Balance June 30, 2012
Vehicles	\$ 2,223,840	\$ 3,784	\$ -	\$ 2,227,624
Machinery and equipment	891,586	37,703	-	929,289
Furniture and fixtures	36,425	-	-	36,425
Building improvements	157,723	-	-	157,723
	<u>3,309,574</u>	<u>41,487</u>	<u>-</u>	<u>3,351,061</u>
Less: accumulated depreciation	1,795,271	153,144	-	1,948,415
Total capital assets, net	<u>\$ 1,514,303</u>	<u>\$ (111,657)</u>	<u>\$ -</u>	<u>\$ 1,402,646</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

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NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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 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 \$120,819 will be paid in compensated absences upon retirements in 2012-2013. 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, 2012:

	Balance			Balance	Due in
	June 30, 2011	Additions	Retirements	June 30, 2012	One Year
2010 Capital Lease - Fire Engine	\$ 319,465	\$ -	\$ (75,030)	\$ 244,435	\$ 78,166
Compensated absences	777,483		(46,532)	730,951	120,819
Pension Obligation Bonds	-	2,656,934	-	2,656,934	447,629
Total	<u>\$ 1,096,948</u>	<u>\$ 2,656,934</u>	<u>\$ (121,562)</u>	<u>\$ 3,632,320</u>	<u>\$ 646,614</u>

The Department's total lease obligation for fiscal 2012 is \$86,261, consisting of \$75,030 in principal and \$11,231 in interest all for the 2010 Fire Engine.

ROSS VALLEY FIRE DEPARTMENT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

<u>Fiscal year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 78,166	\$ 10,217	\$ 88,383
2014	81,433	6,950	88,383
2015	84,836	3,547	88,383
	<u>\$ 244,435</u>	<u>\$ 20,714</u>	<u>\$ 265,149</u>

Pension Obligation Bonds: On May 31, 2012, the Department issued \$2,656,934 in taxable pension obligation bonds to refund the Department's outstanding Safety Plan Side Fund obligation to the California Public Employees' Retirement System. As of June 30, 2012, the outstanding balance was \$2,656,934. Principal and interest payments are due monthly commencing July 15, 2012. Monthly payments escalate from \$44,464 per month to \$50,451. The bonds are fully amortized on July 15, 2017. Interest rate is fixed during the entire term at 3.030%

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

<u>Fiscal year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 447,629	\$ 77,837	\$ 525,466
2014	488,597	60,213	548,810
2015	521,616	44,954	566,570
2016	556,254	28,671	584,925
2017	592,514	11,316	603,830
2018	50,324	127	50,451
	<u>\$ 2,656,934</u>	<u>\$ 223,118</u>	<u>\$ 2,880,052</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 \$2,472.

ROSS VALLEY FIRE DEPARTMENT
NOTES TO BASIC FINANCIAL STATEMENTS
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The minimum future obligation under this operating lease is as follows:

Fiscal year ending June 30	Amount
2013	\$ 2,472
2014	412
	\$ 2,884

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. Effective August 1, 2011 for safety and October 1, 2011 for non-safety employees contribute 3% of the member contributions. The Department makes the contributions required of Department employees on their behalf and for their account, less the 3%. The Department is required to contribute at an actuarially determined rate; the current rate is 9.526% for non-safety employees, and 40.799% 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.

Side Fund payment

On May 31, 2012, the Department issued taxable pension obligation bonds to refund the Department's Side Fund with PERS in the amount of \$2,595,334. The Side Fund payment plus the annual pension cost of \$1,313,278 brings the total retirement cost for 2012 to \$3,908,612. As a result of the \$2,595,334 Side Fund payment, the Safety employer contribution rate decreased from 40.799% to 23.006%.

Annual pension cost

For 2012, the Department's annual pension cost of \$1,313,278 for PERS was equal to the Department's required and actual contributions. The required contribution was determined as part of the June 30, 2009 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

ROSS VALLEY FIRE DEPARTMENT

NOTES TO BASIC FINANCIAL STATEMENTS

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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.

Three year trend information for PERS

	Annual Pension Cost (APC)	Contributions	Percentage of APC Contributed	Net Pension Asset
6/30/2012	\$ 1,313,278	\$ 3,822,902	291%	\$ 2,595,334
6/30/2011	1,377,392	1,377,392	100%	-
6/30/2010	1,324,602	1,324,602	100%	-

The change in the net pension asset for the fiscal year ended June 30, 2012 is as follows:

Annual required contribution	\$ 1,313,278
Contributions made	<u>3,908,612</u>
Increase in net pension asset	2,595,334
Net pension asset - beginning of the year	-
Net pension asset - end of the year	<u>\$ 2,595,334</u>

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, 2012 was \$358,844.

(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, 2012 was zero.

ROSS VALLEY FIRE DEPARTMENT

NOTES TO BASIC FINANCIAL STATEMENTS

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NOTE 10 - Post-retirement health 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

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, 2010 actuarial evaluation in accordance with the parameters of GASB Statement No. 45, "Accounting and Financial Reporting of Postretirement Benefits Other than Pensions by State and Local Government Employers". The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the Department over a period not to exceed thirty years. The ARC is subject to change with each actuarial evaluation date performed every two years.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution / Annual OPEB cost	\$ 358,844
Contributions made	<u>(358,844)</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.

ROSS VALLEY FIRE DEPARTMENT

NOTES TO BASIC FINANCIAL STATEMENTS

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In the January 1, 2010 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.

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
2012	\$ 358,844	\$ 358,844	100%	\$ -
2011	\$ 310,141	\$ 310,141	100%	\$ -
2010	\$ 299,981	\$ 299,981	100%	\$ -

NOTE 11 - Public entity risk pools:

Fire Agencies Self Insurance System

Effective September 1993, the Department was self-insured for workers' compensation coverage as a member of the Fire Agencies Self-Insurance System (the "System"). The System is a public Authority risk pool created pursuant to a joint powers agreement between the approximately 200 member fire agencies. The System manages one pool for all member agencies. Each member pays an annual premium to the System based on the number of personnel, and estimated dollar amount of payroll and an experience factor. At fiscal year end, when actual payroll expenses are available, an adjustment to the year's annual premium is made. The System reinsures through a commercial carrier for claims in excess of \$500,000 for each insured event. The System is not a component entity of the Authority for purposes of Government Standards Board Statement No. 14. Condensed financial information (unaudited) for the System as of June 30, 2012 is as follows:

ROSS VALLEY FIRE DEPARTMENT

NOTES TO BASIC FINANCIAL STATEMENTS

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Total assets	\$ 50,264,911
Total liabilities	<u>30,742,424</u>
Fund equity	<u>\$ 19,522,487</u>
Total operating revenues	\$ 8,402,469
Total operating expenses	<u>9,981,253</u>
Operating income (loss)	(1,578,784)
Non-operating revenue	<u>510,437</u>
Net income (loss)	<u>\$ (1,068,347)</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, 2012, 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 \$30,645,495 at the expected level discounted for present value. Components of the liability represent:

Unpaid claims and claim adjustment expenses at June 30, 2011	<u>\$ 28,066,933</u>
Incurred claims and claim adjustment expenses:	
Provision for insured events of the current fiscal year	6,422,388
Increases in provisions for insured events of prior fiscal years	<u>1,387,261</u>
Total incurred claims and claim adjustment expenses	<u>7,809,649</u>
Payments:	
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	1,011,218
Claims and claim adjustment expenses attributable to insured events of the prior fiscal years	<u>4,219,869</u>
Total payments	<u>5,231,087</u>
Unpaid claims and claim adjustment expenses at June 30, 2012	<u>\$ 30,645,495</u>

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

ROSS VALLEY FIRE DEPARTMENT

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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.

Condensed financial information for the Risk Authority as of June 30, 2012 is as follows:

Total assets	\$	3,000,813
Total liabilities		<u>65,742</u>
Fund equity	\$	<u><u>2,935,071</u></u>
Total operating revenues	\$	2,746,215
Total operating expenses		<u>2,714,166</u>
Operating income		32,049
Non-operating revenue		<u>92,744</u>
Net income	\$	<u><u>124,793</u></u>

NOTE 12 - Contingencies:

On February 4, 1991, the Department was awarded a judgment of \$464,000, plus interest, relating to embezzlements committed by a former employee over several years. On July 18, 2006 the judgment was renewed to extend the period of enforceability through to July 17, 2016 and the total renewed judgment was \$277,567. As of June 30, 2012, the balance owed is \$439,794 (including interest of \$162,227 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.

NOTE 13 - Excess of expenses over fund appropriations:

	<u>Appropriation</u>	<u>Expenditures / Other Financing</u>	<u>Excess</u>
General Fund:			
Salaries and Benefits	\$ 5,519,214	\$ 7,957,111	\$ (2,437,897)
Debt Service	86,261	92,970	(6,709)
Costs of issuance	-	60,000	(60,000)

The excess expenses for fiscal 2012 were funded by available financial resources.

ROSS VALLEY FIRE DEPARTMENT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 14 - Subsequent events:

The Department has evaluated events subsequent to June 30, 2012 through January 22, 2013, the date these financial statements were available to be issued. As of July 1, 2012, the First Amendment to Amended and Restated Joint Powers Agreement was entered into to admit the Town of Ross as a member. The Board of Directors has been expanded to consist of eight voting members, 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. Personnel from the Town of Ross as of June 30, 2012 with the exception of the Fire Chief will become Department employees as of July 1, 2012. 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%
	<u>100.00%</u>

REQUIRED SUPPLEMENTARY INFORMATION

ROSS VALLEY FIRE DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental:				
Town of San Anselmo (Contract)	\$ 3,022,255	\$ 3,022,255	\$ 3,022,255	\$ -
Town of Fairfax (Contract)	1,736,796	1,736,796	1,736,796	-
Sleepy Hollow (Contract)	954,096	954,096	954,096	-
County of Marin (Contract)	129,003	129,003	129,003	-
Town of Ross (Contract)	26,016	26,016	26,016	-
Other sources	222,627	222,627	216,396	(6,231)
Total intergovernmental	6,090,793	6,090,793	6,084,562	(6,231)
Charges for services	62,000	62,000	88,080	26,080
Investment earnings	1,000	1,000	2,181	1,181
Miscellaneous	4,500	4,500	13,751	9,251
Total revenues	6,158,293	6,158,293	6,188,574	30,281
Expenditures				
Current:				
Salaries and benefits	5,519,214	5,519,214	7,957,111	(2,437,897)
Services and supplies	796,750	766,750	730,609	36,141
Debt service:				
Principal	75,030	75,030	75,030	-
Interest	11,231	11,231	17,940	(6,709)
Capital outlay	56,716	56,716	47,227	9,489
Total expenditures	6,458,941	6,428,941	8,827,917	(2,398,976)
Excess of expenditures over revenues	(300,648)	(270,648)	(2,639,343)	(2,368,695)
Other Financing Sources (Uses)				
Proceeds of long-term debt	-	-	2,656,934	2,656,934
Uses pertaining to debt financing	-	-	(60,000)	(60,000)
Costs of issuance	-	-	(60,000)	(60,000)
Total other financing sources (uses)	-	-	2,596,934	2,596,934
Excess of revenues and other financing sources over (under) expenditures	\$ (300,648)	\$ (270,648)	(42,409)	\$ 228,239
Fund balances - beginning of year			769,881	
Fund balances - end of year			\$ 727,472	

ROSS VALLEY FIRE DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION - PERS
SCHEDULE OF FUNDING PROGRESS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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 in the aggregate for the entire pool starting with fiscal 2007 is 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
6/30/2008	\$ 1,755,559,311	\$ 1,517,609,609	\$ 237,949,702	86.4%	\$ 210,590,567	113.0%
6/30/2009	\$ 1,802,882,330	\$ 1,520,081,328	\$ 282,801,002	84.3%	\$ 221,600,192	127.6%
6/30/2010	\$ 1,915,095,826	\$ 1,628,915,283	\$ 286,180,543	85.1%	\$ 224,562,008	127.4%
6/30/2011	\$ 2,061,923,933	\$ 1,759,286,797	\$ 302,637,136	85.3%	\$ 225,026,216	134.5%
6/30/2012			*** 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
6/30/2008	\$ 1,823,366,479	\$ 1,529,548,799	\$ 293,817,680	83.9%	\$ 414,589,514	70.9%
6/30/2009	\$ 2,140,438,884	\$ 1,674,260,302	\$ 466,178,582	78.2%	\$ 440,071,499	105.9%
6/30/2010	\$ 2,297,871,345	\$ 1,815,671,616	\$ 482,199,729	79.0%	\$ 434,023,381	111.1%
6/30/2011	\$ 2,486,708,579	\$ 1,981,073,089	\$ 505,635,490	79.7%	\$ 427,300,410	118.3%
6/30/2012			*** Not Available ***			