

# RANCHO ADOBE FIRE PROTECTION DISTRICT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2015

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# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Rancho Adobe Fire Protection District  
Penngrove, California

We have audited the accompanying financial statements of the governmental activities of Rancho Adobe Fire Protection District (a special purpose government) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District'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 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 entity'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 entity'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.



**Goranson and Associates, Inc.**

717 College Avenue, First Floor, Santa Rosa, CA 95404 Phone: 707/542-1256 Fax 707/978-3090

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Rancho Adobe Fire Protection District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-9 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rancho Adobe Fire Protection District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Auditor's report**

The prior year summarized comparative information has been derived from Rancho Adobe Fire Protection District's financial statements for the year ended June 30, 2014 audited by another auditor as seen in the report dated November 23, 2014, the auditor expressed a qualified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Goranson and Associates, Inc.*

January 20, 2016

Santa Rosa, CA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Rancho Adobe Fire Protection District (District) we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the District's financial statements (pages 10-17) and the accompanying notes to the basic financial statements (pages 18-30).

### Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$3,880,402 (net assets). Of this amount \$1,640,356 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The District's total net assets decreased by \$707,737. This decrease is a result of capital depreciation expenses in government activities as well as prior year overstated fixed assets.
- As of the close of the current fiscal year, the District's governmental funds reported an ending fund balance of \$2,114,782, a net increase of \$30,775 in comparison with the prior year.
- The District's total long-term liabilities decreased by \$77,520 during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets present information on all of the District's assets and liabilities, with the difference between two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The government-wide financial statements can be found on pages 10-12 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's funds are governmental funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District uses governmental funds to account for its activities, which include fire protection services in the district boundaries. The district adopts an annual appropriated budget for its funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13-17 of this report.

**Notes to the basic financial statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 18-30 of this report.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$3,880,402 at the close of the fiscal year.

A large portion of the district's net assets (58 percent) reflects its investment in capital assets (e.g. buildings and improvements and equipment). The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

### Net Assets

	2015	2014
Current and other assets	\$ 2,123,863	\$ 2,332,039
Capital assets	2,345,142	1,640,606
Total assets	<u>4,469,005</u>	<u>3,972,645</u>
Long-term liabilities outstanding	434,230	450,928
Liabilities due within one year	82,269	101,019
Total liabilities	<u>516,499</u>	<u>551,947</u>
Net assets:		
Invested in capital assets, net of related debt	2,171,010	1,402,041
Unassigned	1,781,496	1,770,624
Total net assets	<u>\$ 3,952,506</u>	<u>\$ 3,172,665</u>

The balance of the unrestricted net assets (\$1,640,356) may be used to meet the District's ongoing obligations to citizens and vendors.

At the end of the current fiscal year, the District is able to report positive balances in all categories of net assets. The same held true for the prior fiscal year.

**Governmental activities** - Governmental activities increased the District's net assets by \$30,775. This increase is a result of net income in the governmental activities.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Changes in Net Assets

	<u>2015</u>	<u>2014</u>
Revenues:		
Program revenues:		
Public safety - fire protection	\$ 591,937	\$ 931,046
General revenues:		
Property taxes	3,237,748	2,901,541
Investment income and other	<u>1,406</u>	<u>7,745</u>
Total revenues	<u>3,831,091</u>	<u>3,840,332</u>
Expenses:		
Public safety - fire protection	<u>3,481,358</u>	<u>2,948,710</u>
Change in net assets	349,733	891,622
Net assets - beginning of the year	3,172,665	2,281,043
Prior period adjustment	<u>430,108</u>	<u>-</u>
Net assets, beginning of year restated	3,602,773	2,281,043
Net assets - end of the year	<u>\$ 3,952,507</u>	<u>\$ 3,172,665</u>

### Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

### Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported ending fund balances of \$2,114,782 a net increase of \$30,775 in comparison with the prior year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,640,356. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents forty-six percent of total general fund expenditures which were \$3,586,454.

### General Fund Budgetary Highlights

Material differences between the original budget and the final amended budget can be briefly summarized as follows:

- decrease in personnel costs
- decrease in intergovernmental revenue
- increase in services and supplies

### Capital Assets

**Capital assets** - The District's investment in capital assets, as of June 30, 2015, amounts to \$2,240,046 (net of accumulated depreciation). This investment in capital assets includes equipment, buildings and improvements.

Additional information on the District's capital assets can be found on Note 1 on page 19 of this report.

### Debt Administration

At the end of the fiscal year the District had total long-term obligations of \$327,454 in compensated absences and \$141,140 in note payable for a total of \$468,594. During the fiscal year, the District's long-term debt decreased by \$77,520.

### Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the District's budget for the fiscal year ending June 30, 2015.

- Property tax revenues – the county anticipates no change in tax collection levels. The budget is adjusted accordingly
- Amount of intergovernmental revenue anticipated based on contracts.
- Equipment purchases planned for fiscal year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### **Request for Information**

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Rancho Adobe Fire Protection District, 11000 Main Street, Penngrove, California.

RANCHO ADOBE FIRE PROTECTION DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015  
(With summarized comparative totals for June 30, 2014)

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and investments	\$ 1,875,455	\$ 2,307,224
Accounts receivable, government agency	248,408	24,815
Total current assets	<u>2,123,863</u>	<u>2,332,039</u>
Capital assets (net of accumulated depreciation):		
Building and improvements	334,471	258,762
Equipment	<u>2,010,671</u>	<u>1,381,844</u>
Total capital assets	<u>2,345,142</u>	<u>1,640,606</u>
Total assets	<u><u>\$ 4,469,005</u></u>	<u><u>\$ 3,972,645</u></u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 14,913	\$ 5,832
Current portion of note payable	67,356	64,432
Deferred revenue	-	248,033
Non-current liabilities:		
Note payable	106,776	174,133
Compensated absences	<u>327,454</u>	<u>307,550</u>
Total liabilities	<u>516,499</u>	<u>799,980</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	\$ 2,171,010	1,402,041
Unassigned	<u>1,781,496</u>	<u>1,770,624</u>
Total net assets	<u>3,952,506</u>	<u>3,172,665</u>
Total liabilities and net assets	<u><u>\$ 4,469,005</u></u>	<u><u>\$ 3,972,645</u></u>

The accompanying notes are integral part of these financial statements

RANCHO ADOBE FIRE PROTECTION DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015  
(With summarized comparative totals for June 30, 2014)

<b>Program Expenses</b>	<u>2015</u>	<u>2014</u>
Public safety - fire protection		
Salaries and employee benefits	\$ 2,972,879	2,480,747
Services and supplies	449,617	351,257
Interest	10,069	11,360
Depreciation	<u>48,793</u>	<u>105,346</u>
Total program expenses	<u>3,481,358</u>	<u>2,948,710</u>
 <b>Program Revenues</b>		
Intergovernmental revenue	565,979	903,938
Donations	60	9,002
Other charges for services	<u>25,898</u>	<u>18,106</u>
Total program revenues	<u>591,937</u>	<u>931,046</u>
Net program revenues (expenses)	<u>(2,889,421)</u>	<u>(2,017,664)</u>
 <b>General revenues</b>		
Property taxes	3,237,748	2,901,541
Investment earnings	<u>1,406</u>	<u>7,745</u>
Total general revenues	<u>3,239,154</u>	<u>2,909,286</u>
 Change in net assets	<u>349,733</u>	<u>891,622</u>
 Net assets, beginning of year	3,172,665	2,281,043
Prior period adjustment	<u>430,108</u>	-
Net assets, beginning of year restated	<u>3,602,773</u>	<u>2,281,043</u>
 Net assets, end of year	<u>\$ 3,952,506</u>	<u>\$ 3,172,665</u>

The accompanying notes are integral part of these financial statements

RANCHO ADOBE FIRE PROTECTION DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2015  
(With summarized comparative totals for June 30, 2014)

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from government, grants, program revenue	\$ 3,788,167	\$ 3,826,243
Cash paid to vendors and employees	(3,403,579)	(2,804,229)
Investment income received	1,406	7,745
Net cash provided (used) by operations	<u>385,994</u>	<u>1,029,759</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	<u>(753,329)</u>	<u>(20,162)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on note payable	<u>(64,433)</u>	<u>(61,633)</u>
NET CHANGE IN CASH	(431,768)	947,964
CASH, beginning of year	<u>2,307,224</u>	<u>1,359,260</u>
CASH, end of year	<u>\$ 1,875,456</u>	<u>\$ 2,307,224</u>
RECONCILIATION OF OPERATING INCOME TO		
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Change in net assets	\$ 779,841	\$ 891,622
Adjustments to reconcile change in net		
assets to cash from operations		
Depreciation and amortization	48,793	105,346
(Increase) decrease in:		
Receivables	(223,592)	14,775
Increase (decrease) in:		
Accounts payable and accrued expenses	28,985	31,796
Deferred revenue	<u>(248,033)</u>	<u>(13,780)</u>
Total cash provided (used) by operations	<u>\$ 385,994</u>	<u>\$ 1,029,759</u>

The accompanying notes are integral part of these financial

RANCHO ADOBE FIRE PROTECTION DISTRICT  
 BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 JUNE 30, 2015  
 (With summarized comparative totals for June 30, 2014)

	2015	2014
<b>ASSETS</b>		
Cash and investments	\$ 1,875,455	\$ 2,307,224
Accounts receivable	248,408	24,816
Total assets	2,123,863	2,332,040
 <b>LIABILITIES and FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	9,081	-
Deferred revenue	-	248,033
Total liabilities	9,081	248,033
 <b>Fund balance</b>		
Unreserved	2,114,782	2,084,007
Total liabilities and fund balances	\$ 2,123,863	\$ 2,332,040

The accompanying notes are integral part of these financial statements

RANCHO ADOBE FIRE PROTECTION DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2015  
 (With summarized comparative totals for June 30, 2014)

	2015	2014
Fund balances - total government funds	\$ 2,114,782	\$ 2,084,007
<p>Amount reported for governmental activities in the statement of net assets is different because:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	2,345,142	1,640,606
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
Compensated absences	(327,454)	307,550
Note payable	(174,132)	238,564
Accrued interest	(5,832)	5,834
Net assets of governmental activities	\$ 3,952,506	\$ 4,276,561

The accompanying notes are integral part of these financial statements



RANCHO ADOBE FIRE PROTECTION DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015  
(With summarized comparative totals for June 30, 2014)

	2015	2014
<b>Revenues:</b>		
Property taxes	\$ 3,237,748	\$ 2,901,541
Investment earnings	1,406	7,745
Intergovernmental revenue	565,979	903,938
Donations	60	9,002
Charges for services and miscellaneous	25,898	18,106
Total revenues	3,831,091	3,840,332
<b>Expenditures:</b>		
Current:		
Salaries and employee benefits	2,952,975	2,447,444
Services and supplies	449,617	371,418
Debt Service:		
Principal	64,432	61,633
Interest	10,069	12,867
Total expenditures	3,477,093	2,893,362
Net change in fund balances	353,998	946,970
Fund balance, beginning of year	2,084,007	1,137,037
Prior period adjustment	(323,223)	-
Fund balance, beginning of year restated	1,760,784	1,137,037
Fund balance, end of year	\$ 2,114,782	\$ 2,084,007

The accompanying notes are integral part of these financial statements

RANCHO ADOBE FIRE PROTECTION DISTRICT  
 RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2015

**Amount reported for governmental activities in the statement of activities  
 is different because:**

Net change in fund balance - governmental funds	\$ 353,998
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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 reported as depreciation expense.

Current year depreciation	(48,793)
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Governmental funds report debt service payments as expenditures,  
 however, those expenditures are not included in the statement of  
 activities, but rather as a change in the statement of financial position

	64,432
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Change in compensated absences reported in the statement  
 of activities does not require the use of current financial

The accompanying notes are integral part of these financial statements

RANCHO ADOBE FIRE PROTECTION DISTRICT  
STATEMENT OF REVENUE, EXPENDITURE AND CHANGES IN FUND BALANCE  
BUDGET TO ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
<b>Revenues</b>				
Property taxes	\$ 2,951,000	\$ 2,951,000	\$ 3,238,748	\$ 287,748
Investment earnings	3,000	3,000	406	(2,594)
Intergovernmental revenue	111,800	-	565,979	565,979
Donations	-	-	60	60
Miscellaneous revenue	-	-	25,898	25,898
Total revenues	<u>3,065,800</u>	<u>2,954,000</u>	<u>3,831,091</u>	<u>877,091</u>
<b>Expenditures</b>				
Current:				
Salaries and employee benefits	2,806,405	2,729,200	2,972,879	(243,679)
Services and supplies	543,400	548,000	524,118	23,882
Capital outlay	<u>120,000</u>	<u>120,000</u>	-	<u>120,000</u>
Total expenditures	<u>3,469,805</u>	<u>3,397,200</u>	<u>3,496,997</u>	<u>(99,797)</u>
Net change in fund balance	<u>(404,005)</u>	<u>(443,200)</u>	<u>334,094</u>	<u>777,294</u>
Fund balance, beginning of year	<u>1,204,800</u>	<u>1,204,800</u>	<u>1,204,800</u>	-
Fund balance, end of year	<u>\$ 800,795</u>	<u>\$ 761,600</u>	<u>\$ 2,001,993</u>	<u>\$ 1,240,393</u>

The accompanying notes are integral part of these financial statements

RANCHO ADOBE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1        SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting Entity**

In December of 1993, Rancho Adobe Fire Protection District (District) was formed when Penngrove Fire Protection District and Cotati Fire Protection District dissolved as individual Districts to combine into Rancho Adobe Fire Protection District. The district was formed under Health and Safety Code Sections, 13816 through 13822. The purpose of the District is to provide fire protection, emergency medical and related services to the Town of Penngrove, City of Cotati, and unincorporated areas of Petaluma. The District's emergency response area is approximately 86 square miles. The District covers this large area out of three fire stations.

**Introduction**

The District's financial statements are prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November, 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

RANCHO ADOBE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1        SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

**Government-wide and Fund Financial Statements, continued**

Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or section and grants and contributions that are restricted to meeting operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Taxes, interest, and charges for services are accrued when receipt occurs within 365 days of the end of the accounting period so as to be both measurable and available. Licenses, permits, fines, forfeitures, and other revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Property taxes are accrued when their receipt occurs within sixty days of the end of the accounting period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims judgments are recorded only when payment is due.

Amounts recorded as program revenues include charges to customers or applicants for goods, services, or privileges provided and capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues.

RANCHO ADOBE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1        SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

**Measurement focus, Basis of Accounting, and Financial Statement Presentation, continued**

Likewise, general revenues include all taxes.

**Assets, Liabilities, and Net Assets or Equity**

Cash and Investments – The District reports certain investments at fair value in the balance sheet, and recognizes the corresponding change in the fair value of investments in the year in which the change occurred.

Receivables and Payables

***Flat charges Receivable*** – Flat charges collected are apportioned to the District to supplement property taxes collected for operating costs. Not all of the assessments are collected as of June 30, 2015; therefore, the remainder of the uncollected assessments is considered flat charges receivable.

***Property Taxes*** – The County of Sonoma is responsible for assessing, collecting and distributing property taxes in accordance with state law. Liens on real property are established January 1 for the ensuing fiscal year. The property tax is levied as of July on all taxable property located in the County of Sonoma. Secured property taxes are due in two installments, on November 1 and February 1, and are delinquent after December 10 and April 10, respectively. Additionally, supplemental property taxes are levied on a pro rata basis when changes in assessed valuation occur due to sales transactions or the completion of construction.

Since the passage of California's Proposition 13, beginning with the fiscal year 1978/1979, general property taxes are based either on a flat 1% rate applied to the 1975/1976 full value, or on one percent of the sales price of the property on sales transactions and construction after the 1975/1976 valuation. Taxable values on properties (exclusive of increases related to sales and construction) can rise at a maximum of two percent per year.

Included within the property tax revenue is \$318,575 in Special Taxes collected. Special Taxes are a type of direct charge applied to each parcel of property within the District for a specific dollar amount and for a specific purpose.

RANCHO ADOBE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1        SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Receivables and Payables, continued

***Property Taxes, continued-***

On June 30, 1993, the board of Supervisors adopted the "Teeter" Method of property tax allocation. This method allocates property taxes based on the total property tax billed. At Year-end, the county advances cash to each taxing jurisdiction equal to its current year delinquent property taxes based on the total property tax billed. At year-end, the County advances cash to each taxing jurisdiction equal to its current year delinquent property taxes. In exchange, the county receives the penalties and interest on delinquent taxes when collected. The penalties and interest are used to pay the interest cost of borrowing the cash used for the advances.

**Capital Assets**

Capital assets, which include land, buildings and improvements, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost of purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Buildings and improvements and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings and improvements	10-30
Equipment	5-25

RANCHO ADOBE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1        SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

**Compensated Absences**

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Only ten percent of unused sick leave for administrative personnel and 30 percent for safety personnel is included in the accrual calculation. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignation and for retirement.

**Net Assets**

Net assets are classified into two components – invested in capital assets and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets, net accumulated depreciation and net of related debt if any.
- Unrestricted net assets – This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.



RANCHO ADOBE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 2        STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

**Budgetary Information**

Budgetary revenue estimates represent original estimates modified for any authorized adjustments which were contingent upon new or additional revenue resources. Budgetary expenditure amounts represent original appropriations adjusted by budget transfers and authorized appropriation adjustments made during the year. All budgets are adopted on a non-GAAP basis. The District's budgetary information was amended during the year.

**Comparative Financial Information**

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly such information should be read in conjunction with the District's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

NOTE 3        CASH AND INVESTMENTS

The District follows the County's practice of pooling cash and investments with the county Treasurer. Also, the District hold funds in an Insured Cash Sweep account and other funds that are all federally insured, except for a petty cash fund at local financial institutions.

The amount of cash at June 30, 2015 is as follows:

Cash	\$ 1,875,255
Petty Cash	<u>200</u>
Total	<u>\$ 1,875,455</u>

RANCHO ADOBE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 4      ACCOUNTS RECEIVABLE

Accounts Receivable represents the outstanding balance for services provided rendered to fire service clients that haven't paid for services rendered as well as flat charges collected that are apportioned to the District to supplement property taxes collected for operating costs.

Management believes receivables at June 30, 2015 will be fully collected. Accordingly, no allowance for doubtful receivables is recorded. The balance of accounts receivable at June 30, 2015 is \$248,408.

NOTE 5      DETAILED NOTES

**Capital Assets**

Capital asset activity for the year ended June 30, 2015 is as follows:

	Beginning Balance	Additions	Ending Balance
Capital assets, being depreciated:			
Buildings and improvements	\$ 535,757	100,886	\$ 636,643
Equipment	2,357,261	393,740	2,751,001
Total capital assets, being depreciated	<u>2,893,018</u>	<u>494,626</u>	<u>3,387,644</u>
Less accumulated depreciation for:			
Buildings and improvements	(276,995)	(25,177)	(302,172)
Equipment	(975,579)	235,249	(740,330)
Total accumulated depreciation	<u>(1,252,574)</u>	<u>210,072</u>	<u>(1,042,502)</u>
Total capital assets, being depreciated, net	<u>1,640,444</u>	<u>704,698</u>	<u>2,345,142</u>
Capital assets, net	<u>\$ 1,640,444</u>	<u>\$ 704,698</u>	<u>\$ 2,345,142</u>

Depreciation expense is charged to functions/programs of the Rancho Adobe Fire Protection District government as follows:

Governmental activities:

Public safety - fire protection	<u>\$ 48,793</u>
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RANCHO ADOBE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 5      DETAILED NOTES (continued)

**Long-term Liabilities**

Changes in long-term liabilities

Long term liability activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	\$ 307,550	\$ 19,904	\$ -	\$ 327,454	\$ -
Note payable	238,564	-	(64,432)	174,132	67,356
Total long-term liabilities	<u>\$ 546,114</u>	<u>\$ 19,904</u>	<u>\$ (64,432)</u>	<u>\$ 501,586</u>	<u>\$ 67,356</u>

NOTE 6      OTHER INFORMATION

**Risk Management**

The District receives workers compensation, automobile and general liability coverage Special District Risk Management Authority.

As a member of a public entity risk pool, the District is responsible for appointing an employee as a liaison between the District and the system, implementing all policies of the system, promptly paying all contributions, and cooperating with the system and any insurer of the system. The system is responsible for providing insurance coverage as agreed upon, assisting the District with implementation, providing claims adjusting and defense of any civil action brought against an officer of the system.

RANCHO ADOBE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 6      OTHER INFORMATION (continued)

**Employee Retirement Plan**

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the 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. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	6/30/2013
Measurement Date (MD)	6/30/2014
Measurement Period (MP)	07/01/2013-06/30/2014

**Plan Description, Benefits Covered and Employees Covered**

The Plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2013 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2013 actuarial valuation report. This report is a publically available valuation report that can be obtained at CalPERS' website under Forms and Publications.

**Contribution Description**

Section 20814(c) of the California Public Employees' Retirement Law (PERL) 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. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the

RANCHO ADOBE FIRE PROTECTION DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2015

NOTE 6      OTHER INFORMATION (continued)

**Contribution Description, continued**

Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014 (the measurement date), the active employee contribution rate is 7.947 percent of annual pay, and the average employer's contribution rate is 14.676 percent of annual payroll. Employer contributions rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

**Actuarial Methods and Assumptions Used to Determine Total Pension Liability**

For the measurement period ending June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. Both the June 30, 2013 total pension liability and the June 30, 2014 total pension liability were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefits Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

RANCHO ADOBE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 6      OTHER INFORMATION (continued)

**Discount Rate**

The discount rate used to measure the total pension liability was 7.50 percent. 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 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan. However, employers may determine the impact at the plan level for their own financial reporting purposes.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows.

RANCHO ADOBE FIRE PROTECTION DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2015

NOTE 6 OTHER INFORMATION (continued)

**Discount Rate, continued**

Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 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 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 geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 101	Real Return Years 11+2
Global Equity	47%	5%	6%
Global Fixed Income	1900%	99%	243%
Inflation Sensitive	600%	45%	336%
Private Equity	1200%	683%	695%
Real Estate	1100%	450%	513%
Infrastructure and Forestland	300%	450%	509%
Liquidity	200%	-55%	-105%

**Pension Plan Fiduciary Net Position**

The plan fiduciary net position disclosed in your GASB 68 accounting valuation report may differ from the plan assets reported in your funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included in fiduciary net position. These amounts are excluded for rate setting purposes in your funding actuarial valuation. In addition, differences may result from early CAFR closing and final reconciled reserves.

RANCHO ADOBE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 6        OTHER INFORMATION (continued)

**Prior Period Correction**

The District recorded a prior period adjustment to correct a difference from prior year auditor in assets and income.

NOTE 7        SUBSEQUENT EVENTS

The District has evaluated subsequent events through January 20, 2016, the date the financial statements were available to be issued, and determined that there were no events occurring subsequent to June 30, 2015 that would have a material impact on the District's results of operations or financial position.



## REQUIRED SUPPLEMENTARY INFORMATION

RANCHO ADOBE FIRE PROTECTION DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 JUNE 30, 2015

SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS AS OF THE MEASUREMENT DATE IN RELATION TO PERF C

Net pension liability and fiduciary net position are allocated to the pension are allocated to the plan based on its propositions as a percentage of the total plan (PERF C, excluding the 1959 Survivors Risk Pool), which includes both the Miscellaneous or Safety within PERF C. Therefore, to assist employers in meeting the requirements of GASB 68, proportions shown in the table below represent the plan's proportion of PERF C, excluding the 1959 Survivors Risk Pool, and not its proportions of the Miscellaneous Risk Pool.

**MISCELLANEOUS PLAN**

	<u>06/30/2014</u>
Plan's Proportion of the Net Pension Liability/(Asset)	0.23000%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 143,156
Plan's Covered-Employee Payroll	\$ 76,944
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	186.05%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	84.96%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 21,873

See notes to supplemental information

RANCHO ADOBE FIRE PROTECTION DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 JUNE 30, 2015

SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND  
 RELATED RATIOS AS OF THE MEASUREMENT DATE IN RELATION TO PERF C, CONTINUED

**PEPRA PLAN**

	06/30/2014
Plan's Proportion of the Net Pension Liability/(Asset)	0.00001%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 554
Plan's Covered-Employee Payroll	\$ 123,823
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	0.45%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	81.40%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 69

**SAFETY PLAN**

	06/30/2014
Plan's Proportion of the Net Pension Liability/(Asset)	0.03891%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 2,420,971
Plan's Covered-Employee Payroll	\$ 13,440,466
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	180.61%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	81.42%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 300,327

See notes to supplemental information

RANCHO ADOBE FIRE PROTECTION DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 JUNE 30, 2015

SCHEDULE OF PLAN CONTRIBUTIONS

**MISCELLANEOUS PLAN**

	Fiscal Year 2013-2014
Actuarially Determined Contribution	\$ 11,182
Contributions in Relation to the Actuarially Determined Contribution	(11,182)
Contribution Deficiency (Excess)	\$ -
Covered-Employee Payroll	\$ 76,944
Contributions as a Percentage of Covered-Employee Payroll	14.53%

**PEPRA PLAN**

	Fiscal Year 2013-2014
Actuarially Determined Contribution	\$ 8,820
Contributions in Relation to the Actuarially Determined Contribution	(8,820)
Contribution Deficiency (Excess)	\$ -
Covered-Employee Payroll	\$ 123,823
Contributions as a Percentage of Covered-Employee Payroll	7.12%

**SAFETY PLAN**

	Fiscal Year 2013-2014
Actuarially Determined Contribution	\$ 279,457
Contributions in Relation to the Actuarially Determined Contribution	(279,457)
Contribution Deficiency (Excess)	\$ -
Covered-Employee Payroll	\$1,340,466
Contributions as a Percentage of Covered-Employee Payroll	20.85%

See notes to supplemental information

RANCHO ADOVE FIRE PROTECTION DISTRICT  
NOTES TO SUPPLEMENTAL INFORMATION  
JUNE 30, 2015

**NOTES TO SCHEDULE**

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amounts to be separately financed employer-specific liabilities. These employers should consult with their auditors.

Change in Assumptions: None

**RANCHO ADOBE FIRE PROTECTION DISTRICT  
ROSTER OF BOARD MEMBERS  
JUNE 30, 2015**

Regular Meetings: The regular meetings of the Board of Directors is held at 7:00 PM on the third Wednesday of each month at the Cotati Fire Station located on 1 East Cotati Avenue, Cotati, California.

Directors:

Robert Dunne	December 1, 2016
Carla Grube	December 1, 2018
Mark Hemmendinger	December 1, 2016
Greg Karraker	December 1, 2018
Harold Griffith	December 1, 2016
Brian Proteau	December 1, 2016
Robert Rippin	December 1, 2018

Clerk of the Board:

Frank Treanor	Chief	Continuous
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