RUSSIAN RIVER FIRE PROTECTION DISTRICT

Financial Statements
and
Independent Auditor's Report

JUNE 30, 2015

RUSSIAN RIVER FIRE PROTECTION DISTRICT
June 30, 2015

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Blomberg & Griffin Accountancy Corporation
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Russian River Fire Protection District
Guerneville, California

Report on the Financial Statements

We have audited the accompanying financial statements of Russian River Fire Protection District 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 and the standards applicable to financial audits contained in Government 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 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.

1013 North California Street, Stockton, California 95202 • (209) 466-3894 • Fax (209) 466-5545

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Russian River 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 on pages 3 through 7 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 Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 11, 2016, on our consideration of the Russian River Fire Protection District's internal control over financial reporting and on our tests of its compliance with certain provisions of 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 that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Russian River Fire Protection District's internal control over financial reporting and compliance.

Blomberg & Griffin A.C.

Blomberg & Griffin A.C.
Stockton, CA
January 11, 2016

As management of the Russian River Fire Protection District (the 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 basic financial statements and the accompanying notes to the financial statements.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by $669,182 (net position). This amount includes net investment in capital assets of $1,359,397 and deficit of $690,215.

- The District's total net position decreased by $1,248,541. This decrease is primarily due to the reporting of pension plan liabilities required by Governmental Accounting Standards Board statement number 68.

- As of the close of the current fiscal year, the District's general fund reported an ending fund balance of $932,615, an increase of $27,364 in comparison with the prior year. The entire fund balance is available for spending at the District's discretion (unassigned fund balance).

- At the end of the fiscal year, unassigned fund balance for the general fund was $932,615, or 43% of the total general fund expenditure of $2,156,501.

- The District's long-term debt increased by $1,440,840, during the current fiscal year due primarily to reporting of pension liabilities of $1,525,797 and capital lease of $99,269. Debt was canceled in the amount of $211,341 and payment was made on capital lease of $24,231. Compensated absences increased by $51,016.

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 financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the basic financial statements. This report also contains other supplementary information in addition 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 position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Overview of the Financial Statements (Continued)

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position 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).

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 in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows 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.

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.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by $669,182 at the close of the most recent fiscal year ended June 30, 2015.

The net position category labeled "Net investment in Capital Assets" reflects the District's investment in capital assets (net of depreciation) of $1,458,666, (e.g., land, construction in progress, buildings and improvements, and equipment) less accumulated depreciation and outstanding debt of $99,269 used for the acquisition of these assets. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. At the end of the fiscal year, the District's net investment in capital assets was $1,359,397.

Net Position
June 30, 2015 and 2014

	2015	2014	Increase (Decrease)	Percentage Change
Current and Other Assets	$ 955,713	$ 940,786	$ 14,927	1.6%
Capital Assets, Net Depreciation	1,458,666	1,357,381	101,285	6.94%
Deferred Changes	84,357	-	84,357	100.00%
Total Assets	2,498,736	2,298,167	200,569	8.7%
Current Liabilities	43,805	35,535	8,270	23.3%
Non-Current Liabilities	1,785,749	344,909	1,440,840	417.7%
Total Liabilities	1,829,554	380,444	1,449,110	380.9%
Net Position				
Net Investment in Capital Assets	1,359,397	1,223,431	135,966	11.1%
Unrestricted (Deficit)	(690,215)	694,292	(1,384,507)	-199.4%
Total Net Position	$ 669,182	$ 1,917,723	$ (1,248,541)	-65.1%

The balance of unrestricted deficit of $(690,215) is primarily due to the recording of net pension liabilities in accordance with GASB 68.

Governmental Activities: Governmental activities increased the District's net position by $277,256, while the reporting of net pension liabilities decrease net position by $1,525,797.

Changes in Net Position
For the Fiscal Year's Ended June 30, 2015 and 2014

	2015	2014	Increase (Decrease)	Percentage Change
Revenues:				
Program Revenue:				
Public Safety - Fire Protection	$ 601,115	$ 621,713	$ (20,598)	-3.31%
General Revenues:				
Property Taxes	1,521,166	1,284,402	236,764	18%
Rent	5,140	-	5,140	
Investment Earnings and Other	51,445	80,814	(29,369)	-36%
Special Item				
Sale of Capital Assets	5,000	(64,334)	69,334	-107.77%
Debt Cancellation	211,341	-	211,341	100%
Total Revenues	2,395,207	1,922,595	472,612	25%
Expenses:				
Program Expenses:				
Public Safety - Fire Protection	2,117,951	2,198,306	(80,355)	-4%
Change in Net Position	277,256	(275,711)	552,967	199%
Net Position - Beginning of The Year	1,917,723	2,193,434	(275,711)	-14%
Prior Period Adjustment	(1,525,797)	-	(1,525,797)	100%
Net Position - End of The Year	$ 669,182	$ 1,917,723	$ (1,248,541)	-65.1%

Financial Analysis of the Government's Funds

The District uses fund accounting to ensure and demonstrate compliance with legal and governmental accounting requirements.

Governmental Funds: The focus of the District's governmental fund 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, unassigned fund balance may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year. The District uses and reports one governmental fund, the General Fund.

The general fund is the chief operating fund of the District. As of June, 30, 2015, the District's general fund reported ending fund balance of $932,615, an increase of $27,364 in comparison with the prior year. This entire amount constitutes unassigned fund balance, which is available for spending at the government's discretion.

As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 43% of total general fund expenditures.

General Fund Budgetary Highlights

There were differences in the original budget compared to the final amended budget as budgeted expenditures increased by $249,890. Actual revenue exceeded budget by $125,665 while actual expenditures were less than budget by $250,399.

Capital Asset and Debt Administration

Capital Assets: The District's investment in capital assets, as of June 30, 2015, amounts to $1,458,666 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and equipment. The total increase in the District's investment in capital assets for the fiscal year ended June 30, 2015 was $101,285, and is explained by the following events:

- Depreciation of the capital assets $(81,934)
- Capital expenditures for new ambulance and equipment $183,219

Additional information on the District's capital assets can be found in note IV.

Debt Administration: For the fiscal year ended June 30, 2015, the District had total long-term obligations outstanding of $1,806,456, including $99,269 in a capital lease and $181,390 in compensated absences. Also included are pension plan related liabilities of $1,525,797. During the fiscal year 2014-2015, the District's total long-term debt increased by $1,440,840.

Economic Factors and Next Year's Budgets and Rates

- Property tax revenue is expected to remain relatively stable.
- The District expects increased capital expenditures for station repairs and improvements.

All of these factors were considered in preparing the District's budget for the fiscal year ending June 30, 2016.

Request for Additional Information

This 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 District, P.O. Box 637, Guerneville, CA 95446.

RUSSIAN RIVER FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	2015
Assets	
Cash and Investments	$ 787,650
Accounts Receivable - Net	168,063
Capital assets (Net of Accumulated Depreciation)	
Non-Depreciable	25,570
Depreciable, Net	1,433,096
Sources of Deferred Outflows	
Pension Contributions	84,357
Total Assets	2,498,736
Liabilities	
Accounts Payable	23,098
Capital lease payable - due within one year	20,707
Non-Current Liabilities	
Compensated Absences	181,390
Capital Lease Payable - due in more than one year	78,562
Net Pension Liability	1,147,230
Sources of Deferred Inflows	
Pension Deferred Credits	378,567
Total Liabilities	1,829,554
Net Position	
Net Investment in Capital Assets	1,359,397
Unrestricted - (Deficit)	(690,215)
Total Net Position	$ 669,182

The notes to the financial statements are an integral part of this statement

RUSSIAN RIVER FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
JUNE 30, 2015

Governmental Activities	**2015**
Program Expenses	
Public safety - fire protection	
Salaries and employee benefits	$ 1,676,668
Services and supplies	359,349
Debt service - interest	-
Depreciation	81,934
Total Program Expenses	2,117,951
Program Revenues	
Charges for services	601,115
Total Program Revenues	601,115
Net Program Revenues (Expenses)	1,516,836
General Revenues	
Property taxes	1,521,166
Investment earnings	4,555
Rent	5,140
Donations and reimbursements	46,899
Debt Cancelation	211,341
Total General Revenues	1,789,101
Special item - Gain on sale of assets	5,000
Change in Net Position	277,256
Net Position - Beginning of Year	1,917,723
Prior Period Adjustment - Pension (GASB 68)	(1,525,797)
Net position - End of Year	$ 669,182

The notes to the financial statements are an integral part of this statement

RUSSIAN RIVER FIRE PROTECTION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2015

		2015
Assets		
Cash and investments	$	787,650
Flat charges receivable		20,786
Accounts Receivable-Ambulance (Net)		147,277
Total Assets		955,713
Liabilities and Fund Balance		
Liabilities:		
Accounts payable		23,098
Total liabilities		
Fund balance:		
Unassigned		932,615
Total Liabilities and Fund Balance	$	955,713

The notes to the financial statements are an integral part of this statement

RUSSIAN RIVER FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
JUNE 30, 2015

	2015
Revenues	
Property taxes	$ 1,514,339
Ambulance Fees	591,925
Intergovernmental revenue	6,827
Interest Income	4,555
Rent	5,140
Fire Control Services	9,190
Proceeds from Disposition of Fixed Assets	5,000
Insurance Reimbursements	4,913
Miscellaneous Income	41,976
Total Revenues	2,183,865
Expenditures	
Current:	
Salaries and Employee Benefits	1,710,009
Operating Expenses	362,543
Equipment Purchases	59,718
Debt Service	24,231
Total Expenditures	2,156,501
Excess (Deficiency) of Revenues over Expenditures	27,364
Fund Balance - Beginning of Year	905,251
Fund Balance - End of Year	$ 932,615

The notes to the financial statements are an integral part of this statement

RUSSIAN RIVER FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2015

Total Fund Balances - Governmental Fund		$ 932,615
Amount reported for governmental activities in the statement of net position are different because :		
Capital assets used in the operation of governmental funds are not financial resources and, therefore, are not reported in the general fund. These assets consist of:		
Capital Assets:		
Land	25,570	
Buildings and Improvements	913,673	
Equipment	538,674	
Mobile Euipment	995,215	
Office	37,183	
	2,510,315	
Less: Accumulated Depreciation	(1,051,649)	
Total Capital Assets, Net of Accumulated Depreciation		1,458,666
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the general fund. These consist of:		
Capital Lease Payable		(99,269)
Compensated Absences-Due Beyond One Year		(181,390)
Net Pension Liability		(1,147,230)
Deferred Pension Charges and Credits		(294,210)
Net Position of Governmental Activities		$ 669,182

RUSSIAN RIVER FIRE PROTECTION DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CAHNGES IN FUND BALANCES OF GOVERNMENTAL FUND TYPES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUN TYPE	$	27,364
Amount reported for governmental activities in the statement of activities are different because :		
Debt Cancellation		211,341
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as a depreciation expense. Differences are as follows:		
Expenditures for Capital Assets		59,718
Current Year Depreciation Expense		(81,934)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds, as follows:		
Pension Expense - GASB 68 Adjustment		84,357
Compensated Absences		(51,016)
Capital Lease Principal Payment		24,231
Other Long Term Liabilities (now all current)		3,195
Change in Net Position of Governmental Activities	$	277,256

The notes to the financial statements are an integral part of this statement.

I. Summary of Significant Accounting Policies

A. Organization

The Russian River Fire Protection District (the District) was founded by vote of the electorate and was formed by resolution of the Board of Supervisors of the County of Sonoma as a fire protection District under and pursuant to provisions of the Health and Safety Code of the State of California. The District serves taxpayers and residents in specific unincorporated area of the County of Sonoma, the boundaries of which are set by resolution of the Board of Supervisors. The District's governmental powers are exercised though a Board of Directors.

B. Significant Accounting Policies

The basic financial statements of the Russian River Fire Protection District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

1. Government-wide Financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) 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*.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are proprietary fund and fiduciary fund financial statements. 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 grantor have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

I. Summary of Significant Accounting Policies (Continued)

Amounts recorded as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. General revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use unrestricted resources first, then restricted resources as they are needed.

2. Governmental Fund Financial Statement

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changing in Fund Balances for its governmental funds. An accompanying schedule is presented to reconcile and explain the difference in Net Positon as presented in these statements to the Net Position presented in the Government-wide financial statements. The District's General Fund is its only major governmental fund.

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 are current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increase (revenues and other financing sources) and decreases (expenditures and other financing uses) I 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 expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the District, are property taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Reconciliation of the Fund Financial Statements to the Government-wide Financial Statements is provided to explain the difference created by the integrated approach.

The District reports the following major governmental fun:

<u>General Fund</u>: This is the District's primary operating fund. It accounts for all financial resources of the government, except those required to be accounted for in another fund.

I. Summary of Significant Accounting Policies (Continued)

3. 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 two (2) years. Such assets are recorded at historical cost if 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 primary government, is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildingd and Improvements	50
Mobile Equipment	20
Other Fire Equipment	10-15
Office	5

4. Net Position

Net position is classified into three components — 1) net invested in capital assets, net of related debt (if any) 2) restricted, and 3) unrestricted. These classifications are defined as follows:

- Invested in capital assets net of related debt (if any) – This component of net position groups all capital assets, including infrastructure, into one component of net position, net of accumulated depreciation and reduced by outstanding debt related to the acquisition, construction or improvement of these assets.

- Restricted net position (if any) — This component consists of external constraints or restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments or restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position — This component represents the net position consists of the entity, not restricted for any project or other purpose.

I. Summary of Significant Accounting Policies (Continued)

5. Fund Balance

In the fund financial statements, governmental funds report fund balance using the classifications listed in *GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions.* Initial distinction is made in reporting fund balance information identifying amounts that are considered non-spendable, such as fund balance associated with inventories. Spendable fund balance for the governmental fund consists of the following classifications:

a. *Restricted Fund Balance* - the portion of fund balance that can only be spent for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

b. *Committed Fund Balance* - the portion of fund balance whose use is subject to formal action of the government's highest level decision making authority. These commitments remain binding unless changed or removed by formal action of the Board as the formal authority that imposed the constraint. The underlying action that imposed, modified, or removed the limitation would need to occur no later than the close of the reporting period.

c. *Assigned* - the portion of fund balance that is intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

d. *Unassigned* – the residual amount of all general fund spendable resources not contained in the other classifications.

6. Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the report's amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

I. Summary of Significant Accounting Policies (Continued)

7. Vacation and Sick Leave

Unpaid (accrued) vacation is recorded at the time the benefits are earned. Accrued vacation is paid upon retirement or separation from employment, and is included as a liability.

Accrued sick leave accrued prior to 7/2/07 (called "Banked Sick Hours") is available for PERS retirement or for employee use only. This is not included as a liability to the District. Sick Leave accrued after 7/2/07 can be reimbursed to the employee or applied towards PERS retirement. This accrued sick time is recorded as a liability to the District (according to years of completed service). The following schedule lists the liability to the District for reimbursement upon separation from employment.

4 Years of Completed Service	20%
6 Years of Completed Service	30%
8 Years of Completed Service	40%
10 Years of Completed Service	50%

8. Budgetary Information

Budgetary revenue estimates represent original estimates modified for any authorized adjustment which was contingent upon new or additional revenue sources. 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 by resolution of the Board of Directors. Budget and actual revenues and expenditures statement is presented on page 30.

II. Cash and Investments

A. Investment in the Sonoma County Treasurer's Investment Pool

The District's cash is pooled with the Sonoma County Treasurer, who acts as a disbursing agent for the District. The fair value of the District's investment in this pool is reported in the accompanying financial statement at the amounts based upon the District's pro-rata share of the fair value provided by the Treasury Pool for the entire Treasury Pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on accounting records maintained by the Treasury Pool, which are recorded on an amortized cost basis. Interest earned on investments pooled with the County is allocated quarterly to the appropriate fund based on its respective average daily balance for that quarter. The Treasury Oversight Committee has regulatory oversight for all monies deposited into the Treasury Pool.

As of June 30, 2015, the District's share of the change in fair value of investments was not material.

Investments Guidelines

The District's pooled cash and investments are invested pursuant to investment policy guidelines established by the County Treasurer and approved by the Board of Supervisors. The objectives of the policy are, in order of priority: safety of capital, liquidity, and maximum rate of return. The policy addresses the soundness of financial institutions in which the County will deposit funds, types of investment instruments as permitted by the California Government Code 53601, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity.

A copy of the Treasury Pool investment policy is available upon request from the Sonoma County Treasurer at 585 Fiscal Drive, Suite 100, Santa Rosa, California, 95403-2871.

Interest Rate Risk

Interest rate risk 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 is to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, one of the ways that the Treasury Pool manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations.

As of June 30, 2015, approximately 32 percent of the securities in the Treasury Pool had maturities of one year or less. Of the remainder, only 4.0 percent had a maturity of more than five years.

II. Cash and Investments (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Treasury Pool does not have a rating provided by a nationally recognized statistical rating organization.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Treasury Pool's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits and securities lending transactions:

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

The California Government Code limits the total of all securities lending transactions to 20% of the fair value of the investment portfolio.

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as the Treasury Pool).

Concentration of Credit Risk

The investment policy of the County contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. For a listing of investments in any one issuer (other than U.S. Treasury securities, mutual funds, or external investment pools) that represent 5% or more of total County investments, refer to the June 30, 2015 Sonoma County Comprehensive Annual Financial Report (the last one available).

II. Cash and Investments (Continued)

Cash on Hand and In Banks

Cash Investments not included in pooled cash is as follows:

Checking Account - General	$225,226
Checking Account - Ambulance	100
Checking Account - Payroll	25,564
Checking Account - Household Account	735
Total	$251,625

Bank accounts are subject to FDIC insurance for amounts up to $250,000.

III. 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 on January 1 for the ensuing fiscal year. The property tax is levied as of July 1 on all taxable property located in 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 fiscal year 1978/1979, general property taxes are based either on a flat 1% rate applied to the 1975/1976 full value or on 1% 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 2% per year.

On June 29, 1993, the Board of Supervisors adopted the "Teeter" Alternate Method of Property Tax Allocation. This method allocates property taxes based on the total property tax billed. At year-end the County advances cash 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 cash used for the advances.

IV. Capital Asset Activity

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

	Beginning Balance 7/1/2014	Additions	Reclassifications Retirements	Ending Balance 6/30/2015
Capital Assets, not Being Depreciated:				
Land	$ 25,570	$ -	$ -	$ 25,570
Total Capital Assets, not Being Depreciated	25,570	-	-	25,570
Capital Assets,				
Being Depreciated:				
Buildings and Improvements	913,673	-	-	913,673
Equipment	328,342	30,332	-	358,674
Mobile Equipment	1,086,953	152,887	(64,625)	1,175,215
Office	37,183	-	-	37,183
Total Capital Assets, Being Depreciated, Net	950,856	183,219	(64,625)	2,484,745
Less Accumulated Depreciation	(1,034,340)	(81,934)	64,625	(1,051,649)
Total Capital Assets, Being Depreciated, Net	1,331,811	101,285	-	1,433,096
Governmental Activities, Capital Assets, Net	$ 1,357,381	$ 101,285	$ -	$ 1,458,666

Depreciation expense was charged to functions/programs of the District as follows:

Governmental Activites:	
Public Safety - Fire Protection/Ambulance	$ 81,934
Total Depreciation Expense - governmental Activities	$ 81,934

V. Long-Term Debt

Changes in long-term debt

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

	Beginning Balance 7/1/2014	Additions	Reductions	Ending Balance 6/30/2015	Current Portion
Capital Lease Payable	$ -	$ 123,500	$ 24,231	$ 99,269	$ 20,707
Note - CDBG Loan	133,950	-	133,950	-	-
Subtotal	133,950	123,500	158,181	99,269	20,707
Compensated Absences	130,374	51,016	-	181,390	-
Other Long-Term Liabilities	3,194	-	3,194	-	-
Net Pension Liability (GASB 68)	-	1,147,230	-	1,147,230	-
Total Long-Term Liabilities	$ 267,900	$ 174,516	$ 161,375	$ 1,427,889	$ 20,707

The Community Development Block Grant Loan (CDBG) in the amount of $133,950 was cancelled on 10/24/14.

The capital lease payment schedule is as follows:

Date	Payment	Principal	Interest	Termination Balance
3/15	24,231	24,231	-	99,269
3/16	24,231	20,707	3,524	78,563
3/17	24,231	21,442	2,789	57,121
3/18	24,231	22,203	2,028	34,918
3/19	24,231	22,991	1,240	11,927
3/20	12,350	11,927	423	-
Totals	133,505	123,500	10,005	281,798

B) Other Long-Term Liabilities

As per an agreement with retired employee, the retiree is using his early retirement as well as his accrued vacation, accrued holiday and accrued compensatory time to pay for monthly health insurance. There is no provision for increase benefits as the liability is just used until depleted. The original liability was $38,822.

Liability at 6/30/14	$ 3,194
Payments During 14/15	(3,194)
Liability at 6/30/15	$ -

VI. New Special Tax

The methodology for computing the tax has changed as follows:

Use Code Summaries	Rate Per APN
Vacant	70
Single Family Residential	140
Multifamily Residential	140 plus 70 for each additional unit
Agricultural	175
Commercial/Industrial	350

VII. Accounts Receivable

The District has two categories of Accounts Receivable

a) Flat charges collected are apportioned to Russian River Fire Protection District to supplement property taxes collected for operating cost. Not all of the assessments are collected as of June 30, 2015, therefore, the remainder of the uncollected assessments are considered flat charges receivable. $20,786.

b) The District also reports its ambulance receivables of $315,355 which are reported net of allowance for doubtful accounts and write downs of $166,078. $147,277.

VIII. Insurance

The Russian River Fire Protection District receives general, public official's errors and omissions, professional automobile, special events, and host and liquor insurance through Northwest Insurance Agency, Inc. a division of George Petersen Insurance Agency. The District is also a member of the Fire Districts Association of California-Fire Association Self Insurance System (FDAC-FASIS) through which it receives workers' compensation coverage.

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.

IX. Services Provided by Forestville Fire Protection District

The District entered into an Agreement with Forestville Fire Protection District on Jun 8, 2011 to provide Fire Chief services to the District. The fee is 50% of the Chief's compensation package. Various conditions can cause termination of the Agreement as set forth in Section 6 of the Agreement.

X. Administrative Services Provided to Forestville Fire Protection District

The District entered into an Agreement with Forestville Fire Protection District per Resolution 4/15-15 and dated June 10, 2015. Russian River Fire Protection District provides financial and administrative support services at a rate of $38.06 for up to 5 hours per week and on a negotiated basis for additional financial and administrative services.

XI. Debt Forgiven CDBG Loan

As of 10/24/14, via the Sonoma County Community Development Commission, the CDBG loan has been forgiven along with the accrual interest. A deed of Reconveyance, releasing the property from this encumbrance has been recorded.

The CDC requires a deed restriction to be in place to ensure notification to the CDC in case of a future change in use of the property. This recorded document, title an Agreement Regarding Federally funded Property Improvement stipulates that in the event the District chooses to sell or change the use of the property in future years, the Commission must be reimbursed in the amount of the then-current fair market value of the property, less any portion of the value attributable to expenditures of non-CDBG funds for acquisition of and improvements to the property. The District shall also continue to abide by all other applicable CDBG regulations.

XII. District Employees Retirement Plan (Defined Benefit Pension Plan)

Plan Description

The District contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer public retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. Copies of CalPERS annual financial report may be obtained from their Executive Office – 400 Q Street, Sacramento, CA 95814.

Defined Benefit Pension Plan - (Safety Plan)

The District provides eligible employee's pension plan benefits through the Russian River Fire Protection District – Safety and Miscellaneous Plan.

XII. District Employees Retirement Plan (Defined Benefit Pension Plan) (Continued)

Plan Description, Benefits Provided 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 are 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 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 contribution rate of employees. For the measurement period ended June 30, 2014 (the measurement date), the active employee contribution rate is 8.986 percent of annual pay, and the average employer's contribution rate is 28.042 percent of annual payroll. Employer contributions rates may change if plan contracts are amended. Per resolution 14/15-10 employees pay the fee 9% employer contribution.

XII. District Employees Retirement Plan (Defined Benefit Pension Plan) (Continued)

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
Acturial 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 Espenses; includes Inflation
Mortality Rate Table	Delivered using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter.

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 results 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.

XII. District Employees Retirement Plan (Defined Benefit Pension Plan) (Continued)

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 Stragetic Allocation	Real Return Years 1 - 10	Real Return Years 11 +
Global Equity	47.0%	5.25	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.5	5.13
Infrastructure and Forestland	3.0	4.5	5.09
Liquidity	2.0	(0.55)	(1.05)

The following presents the net pension liability/(assets) of the Plan as of the measurement date, calculated using the discount rate of 7.50 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

	Discount Rate - 1% (6.50%)	Current Discount Rate (7.50%)	Discount Rate + 1% (8.50%)
Plan's Net Pension Liability/(Asset)	$ 1,938,819	$ 1,147,230	$ 619,504

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure

XII. District Employees Retirement Plan (Defined Benefit Pension Plan) (Continued)

Pension Expense, Deferred Outflows and Deferred Inflows

For the fiscal year ended June 30, 2015, pension expense recognized is as follows:

Total Service Costs	$ 125,692
Interest on TPL	437,504
Plans Share of Employee Contribution	(29,701)
Projected Earnings on PPI	(348,866)
Recognized Difference Between Projected and Actual Plan Earnings	-
Recognized Portion of Adjustment Due to Difference in Proportions	(10,608)
Total Pension Expense (Income)	$ 174,021

Pension Expense, Deferred Outflows and Deferred Inflows (Continued)

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Measurement Period Ended June 30,	Deferred Outflows/(Inflows) of Resources
2016	(78,534)
2017	(78,534)
2018	(78,534)
2019	(58,608)

In accordance with GASB 68, a prior period adjustment was reported to record the pension related adjustments

XIII. Subsequent Events

Management has evaluated subsequent events through June 14, 2016, the date these financial statements were available for release.

RUSSIAN RIVER FIRE PROTECTION DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES, BUDGET AND ACTUAL-GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual
Revenues	Original	Final	Amounts
Property taxes	$ 1,248,600	$ 1,312,500	$ 1,514,339
Ambulance Services	700,000	650,000	591,925
Intergovernmental Revenue	7,000	7,000	6,827
Interest Income	10,000	7,000	4,555
Rent	-	-	5,140
Fire Control Services	1,000	2,000	9,190
Proceeds from Disposition of Fixed Asset	-	-	5,000
Insurance Reimbursements	1,000	1,000	4,913
Miscellaneous Income	74,150	78,700	41,976
Total Revenues	2,041,750	2,058,200	2,183,865
Expenditures			
Current:			
Salaries and Employee Benefits	1,723,800	1,666,600	1,710,009
Operating Expenses	471,200	428,800	362,543
Equipment Purchases	220,000	261,500	59,718
Debt Retirement	-	30,000	24,231
Contingencies	160,290	20,000	-
Total Expenditures	2,575,290	2,406,900	2,156,501
Excess (Deficincey) of Revenues Over Expenditures	(533,540)	(348,700)	27,364
Fund Balance - Beginning of Year			905,251
Fund Balance - End of Year			$ 932,615

The notes to the financial statements are an integral part of this statement

NOTE 1 - BUDGETARY INFORMATION

Annual budgets are adopted on a non-GAAP basis for all governmental funds. All annual appropriations lapse at fiscal year-end.

Before May 31, the proposed budget is presented to the board of directors for review. The board holds public hearings and final budget must be prepared and adopted no later than September 30.

The appropriated budget is prepared by character and subject. Transfers of appropriations between characters require the approval of the board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the character level. The board made several supplemental budgetary appropriations throughout the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be appropriated and honored during the subsequent year. The District had no encumbrances outstanding at June 30.

Blomberg & Griffin Accountancy Corporation
Certified Public Accountant

INDEPENDENT AUDITORS' 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*

Board of Directors
Russian River Fire Protection District
Guerneville, CA

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Russian River Fire Protection District as of and for the year ended June 30, 2015, which collectively comprise Russian River Fire Protection Services District's basic financial statements and have issued our report thereon dated January 11, 2016. 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 District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the first preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weakness or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

1013 North California Street, Stockton, California 95202 • (209) 466-3894 • Fax (209) 466-5545

Internal Control Over Financial Reporting (Continued)

A significant deficiency is a deficiency or combination of control deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of the testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blomberg & Griffin A.C.

Blomberg & Griffin A.C.
Stockton, CA
January 11, 2016