



Valley of the Moon Fire Protection District



Board of Directors Meeting

March 8, 2016



Valley of the Moon Fire Protection District

Board of Directors Meeting

March 8, 2016

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**MEETING AGENDA
VALLEY OF THE MOON FIRE PROTECTION DISTRICT
BOARD OF DIRECTORS**

Tuesday, March 8, 2016 at 6:00 P.M.
Location: Sonoma Valley Fire & Rescue Authority Station #1
630 2nd Street West, Sonoma, California 95476

(This agenda is posted in accordance with the Ralph M. Brown Act,
California Government Code Section 54950, et seq.)

1. CALL TO ORDER

2. ROLL CALL & DETERMINATION OF A QUORUM

Board of Directors: President Norton, Director Brunton, Director Greben, Director Brady, and Director Leen.

3. PLEDGE OF ALLEGIANCE

4. CONFIRMATION OF AGENDA

Opportunity for the Board to reorder agenda items

5. COMMENTS FROM THE PUBLIC

(At this time, members of the public may comment on any item not appearing on the agenda. It is recommended that you keep your comments to three minutes or less. Under State Law, matters presented under this item cannot be discussed or acted upon by the Board at this time. For items appearing on the agenda, the public will be invited to make comments at the time the item comes up for consideration by the Board of Directors.)

6. PRESENTATIONS

Treasurer Hilbrants will present the 2014/15 audit for the VOM District.

7. CONSENT CALENDAR

Approval of minutes for regular meeting of February 9, 2016. **Action Item**

8. FIRE CHIEF'S MONTHLY REPORT

Chief's activity report for February 2016

9. OLD BUSINESS

10. NEW BUSINESS

a) Accept 2014/2015 VOM District audit. **Action Item**

b) Resolution 2015/2016-09 approving the revised Fund Balance Policy. **Action Item with Roll Call Vote**

c) Resolution 2015/2016-10 approving amendments to the 2015/16 operating budget. **Action Item with Roll Call Vote**

- d) Appoint representative to County Fire Services Project regional council. **Action Item**
- e) Appoint ad hoc committee for the purpose of Fire Chief recruitment. **Action Item**

11. OTHER BUSINESS TO COME BEFORE THE BOARD

12. COMMENTS FROM THE FLOOR

13. COMMENTS FROM THE BOARD

14. CLOSED SESSION

15. ADJOURNMENT

This meeting will be adjourned to a regular meeting on April 12, 2016 at 6:00 p.m. in the Training Room of Sonoma Valley Fire & Rescue Authority Station 1, located at 630 2nd Street West, Sonoma.

Copies of all staff reports and documents subject to disclosure that relate to any item of business referred to on the agenda are available for public inspection the Monday before each regularly scheduled meeting during regular business hours, 8:00 a.m. to 5:00 p.m. Monday through Friday, at Sonoma Valley Fire & Rescue Authority's Station 1, located at 630 2nd Street West, Sonoma, California.

Any documents subject to disclosure that are provided to all, or a majority of all, of the members of the Board of Directors regarding any item on this agenda after the agenda has been distributed will be made available for inspection at the location listed above during regular business hours. If you challenge the action of the Board in court, you may be limited to raising only those issues you or someone else raised at the public hearing described on the agenda, or in written correspondence delivered to the Valley of the Moon Fire Protection District Board of Directors, at or prior to the public hearing.

In accordance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the secretary for the Board at (707) 996-2102. Notification 48 hours before the meeting will enable the Valley of the Moon Fire Protection District to make reasonable arrangements to ensure accessibility to this meeting.



Valley of the Moon Fire Protection District

Board of Directors Meeting

Agenda Item Summary

March 8, 2016



Agenda Item No.		Staff Contact	
7		Georgette Darcy, Admin. Analyst/Secretary to Board	
Agenda Item Title			
Approval of minutes for regular meeting of February 9, 2016			
Recommended Actions			
Approve the minutes			
Executive Summary			
The minutes have been prepared for Board review and approval.			
Alternative Actions			
Correct or amend minutes prior to approval			
Strategic Plan Alignment			
Not applicable			
Fiscal Summary – FY 15/16			
Expenditures		Funding Source(s)	
Budgeted Amount	\$	District General Fund	\$
Add. Appropriations Req'd.		Fees/Other	\$
	\$	Use of Fund Balance	\$
	\$	Contingencies	\$
		Grants	\$
Total Expenditure	\$	Total Sources	\$
Narrative Explanation of Fiscal Impacts (if required)			
Not required			
Attachments			
Minutes for February 9, 2016 regular meeting			

VALLEY OF THE MOON FIRE PROTECTION DISTRICT

REGULAR BOARD OF DIRECTORS MEETING MINUTES

February 9, 2016

1. CALL TO ORDER

President Norton called the meeting to order at 6:02 p.m.

2. ROLL CALL & DETERMINATION OF A QUORUM

Board of Directors: President Norton, Director Brady, and Director Leen. Director Brunton and Director Greben were excused.

3. PLEDGE OF ALLEGIANCE

Director Leen led the Pledge of Allegiance.

4. CONFIRMATION OF AGENDA

There were no changes to the agenda.

5. COMMENTS FROM THE PUBLIC

Gina Cuclis, candidate for 1st District Supervisor, was in attendance and introduced herself to the Board.

6. PRESENTATIONS

Treasurer DeAnna Hilbrants presented a review of the mid-year budget for the SVFRA and the District.

7. CONSENT CALENDAR

Approval of minutes for special meeting of January 12, 2016

M/S/P Leen/Brady to approve minutes for January 12, 2016. Passed 3 ayes

8. FIRE CHIEFS' MONTHLY REPORT

Fire Chief Freeman gave his activity report for January 2016.

Chief Freeman recommended that regional council representation, as requested by the County Fire Services Project coordinator, be placed on the March agenda as an action item.

9. OLD BUSINESS

None

10. NEW BUSINESS

- a) Resolution 2015/2016-07 accepting the mid-year financial report and approving amendments to the 2015/2016 operating budget.

M/S/P Leen/Brady to accept mid-year financial report and approve amendments to the 2015/16 operating budget. Passed 3 ayes

- b) Resolution 2015/2016-08 approving the Reorganization Side Letter Agreement between the Sonoma Valley Professional Firefighters' Association, Local 3593, and the Valley of the Moon Fire Protection District.

M/S/P Brady/Leen to approve Reorganization Side Letter. Passed 3 ayes

11. OTHER BUSINESS TO COME BEFORE THE BOARD

The 2016 FDAC Annual Conference will take place at the Embassy Suites in Napa April 6th through 8th. Event information will be available in the next few weeks.

12. COMMENTS FROM THE FLOOR

None

13. COMMENTS FROM THE BOARD

Director Leen commented that he would be unavailable for the April board meeting and FDAC conference.

14. CLOSED SESSION

None

15. ADJOURNMENT

The meeting was adjourned at 6:33 p.m. to a regular meeting on March 8, 2016 at 6:00 p.m. in the Training Room at Station 1, located at 630 2nd Street West, Sonoma.

Respectfully submitted,

Georgette Darcy

President Norton

Director Brunton

Director Greben

Director Brady

Director Leen



Valley of the Moon Fire Protection District

Board of Directors Meeting

Agenda Item Summary

March 8, 2016



Agenda Item No.		Staff Contact	
10A		Mark Freeman, Fire Chief	
Agenda Item Title			
Accept 2014/15 VOM District audit			
Recommended Actions			
Accept audit			
Executive Summary			
Audit firm Chavan & Associates, LLP has completed the fiscal year 2014/15 financial audit for the District. Treasurer Hilbrants has presented the audit to the Board, who are now asked to accept the document.			
Alternative Actions			
Deny acceptance or request more information prior to accepting audit.			
Strategic Plan Alignment			
Not applicable			
Fiscal Summary – FY 15/16			
Expenditures		Funding Source(s)	
Budgeted Amount	\$	District General Fund	\$
Add. Appropriations Req'd.	\$	Fees/Other	\$
	\$	Use of Fund Balance	\$
		Contingencies	\$
		Grants	\$
Total Expenditure	\$	Total Sources	\$
Narrative Explanation of Fiscal Impacts (if required)			
Attachments			
Valley of the Moon Fire Protection District Annual Financial Audit Report June 30, 2015			

**VALLEY OF THE MOON
FIRE PROTECTION DISTRICT**
ANNUAL FINANCIAL AUDIT REPORT
JUNE 30, 2015



CHAVAN & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS
1475 SARATOGA AVE., SUITE 180
SAN JOSE, CA 95129

Valley of the Moon Fire Protection District

Sonoma County

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FINANCIAL
SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Valley of the Moon Fire Protection District
Sonoma, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Valley of the Moon Fire Protection District (the 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

The District's 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of pension contributions, schedule of proportionate share of net pension liability, and schedule of funding progress for the retiree healthcare plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

New Accounting Principles

As discussed in Notes 1 and 5 to the financial statements, the District adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective June 30, 2015 and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2016 on our consideration of the 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 the District's internal control over financial reporting and compliance.

C & A LLP

January 27, 2016
San Jose, California

Management's Discussion and Analysis

Valley of the Moon Fire Protection District

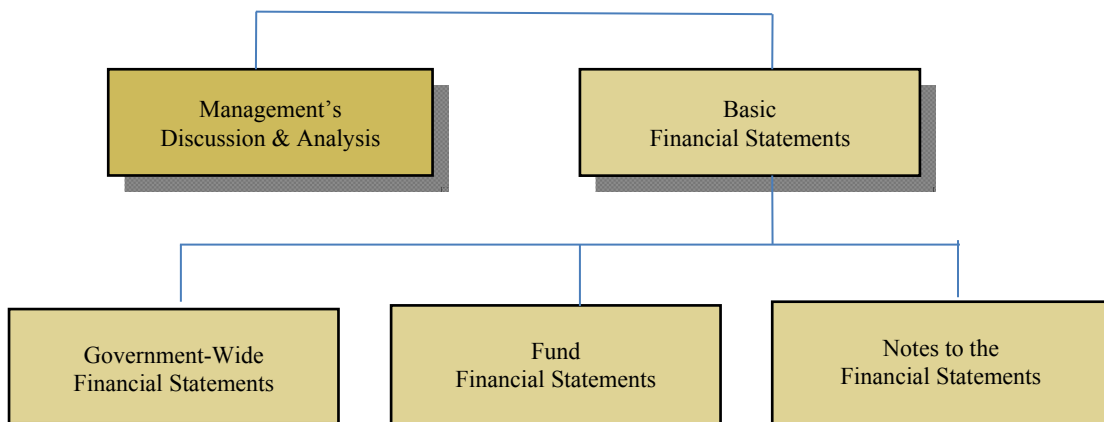
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

INTRODUCTION

The Management's Discussion and Analysis (MD&A) is a required section of the District's annual financial report, as shown in the overview below. The purpose of the MD&A is to present a discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2015. This report will (1) focus on significant financial issues, (2) provide an overview of the District's financial activity, (3) identify changes in the District's financial position, (4) identify any individual fund issues or concerns, and (5) provide descriptions of significant asset and debt activity.

This information, presented in conjunction with the annual Basic Financial Statements, is intended to provide a comprehensive understanding of the District's operations and financial standing.

Required Components of the Annual Financial Report



FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year ended June 30, 2015 were as follows:

- Total net position decreased by \$1,603,479 (47.8%), which included a decrease in unrestricted net position of \$1,702,397 (72.3%), from June 30, 2014 to June 30, 2015, mainly due to the implementation of GASB 68 which required the district to record a net pension liability of \$2,527,396 for Sonoma County Employees Retirement Association (SCERA).
- The District recorded deferred outflows of resources of \$1,440,359 and deferred inflows of resources of \$842,691 in order to record the different components required by GASB 68 for pension accounting and reporting. Deferred outflows of resources are technically not assets but increase the Statement of Net Position similar to an asset and deferred inflows of resources are technically not liabilities but decrease the Statement of Net Position similar to liabilities. See Note 1 in the notes to financial statements for a definition.
- General revenues accounted for \$3,898,063 which is 43% of all revenues. Program specific revenues in the form of charges for services accounted for \$5,088,102, or 57%, of total revenues of \$8,986,165.
- The District had \$8,806,428 in expenses, which was directly supported by program specific revenues as noted above.
- Total fund balances of governmental funds increased by \$450,267, or 16%, from June 30, 2014 to June 30, 2015.

Valley of the Moon Fire Protection District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

USING THE ANNUAL REPORT

This annual report consists of a series of basic financial statements and notes to those statements. These statements are organized so the reader can understand the District as an entire operating entity. The statements provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities comprise the government-wide financial statements and provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

OVERVIEW OF THE FINANCIAL STATEMENTS

The full annual financial report is a product of three separate parts: the basic financial statements, supplementary information, and this section, the Management's Discussion and Analysis. The three sections together provide a comprehensive financial overview of the District. The basic financials are comprised of two kinds of statements that present financial information from different perspectives, government-wide and fund statements.

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements, focus on reporting the District's operations in more detail. These fund financial statements comprise the remaining statements.
- Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information section provides further explanations and provides additional support for the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS - STATEMENT OF NET POSITION AND THE STATEMENT OF ACTIVITIES

The view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during the fiscal year 2014 - 2015?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting practices used by most private-sector companies. This basis of accounting takes into account all of the current year revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, current property tax laws in California restricting revenue growth, facility conditions and other factors.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where the District's programs and services are reported. The District does not have any business type activities.

Valley of the Moon Fire Protection District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the District's fund financial statements begins on page 14. Fund financial reports provide detailed information about the District's major funds. The District uses two funds to account for a multitude of financial transactions. These fund financial statements focus on each of the District's most significant funds. The District's major governmental funds are the General Fund and the Sonoma Valley Fire and Rescue Fund.

Governmental Funds

The General Fund and the Sonoma Valley Fire and Rescue Fund are governmental fund types and are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the future to finance fire protection programs. The relationship (or differences) between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

THE DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position as of June 30, 2015 as compared to June 30, 2014:

Table 1 - Summary Statement of Net Position				
	2015	2014	Change	Percentage Change
Assets				
Current Assets	\$ 3,243,095	\$ 3,090,383	\$ 152,712	4.94%
Noncurrent Assets	1,491,927	1,433,592	58,335	4.07%
Total Assets	\$ 4,735,022	\$ 4,523,975	\$ 211,047	4.67%
Deferred Outflows				
	\$ 1,440,359	\$ -	\$ 1,440,359	100.00%
Liabilities				
Current Liabilities	\$ 59,104	\$ 356,659	\$ (297,555)	-83.43%
Noncurrent Liabilities	3,524,274	814,525	2,709,749	332.68%
Total Liabilities	\$ 3,583,378	\$ 1,171,184	\$ 2,412,194	205.96%
Deferred Inflows				
	\$ 842,691	\$ -	\$ 842,691	100.00%
Net Position				
Net Investment in Capital Assets	\$ 1,098,160	\$ 999,242	\$ 98,918	9.90%
Unrestricted	651,152	2,353,549	(1,702,397)	-72.33%
Total Net Position	\$ 1,749,312	\$ 3,352,791	\$ (1,603,479)	-47.83%

Valley of the Moon Fire Protection District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

Table 2 shows the changes in net position for fiscal year 2015 as compared to 2014.

Table 2 - Summary of Changes in Statement of Activities				
	2015	2014	Change	Percentage Change
Revenues				
Program revenues	\$ 5,088,102	\$ 4,628,568	\$ 459,534	9.93%
General revenues:				
Property taxes	3,558,083	3,229,402	328,681	10.18%
Special taxes	322,290	326,461	(4,171)	-1.28%
Miscellaneous	17,690	118,527	(100,837)	-85.08%
Total Revenues	8,986,165	8,302,958	683,207	8.23%
Program Expenses				
Public safety - fire protection	8,806,428	7,835,008	971,420	12.40%
Total Expenses	8,806,428	7,835,008	971,420	12.40%
Change in Net Position	179,737	467,950	(288,213)	-61.59%
Beginning Net Position	3,352,791	2,832,689	520,102	18.36%
Prior Period Adjustments	(1,783,216)	52,152	(1,835,368)	-3519.27%
Ending Net Position	\$ 1,749,312	\$ 3,352,791	\$ (1,603,479)	-47.83%

THE DISTRICT'S FUND BALANCE

Table 3 provides an analysis of the District's fund balances and the total change in fund balance from the prior year.

Table 3 - Summary of Fund Balance				
	2015	2014	Change	Percentage Change
Nonspendable	\$ 70,508	\$ 271,347	\$ (200,839)	-74%
Committed for capital equipment	882,447	-	882,447	100%
Committed for buildings and improvements	433,000	-	433,000	100%
Committed for other postemployment benefits	165,175	-	165,175	100%
Committed for compensated absences	215,000	-	215,000	100%
Committed for emergency and other contingencies	377,563	-	377,563	100%
Assigned for compensated absences	-	215,000	(215,000)	-100%
Assigned for station 2 relocation and construction	-	916,074	(916,074)	-100%
Assigned for equipment replacement, building improvements and emergency	-	1,131,303	(1,131,303)	-100%
Assigned for operational reserves	-	200,000	(200,000)	-100%
Unassigned	1,040,298	-	1,040,298	100%
Total Fund Balance	\$ 3,183,991	\$ 2,733,724	\$ 450,267	16%

Valley of the Moon Fire Protection District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

GENERAL FUND BUDGETING HIGHLIGHTS

The District's budget is prepared according to California law and in the modified accrual basis of accounting.

The original and final revised budgets for the General Fund are presented as Required Supplementary Information. During the course of the 2014-15 fiscal year, the District revised its budget one time for the General Fund, with the final budgeted revenue and other financing sources estimate set at \$3,832,781. The original budgeted estimates were \$3,775,635.

CAPITAL ASSETS

Table 4 shows June 30, 2015 capital asset balances as compared to June 30, 2014.

Table 4 - Summary of Capital Assets Net of Depreciation					
	2015	2014	Change	Percentage Change	
Land	\$ 131,472	\$ 131,472	\$ -	0.00%	
Buildings and Improvements	470,280	317,906	152,374	47.93%	
Equipment	890,175	984,214	(94,039)	-9.55%	
Total Capital Assets - Net	\$ 1,491,927	\$ 1,433,592	\$ 58,335	4.07%	

LONG TERM LIABILITIES

Table 5 summarizes the percent changes in long-term liabilities over the past two years.

Table 5 - Summary of Long-term Liabilities					
	2015	2014	Change	Percentage Change	
Capital Leases	\$ 393,767	\$ 434,350	\$ (40,583)	-9.34%	
Annual Net OPEB Obligation	396,579	165,175	231,404	140.10%	
Net Pension Liabilities	2,527,396	-	2,527,396	100.00%	
Compensated Absences	206,532	215,000	(8,468)	-3.94%	
Total Long-term Liabilities	\$ 3,524,274	\$ 814,525	\$ 2,709,749	332.68%	

FACTORS BEARING ON THE DISTRICT'S FUTURE

After experiencing flat or declining property values from 2008 – 2012, the District has seen increases in property tax payments including those related to the dissolution of Redevelopment which returns increased property tax to the District. Since a significant portion of the District's revenue is derived from property taxes, projected flat or even declining property tax revenues are challenging as an operational driver. While property values are currently increasing, they are not increasing at the same pace as expenses especially related to long term expenses such as capital maintenance and replacement.

Valley of the Moon Fire Protection District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

The District has completed its fourth full fiscal year under the newly negotiated Sonoma Valley Fire and Rescue Authority (SVFRA) contract with the City of Sonoma. The final operating results allow for better strategic and future planning as the District addresses the challenges of reduced property taxes, and increased health and pension costs.

The District has taken several active measures to maintain fiscal sustainability into the future:

- The District has collaborated with its employee union and the Sonoma Valley Volunteer Firefighters Association to create opportunities to reduce ongoing operational costs.
- The District has been successful with grant acquisition in the past and will continue to pursue grants as a means of improving services and enhancing the safety of its personnel.
- The District and the City of Sonoma have negotiated sharing of costs and revenues for service provided by the District to the City or to City residents.
- The District has developed reserve policies to meet future financial needs such as Capital Replacement and Other Post Employment Benefit (OPEB) costs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District Treasurer, Valley of the Moon Fire Protection District, 630 Second Street West, Sonoma, California 95476.

Basic Financial Statements

Valley of the Moon Fire Protection District

Statement of Net Position

June 30, 2015

	<u>Governmental Activities</u>
Assets	
Current assets:	
Cash and investments	\$ 2,928,433
Accounts receivable	244,154
Other current assets	70,508
Total current assets	<u>3,243,095</u>
Noncurrent assets:	
Non-depreciable capital assets	131,472
Capital assets, net of depreciation	1,360,455
Total noncurrent assets	<u>1,491,927</u>
Total Assets	<u><u>\$ 4,735,022</u></u>
Deferred Outflows of Resources	
Pension plan contributions	\$ 1,440,359
Total Deferred Outflows of Resources	<u><u>\$ 1,440,359</u></u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 42,058
Payroll and other liabilities	17,046
Total current liabilities	<u>59,104</u>
Noncurrent liabilities:	
Due within one year	169,984
Due after one year	3,354,290
Total noncurrent liabilities	<u>3,524,274</u>
Total Liabilities	<u><u>\$ 3,583,378</u></u>
Deferred Inflows of Resources	
Net difference between projected and actual earnings from pension plans	\$ 842,691
Total Deferred Inflows of Resources	<u><u>\$ 842,691</u></u>
Net Position	
Net Investment in Capital Assets	\$ 1,098,160
Unrestricted	651,152
Total Net Position	<u><u>\$ 1,749,312</u></u>

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

Valley of the Moon Fire Protection District

Statement of Activities

For the Fiscal Year Ended June 30, 2015

	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Position
Governmental activities:			
Public safety - fire protection	\$ 8,717,135	\$ 5,088,102	\$ (3,629,033)
Depreciation	89,293	-	(89,293)
Total governmental activities	<u>\$ 8,806,428</u>	<u>\$ 5,088,102</u>	<u>(3,718,326)</u>
General revenues:			
Property taxes			3,558,083
Special taxes			322,290
Interest and investment earnings			15,304
Miscellaneous			2,386
Total general revenues			<u>3,898,063</u>
Change in net position			179,737
Net position beginning			3,352,791
Prior period adjustment - GASB 68			(1,820,560)
Prior period adjustment - Adjustment to capital assets			37,344
Net position beginning as adjusted			<u>1,569,575</u>
Net position ending			<u>\$ 1,749,312</u>

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

Valley of the Moon Fire Protection District

Governmental Funds

Balance Sheet

June 30, 2015

	General Fund	Sonoma Valley Fire and Rescue Authority Fund	Total Governmental Funds
Assets			
Cash and investments	\$ 2,634,306	\$ 294,127	\$ 2,928,433
Accounts receivable	244,154	-	244,154
Other current assets	684	69,824	70,508
	<u>684</u>	<u>69,824</u>	<u>70,508</u>
Total Assets	<u>\$ 2,879,144</u>	<u>\$ 363,951</u>	<u>\$ 3,243,095</u>
Liabilities and Fund Balance			
Liabilities:			
Accounts payable	\$ 11,642	\$ 30,416	\$ 42,058
Payroll and other liabilities	600	16,446	17,046
	<u>600</u>	<u>16,446</u>	<u>17,046</u>
Total Liabilities	<u>12,242</u>	<u>46,862</u>	<u>59,104</u>
Fund balance:			
Nonspendable:			
Prepaid expenditures	684	69,824	70,508
Committed for:			
Capital Equipment	882,447	-	882,447
Buildings and improvements	433,000	-	433,000
Other postemployment benefits	165,175	-	165,175
Compensated absences	215,000	-	215,000
Emergencies and other contingencies	377,563	-	377,563
Unassigned	793,033	247,265	1,040,298
	<u>793,033</u>	<u>247,265</u>	<u>1,040,298</u>
Total Fund Balance	<u>2,866,902</u>	<u>317,089</u>	<u>3,183,991</u>
Total Liabilities and Fund Balance	<u>\$ 2,879,144</u>	<u>\$ 363,951</u>	<u>\$ 3,243,095</u>

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

Valley of the Moon Fire Protection District

Reconciliation of the Governmental Funds

Balance Sheet to the Statement of Net Position

June 30, 2015

Total fund balance - governmental funds \$ 3,183,991

Amounts reported in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Capital assets at cost	\$ 2,770,744	
Accumulated depreciation	<u>(1,278,817)</u>	1,491,927

Contributions made to pension plans will not be included in the calculation of the District's net pension liability of the plan year included in this report and have been deferred and reported as deferred outflows of resources. 1,440,359

The difference between projected and actual earnings from pension plan assets is not included in the plan's actuarial study until the next fiscal year and are reported as deferred inflows of resources in the statement of net position. (842,691)

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consists of:

Capital lease	\$ 393,767	
Annual net OPEB obligation	396,579	
Net pension liabilities	2,527,396	
Compensated absences	<u>206,532</u>	<u>(3,524,274)</u>

Total net position - governmental activities \$ 1,749,312

Valley of the Moon Fire Protection District
 Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Fiscal Year Ended June 30, 2015

	General Fund	Sonoma Valley Fire and Rescue Authority Fund	Total Governmental Funds
Revenues:			
Property taxes	\$ 3,558,083	\$ -	\$ 3,558,083
Special taxes	322,290	-	322,290
Intergovernmental	-	333,954	333,954
Charges for services	710	4,753,438	4,754,148
Investment earnings	16,549	(1,245)	15,304
Other revenues	-	2,386	2,386
Total revenues	3,897,632	5,088,533	8,986,165
Expenditures:			
Current			
Salaries and employee benefits	97,999	7,450,777	7,548,776
Services and supplies	27,880	865,821	893,701
Capital outlay	25,316	21,004	46,320
Debt service - Principle	40,583	-	40,583
Debt service - Interest	6,515	-	6,515
Total expenditures	198,293	8,337,602	8,535,895
Excess (deficiency) of revenues over (under) expenditures	3,699,339	(3,249,069)	450,270
Other financing sources (uses):			
Transfers in	-	3,549,528	3,549,528
Transfers out	(3,549,528)	-	(3,549,528)
Total other financing sources (uses)	(3,549,528)	3,549,528	-
Net changes in fund balance	149,811	300,459	450,270
Fund balance beginning	2,717,091	16,630	2,733,721
Fund balance ending	<u>\$ 2,866,902</u>	<u>\$ 317,089</u>	<u>\$ 3,183,991</u>

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

Valley of the Moon Fire Protection District
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2015

Total net change in fund balance - governmental funds \$ 450,270

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Additions to capital assets	\$ 110,284	
Depreciation expense	<u>(89,293)</u>	20,991

The governmental funds report debt proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Repayment of lease obligations	40,583
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In the Statement of Activities, compensated absences are measured by the amount earned during the year. In governmental funds, however, expenditures for those items are measured by the amount of financial resources used (essentially the amounts paid). This year compensated absences increased by: 8,468

In governmental funds, actual contributions to pension plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year pension expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources. (109,171)

In the Statement of Activities, the net postemployment benefit obligation is the amount by which the contributions toward the OPEB plan were less than the annual required contribution as actuarially determined. The net postemployment benefit obligation is not recorded in the governmental fund statements. The change in the net OPEB obligation was recorded in the Statement of Activities in the amount of: (231,404)

Changes in net position of governmental activities	<u><u>\$ 179,737</u></u>
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Valley of the Moon Fire Protection District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Principles

The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

B. Reporting Entity

The Valley of the Moon Fire Protection District 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 and is governed by a five-member board of directors. The District provides coordinated fire protection services, rescue services, emergency medical services, and hazardous material response services to taxpayers and residents in a specific unincorporated area in Sonoma County.

On February 1, 2002, the District entered into a joint powers agreement with the City of Sonoma creating a public entity known as the Sonoma Valley Fire and Rescue Authority (SVFRA). SVFRA acts only in an operational capacity for the combined fire protection services of the City and the District and does not have the full powers and authority of a typical Joint Powers Authority.

Over the course of the past nine years, the consolidation of the two departments through the joint powers agreement has been successfully completed on an operational basis, with all fire and rescue operations and the majority of administrative processes being integrated into one functional organization.

The SVFRA was converted into a single governance model as a contract for services with Valley of the Moon Fire District. The contract was approved by both the Sonoma City Council and the Valley of the Moon Fire District Board in December 2011, with an effective date for transition of employees as of February 2012.

The contract includes the provision that the District will lease all facilities located at 630 Second Street West (Station 1) as well as all vehicles and equipment for the sum of \$1.00 each year. Ownership, however, of all facilities and equipment will remain with the respective agencies. The contract for services will be recognized as the Sonoma Valley Fire and Rescue Authority (SVFRA) under the direction of the Valley of the Moon Board of Directors.

The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit's reporting entity for general purpose financial reports is the ability of the governmental unit's officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one governmental unit is dependent on another and that the dependent unit should be reported as part of the other.

Valley of the Moon Fire Protection District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

Oversight responsibility is derived from the governmental unit's power and includes, but is not limited to:

- Financial interdependency
- Selection of governing authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters

Accordingly, for the year ended June 30, 2015, the District does not have any component units and is not a component unit of any other reporting entity.

C. Basis of Presentation

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 activities of the District. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

The government-wide statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include the reconciliation with brief explanations to better identify the relationship between the government wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows, current liabilities and deferred inflows are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Valley of the Moon Fire Protection District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end.

Non-exchange transactions, in which the District receives value *without* directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Outflows/Deferred Inflows:

Deferred outflows of resources is the consumption of net position by the government that is applicable to a future reporting period, for example; prepaid items and deferred charges.

Deferred inflows of resources is the acquisition of net position by the government that is applicable to a future reporting period, for example; unearned revenues and advance collections.

Unearned Revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred inflows from unearned revenue. In the governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have been recorded as deferred inflows from unearned revenue.

Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Valley of the Moon Fire Protection District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

E. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. The District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into two major funds as follows:

- The *General Fund* is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.
- The *Sonoma Valley Fire and Rescue Authority Fund* is used to account for the revenues received and expenditures made to operate the District's combined fire protection services for the City of Sonoma and the District.

F. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. Districts are required to prepare a Preliminary Budget which is adopted by the Board and submitted to the County Auditor-Controller by June 30th. A final Budget is adopted following a Public Hearing on or before September 30th which is then submitted to the County Auditor-Controller as a basis for tax allocation. The District's governing board satisfied these requirements. These budgets are revised by the District's governing board and Fire Chief during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets for the General Fund are presented as Required Supplementary Information.

The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account. For the fiscal year ended June 30, 2015, actual expenditures did not exceed budget for any major object accounts.

G. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances were liquidated on June 30.

H. Pensions

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

Valley of the Moon Fire Protection District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

I. Assets, Liabilities, and Equity

1. Cash and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Deposit Insurance Corporation.

The District maintains its operating cash in a bank account with the City of Sonoma (the City) which provides finance and treasury functions for the District. The City pools the cash and investments and interest earned is allocated and apportioned quarterly to the District based on the average daily balance for each quarter. The District has a separate bank account for processing payroll.

All District investments are governed by Government Code Section 53601 and Treasury investment guidelines. The guidelines limit specific investments to government securities, domestic chartered financial securities, domestic corporate issues, and California municipal securities.

2. Prepaid Expenditures

The District has the option of reporting expenditures in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the benefiting period.

3. Capital Assets

Capital assets, which include land, buildings and improvements, furniture, equipment, and construction in progress, are reported in the government-wide financial statements. Such assets are valued at historical cost or estimated historical cost unless obtained by annexation or donation, in which case they are recorded at estimated market value at the date of receipt. The District utilizes a capitalization threshold of \$5,000.

Projects under construction are recorded at cost as construction in progress and transferred to the appropriate asset account when substantially complete. Costs of major improvements and rehabilitation of buildings are capitalized. Repair and maintenance costs are charged to expense when incurred. Equipment disposed of, or no longer required for its existing use, is removed from the records at actual or estimated historical cost, net of accumulated depreciation.

All capital assets, except land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building improvements	25-45
Furniture and fixtures	5-15
Mobile equipment	20
Other equipment	10-30

Valley of the Moon Fire Protection District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

4. Compensated Absences

All vacation and sick leave plus related payroll tax 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 resignations and retirements. Because compensated absences are typically paid out upon termination (such as retirement or resignation) of the employee, they are included in annual operating costs for SVFRA. As such, the City pays a share of these costs through their service agreement with Valley of the Moon by payment of a share of operating costs. Based on this current practice, a share of the outstanding balance of compensated absences is allocated to Valley of the Moon based on the share of costs for the SVFRA operation for fiscal year 2015. As of June 30, 2015, Valley of the Moon's share of the compensated absences balance was \$206,532.

5. Long-Term/Noncurrent Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

6. Fund Balance Classifications

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies governmental fund balances as follows:

- *Non-spendable* fund balance includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- *Restricted* fund balance includes amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- *Committed* fund balances includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. Committed fund balances are imposed by the District's board of directors.
- *Assigned* fund balance includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Fire Chief.
- *Unassigned* fund balance includes positive amounts within the general fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Valley of the Moon Fire Protection District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

7. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in the net investment in capital assets component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Unrestricted net position reflect amounts that are not subject to any donor-imposed restrictions. This class also includes restricted gifts whose donor-imposed restrictions were met during the fiscal year. A deficit unrestricted net position may result when significant cash balances restricted for capital projects exist. Once the projects are completed, the restriction on these assets are released and converted to capital assets.

8. Property Taxes

The District receives property tax revenue from the County of Sonoma (the County). The County is responsible for assessing, collecting and distributing property taxes in accordance with state law. Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll - approximately October 1 of each year. Taxes are levied annually on July 1st, and one-half are due by November 1st and one-half by February 1st. Taxes are delinquent after December 10th and April 10th, respectively. Supplemental property taxes are levied on a pro-rata basis when changes in assessed valuation occur due to the completion of construction or sales transactions. Liens on real property are established on January 15th for the ensuing fiscal year.

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 taxes. Once the delinquent taxes are collected, the revenue from penalties and interest remains with the County and is used to pay the interest cost of borrowing the cash used for the advances.

9. Risk Management

The District is exposed to various risks including loss or damage to property, general liability, and injuries to employees. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years. No significant reductions in insurance coverage from the prior year have been made. The District participates in risk pools under JPAs for property and liability, health benefits, and workers' compensation coverage.

Valley of the Moon Fire Protection District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

10. Accounting Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

11. Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the date of the financial statements through the date the financial statements were issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no non-recognized subsequent events that require additional disclosure.

12. Implemented New Accounting Pronouncements

GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions* - an amendment of GASB Statement No. 27 (Issued 06/12). The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. This Statement establishes a definition of a pension plan that reflects the primary activities associated with the pension arrangement-determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. This Statement has been implemented as of June 30, 2015, resulting in a prior period adjustment of \$1,820,560 related to SCERA in the government-wide net position but had no impact on governmental fund balances. See Note 5 for information related to the financial statement impact of this statement.

GASB Statement No. 69 – In January, 2013, GASB issued Statement No. 69, *Government Combinations and Disposal of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposal of government operations. As used in this Statement, *combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. There was no financial statement effect related to this Statement.

GASB Statement No. 70 – In April, 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). The District does not participate in nonexchange financial guarantees. Therefore, this Statement had no financial statement effect.

Valley of the Moon Fire Protection District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

GASB Statement No. 71 – In November, 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement were required to be applied simultaneously with the provisions of Statement 68 and have been implemented as of June 30, 2015. See Note 5 for information related to the financial statement impact of this statement.

13. Upcoming Accounting and Reporting Changes

GASB Statement No. 72 – In February, 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015 (fiscal year ending June 30, 2016). The District is in the process of determining the impact this statement will have on the financial statements, but does not anticipate a material impact on its financial statements.

GASB Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Effective date: the provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement also clarifies the application of certain provisions of Statements 67 and 68 with regard to the following issues:

- Information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported
- Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions
- Timing of employer recognition of revenue for the support of nonemployer contributing entities *not* in a special funding situation.

The District is in the process of determining the impact this statement will have on the financial statements, but does not anticipate a material impact on its financial statements.

Valley of the Moon Fire Protection District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

GASB Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Effective date: the provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

Management anticipates that this statement will not have a direct impact on the District's financial statements.

GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Effective date: the provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

Valley of the Moon Fire Protection District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

The District is in the process of determining the impact this statement will have on the financial statements.

GASB Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Effective date: the provisions in Statement 76 are effective for reporting periods beginning after June 15, 2015. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Management anticipates that this statement will not have a material impact on the District’s financial statements.

GASB Statement No. 77 – *Tax Abatement Disclosures*. Effective date: the requirements of this Statement are effective for reporting periods beginning after December 15, 2015. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

Management anticipates that this statement will not have a material impact on the District’s financial statements.

Valley of the Moon Fire Protection District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 - CASH AND INVESTMENTS

A summary of cash and investments as of June 30, 2015, is as follows:

Cash and Investments	Available for Operations	Fair Value June 30, 2015
Cash On Hand and in Banks	\$ 300,334	\$ 300,334
Cash in City Treasury	2,628,099	2,628,099
Total Cash and Investments	\$ 2,928,433	\$ 2,928,433

Cash in Banks

Cash balances in banks are insured up to \$250,000 per bank by the Federal Deposit Insurance Corporation ("FDIC"). The District's accounts are held with WestAmerica Bank. As of June 30, 2015, the District's bank balance was \$330,096, of which \$80,096 was not covered by the FDIC.

Cash in City Treasury

Amounts on deposit with the City are invested pursuant to investment policy guidelines established by the City Treasurer and approved by the City Council. 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 City will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio which may be invested in certain instruments with longer terms to maturity.

All cash and investments are stated at fair value. Pooled investment earnings are allocated quarterly based on the average cash and investment balances of the various funds and related entities of the City.

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

a) 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 to the changes in market interest rates. The District manages its exposure to interest rate risk by investing in the City Treasury.

Valley of the Moon Fire Protection District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

b) Credit Risk

Credit risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the City Investment Pool is governed by the City's general investment policy. The City's investments in fiscal year ended June 30, 2015, included U.S. government securities or obligations explicitly guaranteed by the U.S. government that are not considered to have credit risk exposure. The City's two other investment types, LAIF and money market mutual funds, are not rated.

c) Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, 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 a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

d) Concentration of Credit Risk

Because it pools its cash with the City, the District relies on the City's investment policy which contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. In addition, investments that are in either an external investment pool or mutual funds are exempt from government code and disclosure requirements.

NOTE 3 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2015, is shown below:

Description	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Capital assets not being depreciated:				
Land	\$ 131,472	\$ -	\$ -	\$ 131,472
Total capital assets not being depreciated	131,472	-	-	131,472
Capital assets being depreciated:				
Buildings and improvements	749,558	70,316	-	819,874
Equipment	1,938,690	39,968	159,260	1,819,398
Total capital assets being depreciated	2,688,248	110,284	159,260	2,639,272
Less accumulated depreciation for:				
Buildings and improvements	365,029	21,908	37,344	349,593
Equipment	1,021,099	67,385	159,260	929,224
Total accumulated depreciation	1,386,128	89,293	196,604	1,278,817
Total capital assets being depreciated - net	1,302,120	20,991	(37,344)	1,360,455
Total capital assets - net	\$ 1,433,592	\$ 20,991	\$ (37,344)	\$ 1,491,927

Valley of the Moon Fire Protection District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 4 - SCHEDULE OF CHANGES IN NONCURRENT LIABILITIES

The following is a summary of the changes in noncurrent liabilities for the year ended June 30, 2015:

Long-term Obligations	Balance			Balance June 30, 2015	Due Within One Year
	July 01, 2014	Additions	Deductions		
Capital Lease	\$ 434,350	\$ -	\$ 40,583	\$ 393,767	\$ 41,192
Net OPEB Obligation	165,175	315,596	84,192	396,579	77,159
Net Pension Liabilities	-	3,848,641	1,321,245	2,527,396	-
Compensated Absences	215,000	55,476	63,944	206,532	51,633
Total Long-term Obligations	<u>\$ 814,525</u>	<u>\$4,219,713</u>	<u>\$ 1,509,964</u>	<u>\$ 3,524,274</u>	<u>\$ 169,984</u>

NOTE 5 - EMPLOYEE RETIREMENT SYSTEMS

A. Sonoma County Employees' Retirement Association (SCERA) Pension Plan

General Information about the Pension Plan

Plan Description - All qualified permanent employees scheduled to work at least 50% of a full-time position are eligible to participate in the District's cost-sharing multiple employer defined benefit pension plans administered by the Sonoma County Employees' Retirement Association (SCERA), a public employee retirement system.

There are currently two tiers applicable to both General and Safety members. Members with membership dates before January 1, 2013 are included in General Plan A or Safety Plan A. Any new member who becomes a member on or after January 1, 2013 is designated as General Plan B or Safety Plan B and is subject to the provisions of California Public Employees' Pension Reform Act of 2013 (PEPRA), California Government Code 7522 et seq. and Assembly Bill (AB) 197. PEPRA was signed into law by Governor Jerry Brown on September 12, 2012, with an effective date of January 1, 2013. All General and Safety employees hired on or after January 1, 2013, with the exception of employees who are eligible for reciprocity with another qualified California retirement system, are part of a new tier called Plan B.

The Plan provides benefits as defined by the law upon retirement, death, or disability of members and may be amended by the Board of Supervisors. The Board of Retirement has the authority to establish and amend benefit provisions and these shall then be adopted by the County Board of Supervisors.

The financial statements for the County (the primary government) contain additional financial information for the defined pension benefits, which is not presented here. SCERA issues an annual financial report that includes financial statements and required supplementary information for the Plan which can be obtained by writing to the Sonoma County Employees' Retirement Association, 433 Aviation Blvd., Suite 100, Santa Rosa, CA 95403-1069.

Benefits Provided - The Plan provides retirement, disability, death and survivor benefits to plan members and beneficiaries. The retirement benefit the member will receive is based upon age at retirement, final average compensation (FAC), years of retirement service credit and retirement plan and tier. For Plan A member, the FAC is based on the member's highest consecutive 12 months of compensation earnable. For Plan B members the FAC is based on the member's highest consecutive 36 months of pensionable compensation. The monthly allowance is equal to the final average compensation times the member's years of accrued retirement service credit, times the age factor.

Valley of the Moon Fire Protection District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	General Plan A	General Plan B	Safety Plan A	Safety Plan B
Hire date	Before January 1, 2013	After January 1, 2013	Before January 1, 2013	After January 1, 2013
Benefit Determination	(1)	(2)	(1)	(2)
Benefit vesting schedule	5 Years	5 Years	5 Years	5 Years
Benefit payments	Monthly ⁽³⁾	Monthly for Life	Monthly ⁽³⁾	Monthly for Life
Retirement age	50 ⁽⁴⁾	52 ⁽⁵⁾	50 ⁽⁴⁾	50 ⁽⁵⁾
Monthly benefits as a % of eligible compensation	2.0% to 3.0% ⁽⁶⁾	1.0% to 2.5% ⁽⁶⁾	3% ⁽⁶⁾	2.0% to 2.7% ⁽⁶⁾
Average employee contribution rates	11.91% ⁽⁷⁾	7.37%	10.31% ⁽⁷⁾	10.36%
Employer contribution rates	16.58%	10.89%	32.52%	20.49%

(1) Final Average Compensation (FAC1) for benefit determination is based on the member's highest consecutive one year of compensation earnable

(2) Final Average Compensation (FAC3) for benefit determination is based on the member's highest consecutive three years of pensionable compensation

(3) Up to 100% of Final Average Compensation

(4) Age 50 with 10 years of service credit, or age 70 regardless of service credit, or after 30 years of service credit, regardless of age

(5) With 5 years of service credit

(6) The percentage, which is based on the retirement age, is the percent of FAC per year of service

(7) Average contribution rate, depending on entry age

Employees Covered - At June 30, 2015, the District had the following employees covered by the benefit terms under the Plan:

	<u>Participants</u>
Inactive employees receiving benefits	9
Inactive employees entitled to but not receiving benefits	1
Active members	<u>39</u>
Total Employees Covered	<u><u>49</u></u>

Contributions - The Plan is a defined benefit plan that is funded by actuarially-determined regular contributions using the entry-age normal cost method. Significant actuarial assumptions used to compute actuarially-determined contribution requirements are the same as those used to compute the actuarial accrued liability. Employer contribution rates are adopted annually based upon recommendations received from SCERA's actuary after the completion of the annual actuarial valuation.

All members are required to make contributions to SCERA regardless of the retirement plan or tier in which they are included. The contribution requirements of Plan members and the County are determined by an independent actuary, approved by the SCERA Board of Retirement, and adopted by the Board of Supervisors. The contribution rates for the fiscal year ended June 30, 2015 were based on the Plan's valuation dated December 31, 2012.

The contribution rates determined in each actuarial valuation take effect at the beginning of the fiscal year starting at least twelve months after the beginning of the valuation year, except when significant benefit or actuarial assumption changes occur. The County is required to contribute the remaining amounts necessary to finance the coverage of their employees through periodic contributions at

Valley of the Moon Fire Protection District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

actuarially determined rates. Employer and member contributions are funded and recognized through the County and District payroll systems via employer benefit payments and employee deductions.

For the year ended June 30, 2015, the contributions recognized as part of pension expense for the Plan were as follows:

Contributions - employer	\$	1,141,971
Contributions - employee		447,867
Total contributions	\$	<u>1,589,838</u>

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to SCERA

As of June 30, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

		<u>Proportionate share of Net Pension Liability</u>
General	\$	16,467
Safety		2,510,929
Total Net Pension Liability	\$	<u>2,527,396</u>

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of December 31, 2014, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2014 and 2015 was as follows:

	<u>General</u>	<u>Safety</u>
Proportion - June 30, 2014	0.0249%	5.7171%
Proportion - June 30, 2015	0.0096%	5.5500%
Change	<u>-0.0153%</u>	<u>-0.1671%</u>

For the year ended June 30, 2015, the District recognized pension expense of \$802,547 for the Plan.

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 693,376	\$ -
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	179,274	-
Net differences between projected and actual earnings on plan investments	567,709	-
Difference between expected and actual experience	-	842,691
Total	<u>\$ 1,440,359</u>	<u>\$ 842,691</u>

Valley of the Moon Fire Protection District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The District reported \$693,376 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30	Recognized to Pension Expense
2016	\$ (94,164)
2017	(94,164)
2018	(49,308)
2019	141,928
Total	\$ (95,708)

Actuarial Assumptions - The total pension liabilities in the December 31, 2014 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	December 31, 2014
Measurement Date	December 31, 2014
Actuarial Cost Method	Entry-Age Actuarial Cost Method
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	3.25%
Across the Board Salary Increase	0.75%
Projected Salary Increase	4.5% - 12.5% ⁽¹⁾
Investment Rate of Return	7.50% ⁽²⁾
Mortality	(3)

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) Based on RP-2000 Combined Healthy Mortality Table projected with Scale AA

The underlying mortality assumptions and all other actuarial assumptions used in the December 31, 2014 valuation were based on a review of the mortality experience in the January 1, 2009 – December 31, 2011 Actuarial Experience Study.

Discount Rate - The discount rate used to measure the Total Pension Liability was 7.50% as of December 31, 2014 and December 31, 2013. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan

Valley of the Moon Fire Protection District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

investments was applied to all periods of projected benefit payments to determine the total pension liability as of both December 31, 2014 and December 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation (approved by the Board) and projected arithmetic real rates of return for each major asset class, after deducting inflation but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equity	30.7%	6.15%
Small Cap U.S. Equity	6.3%	6.87%
Developed International Equity	25.0%	6.70%
U.S. Core Fixed Income	17.0%	0.98%
Unconstrained Bonds	3.0%	3.56%
Bank Loans	3.0%	2.55%
Real Estate	15.0%	4.88%
Total	100.0%	

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease	6.50%
Net Pension Liability	\$ 5,799,124
Current Discount Rate	7.50%
Net Pension Liability	\$ 2,527,396
1% Increase	8.50%
Net Pension Liability	\$ (222,667)

Determination of Proportionate Share - The net pension liability is the total pension liability (TPL) minus the plan fiduciary net position (plan assets). In order to determine the NPL for each employer, the unfunded actuarial accrued liabilities (UAAL) determined in the funding valuation is adjusted to use the market value of plan assets (MVA). The difference between the MVA and the valuation value of assets (VVA) is first allocated among General and Safety in proportion to the VVA. The amount determined for each of General and Safety as a group is allocated among the different General and Safety employers, respectively, by using the projected payroll as of the date of the valuation on December 31, 2013 for calendar year 2014. This is because in the funding valuation, any such deferred investment gains will be allocated in future valuations among the different employers based on the projected payrolls for those employers in those valuations.

Valley of the Moon Fire Protection District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

B. Postemployment Healthcare Plan

Plan Description

The District administers a single-employer defined benefit health care plan. For eligible retired employees hired prior to January 1, 2006, the Plan provides lifetime healthcare benefits through the District's group health insurance plan, which covers both active and retired employees. The District pays 60% of the post-retirement healthcare benefits for the employees and their eligible dependents based on a Memorandum of Understanding with the various unions in which the District's employees are enrolled.

Funding Policy

The amount paid for Plan benefits during the year ended June 30, 2015 was \$84,192, which included a \$10,353 subsidized premiums adjustment. Plan members receiving benefits contribute 40% of their premium costs. In order to fully fund the Plan, the District would be required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District's policy is to pay the benefits as a cash outlay after retirement (the pay-as-you-go method).

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$	318,541
Interest on net OPEB obligation		6,607
Adjustment to annual required contribution		<u>(9,552)</u>
Annual OPEB cost (expense)		315,596
Contributions made		(73,839)
Subsidized premiums adjustment		<u>(10,353)</u>
Increase in net OPEB obligation		231,404
Net OPEB obligation (asset) - beginning		<u>165,175</u>
Net OPEB obligation (asset) - ending	\$	<u><u>396,579</u></u>

Valley of the Moon Fire Protection District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/ (Asset)
June 30, 2013	\$ 91,937	73%	\$ 154,988
June 30, 2014	91,937	89%	165,175
June 30, 2015	315,596	27%	396,579

Funded Status and Funding Progress

The most recent actuarial valuation date was July 1, 2015. The following summarizes the funded status of the plan as of June 30, 2015:

Actuarial accrued liability (AAL)	\$ 4,981,372
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	4,981,372
Funded ratio (actuarial value of plan assets/AAL)	0%
Projected covered payroll (active Plan members)	1,192,908
UAAL as a percentage of covered payroll	418%

Actuarial Methods and Assumptions

The actuarial present value of the benefits which are allocated to the current year is called the Normal Cost. The actuarial present value of the benefits which are allocated to past years, including the full value of benefits for all former employees, is called the Actuarial Accrued Liability, and is amortized over a period of future years. The ARC is the sum of that amortization and the Normal Cost. Under the entry age normal funding method, normal costs are computed as a level percentage of salary. Amortization of unfunded liability is being made as a level percentage of payroll over the 30-year period beginning July 1 2015. The remaining amortization period at June 30, 2015, was 25 years.

In the July 1, 2015 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a discount rate of 4 percent per year and an annual healthcare cost trend rate of 6.5 percent initially, decreased to an ultimate rate of 5.0 percent. The discount rate is the interest rate at which future benefit obligations are discounted back to the present time. GASB 45 requires that the discount rate reflect the expected investment return on the District's investments.

NOTE 6 - JOINT VENTURES (JOINT POWERS AGREEMENTS)

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District is covered through its participation in the Fire Agencies Insurance Risk Authority (FAIRA) joint powers agreement. As a member of this public entity risk pool, the District is responsible for appointing an employee as a liaison between the District and FAIRA, implementing all policies of FAIRA, promptly paying all contributions, and cooperating with FAIRA and any insurer of FAIRA. FAIRA 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 the District.

Valley of the Moon Fire Protection District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

The District also is a member of the Fire District Association of California/Fire Agency Self-Insurance System (FDAC/FASIS) joint powers agreement for workers' compensation coverage.

The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes.

The following is a summary of the financial information for the JPAs as of June 30, 2015:

	FASIS	FAIRA
Total Assets	\$ 48,410,894	\$ 3,215,464
Total Liabilities	31,027,555	103,390
Total Equity	17,383,339	3,112,074
Total Revenues	11,177,932	2,855,114
Total Expenditures	9,063,370	2,859,534

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Litigation

The District may be exposed to various claims and litigation during the normal course of business. However, management believes there were no matters that would have a material adverse effect on the District's financial position or results of operations as of June 30, 2015.

REQUIRED
SUPPLEMENTARY
INFORMATION

Valley of the Moon Fire Protection District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual (GAAP)
General Fund
For the Fiscal Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		Actual (GAAP Basis)	Variance with Final Budget Positive - (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 3,342,158	\$ 3,342,158	\$ 3,558,083	\$ 215,925
Special taxes	324,740	324,740	322,290	(2,450)
Charges for services	-	-	710	710
Investment earnings	15,500	15,500	16,549	1,049
Other revenue	-	57,146	-	(57,146)
	<u>3,682,398</u>	<u>3,739,544</u>	<u>3,897,632</u>	<u>158,088</u>
Expenditures:				
Current				
Salaries and employee benefits	125,459	125,459	97,999	27,460
Services and supplies	43,550	43,550	27,880	15,670
Capital outlay	10,000	67,146	25,316	41,830
Debt service - Principle	40,583	40,583	40,583	-
Debt service - Interest	6,515	6,515	6,515	-
	<u>226,107</u>	<u>283,253</u>	<u>198,293</u>	<u>84,960</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,456,291</u>	<u>3,456,291</u>	<u>3,699,339</u>	<u>243,048</u>
Other financing sources (uses):				
Transfers in	93,237	93,237	-	(93,237)
Transfers out	<u>(3,549,528)</u>	<u>(3,549,528)</u>	<u>(3,549,528)</u>	<u>-</u>
Total other financing sources (uses)	<u>(3,456,291)</u>	<u>(3,456,291)</u>	<u>(3,549,528)</u>	<u>(93,237)</u>
Net change in fund balance	-	-	149,811	149,811
Fund balance beginning	<u>2,717,091</u>	<u>2,717,091</u>	<u>2,717,091</u>	<u>-</u>
Fund balance ending	<u>\$ 2,717,091</u>	<u>\$ 2,717,091</u>	<u>\$ 2,866,902</u>	<u>\$ 149,811</u>

Valley of the Moon Fire Protection District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual (GAAP)
Sonoma Valley Fire and Rescue Authority Fund
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget Positive - (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ 318,000	\$ 333,954	\$ 15,954
Charges for services	60,000	60,000	4,753,438	4,693,438
Investment earnings	-	-	(1,245)	(1,245)
Other revenue	-	-	2,386	2,386
Total revenues	<u>60,000</u>	<u>378,000</u>	<u>5,088,533</u>	<u>4,710,533</u>
Expenditures:				
Current				
Salaries and employee benefits	7,372,306	7,690,306	7,450,777	239,529
Services and supplies	914,810	914,810	865,821	48,989
Capital outlay	27,600	27,600	21,004	6,596
Total expenditures	<u>8,314,716</u>	<u>8,632,716</u>	<u>8,337,602</u>	<u>295,114</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,254,716)</u>	<u>(8,254,716)</u>	<u>(3,249,069)</u>	<u>5,005,647</u>
Other financing sources (uses):				
Transfers in	8,254,716	8,254,716	3,549,528	(4,705,188)
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>8,254,716</u>	<u>8,254,716</u>	<u>3,549,528</u>	<u>(4,705,188)</u>
Net change in fund balance	-	-	300,459	300,459
Fund balance beginning	<u>16,630</u>	<u>16,630</u>	<u>16,630</u>	<u>-</u>
Fund balance ending	<u>\$ 16,630</u>	<u>\$ 16,630</u>	<u>\$ 317,089</u>	<u>\$ 300,459</u>

Valley of the Moon Fire Protection District

Schedule of Pension Plan Contributions

For the Fiscal Year Ended June 30, 2015

Sonoma County Employees' Retirement Association	<u>2015</u>
Contractually Required Contributions (Actuarially Determined)	\$ 1,321,245
Contributions in Relation to Actuarially Determined Contributions	<u>1,321,245</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
 Covered Employee Payroll	 \$3,922,995
 Contributions as a Percentage of Covered Payroll	 33.68%

Notes to Schedule:

Valuation Date: June 30, 2015

Assumptions Used: Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll (Closed) Used Amortization Method
15 Years Remaining Amortization Period
Inflation Assumed at 3.25%
Investment Rate of Returns set at 7.5%
Based on RP-2000 Combined Healthy Mortality Table projected with Scale AA

** Fiscal year 2015 was the first year of implementation, therefore only one year is shown.

Valley of the Moon Fire Protection District

Schedule of Proportionate Share

Of Net Pension Liability

For the Fiscal Year Ended June 30, 2015

Sonoma County Employees' Retirement Association	<u>2015</u>
District's Proportion of Net Pension Liability	1.16589%
District's Proportionate Share of Net Pension Liability	\$ 2,527,396
District's Covered Employee Payroll	\$ 3,922,995
District's Proportionate Share of NPL as a % of Covered Employee Payroll	64.43%
Plan Fiduciary's Net Position as a % of the Total Pension Liability	92.81%

** Fiscal year 2015 was the first year of implementation, therefore only one year is shown.

Valley of the Moon Fire Protection District

Schedule of Funding Progress

Other Postemployment Benefits

For the Fiscal Year Ended June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a/c))
6/30/2010	\$ -	\$ 1,802,065	\$ 1,802,065	0.00%	\$ 736,988	245%
7/1/2015	-	4,981,372	4,981,372	0.00%	1,192,908	418%

OTHER INDEPENDENT
AUDITOR'S REPORTS



INDEPENDENT AUDITOR'S 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
Valley of the Moon Fire Protection District
Sonoma, California

We have audited, 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, the financial statements of the 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, and have issued our report thereon dated January 27, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C & A LLP

January 27, 2016
San Jose, California



Valley of the Moon Fire Protection District

Board of Directors Meeting

Agenda Item Summary

March 8, 2016



Agenda Item No.	Staff Contact
10B	Mark Freeman, Fire Chief

Agenda Item Title
Resolution 2015/2016-09 approving the revised fund balance policy

Recommended Actions
Approve revised policy

Executive Summary
The District Fund Balance Policy was approved in March 2015. The Board is being asked to approve a revised policy that includes minor changes and reallocation of fund balance based on findings from the District’s Annual Financial Audit Report.

Alternative Actions
Decline approval or request changes to policy before approval

Strategic Plan Alignment

Fiscal Summary – FY 15/16			
Expenditures		Funding Source(s)	
Budgeted Amount	\$	District General Fund	\$
Add. Appropriations Req’d.	\$	Fees/Other	\$
	\$	Use of Fund Balance	\$
		Contingencies	\$
		Grants	\$
Total Expenditure	\$	Total Sources	\$

Narrative Explanation of Fiscal Impacts (if required)

Attachments
<ol style="list-style-type: none"> 1. Valley of the Moon Fire Protection District Fund Balance Policy (revised) 2. Resolution 2015/2016-09 3. Exhibit A – FY 2015/16 Fund Balance Allocations March 2016

VALLEY OF THE MOON FIRE PROTECTION DISTRICT

FUND BALANCE POLICY

Purpose:

Fund Balance (the net assets of a government organization) is a measurement of the fiscal stability of an organization. The purpose of a fund balance policy is to provide for long-term financial stability. The Government Finance Officers Association (GFOA) recommends that governments adopt a formal fund balance policy that defines fund balance target levels and, optimally, consider specifying the purpose for which portions of the fund balance are intended. This policy makes minor corrections or clarifications to the District Reserve Policy for the Internal Service Fund that was adopted by the District Board in March 2015.

The Government Accounting Standards Board (GASB) establishes “standards of state and local government accounting and financial reporting that will result in useful information for users of financial reports and guide and educate the public . . . and users of those financial reports.” These standards are issued through statements including GASB 54, which is intended to enhance usefulness of fund balance information, especially based on the extent to which the funds are constrained for a specific use. The categories defined by GASB 54 are:

- *Nonspendable*: Funds that are inherently unspendable, such as fund balance associated with inventories or loans receivable.
- *Restricted*: Funds that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed*: Funds that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority.
- *Assigned*: Funds that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.
- *Unassigned* fund balance is the residual classification for the government’s general fund and includes all spendable amounts not contained in the other classifications.

Policy:

The Valley of the Moon Fire District Board of Directors is the body responsible for approving funds to be assigned to the category: Committed Fund balance. In addition, this policy establishes the funding level for unassigned fund balance. The Board has identified the following categories for commitment of fund balance:

- *Unassigned Fund Balance*: For most governments, the GFOA recommends that two months of regular general fund operating expenses are held in the unassigned category. The target funding for this category will be calculated at the annual operating budget divided by six (two months of operating expense).
- *Committed for Emergency Reserve/Contingency*: The purpose of the emergency reserve is to provide operating and/or repair funds in the event of a local disaster or catastrophic

event. The target funding for this account will be 10% of the District annual operating budget.

- Committed for Other Post-Employment Benefits (OPEB): In accordance with GASB 45, the annual required contribution (ARC) of the employer towards OPEB obligations represents a level of funding that, if paid on an ongoing basis, is anticipated to cover the normal cost each year and amortize unfunded liabilities over a period not to exceed 30 years. The target funding for this account will be based on the ARC, as noted in the most recent annual Financial Statement for the District.
- Committed for Compensated Absences: This fund is for large outlays for compensated absences, e.g., due to retirement or resignation. Compensated absences include accrued leave, such as sick and vacation leave. In general, compensated absences are paid when incurred but on an annual basis; leave earned tends to exceed leave used. Except for extraordinary circumstances, these expenses are paid from the Sonoma Valley Fire and Rescue Authority budget, but the district has a liability for a share of these costs. The target funding for this account will be based on an estimate of the District share of those liabilities.
- Committed for Buildings and Improvements: These funds are set aside for future replacement or repair of major items in District-owned facilities. The target balance is calculated based on anticipated replacement costs and timeline for large building maintenance such as roofing, interior and exterior paint, floor coverings, HVAC equipment, and parking lot paving.
- Committed for Capital Equipment: Capital equipment includes items classified as fixed assets, including fire engines and other equipment such as extrication equipment and Self Contained Breathing Apparatus (SCBA) equipment. Funds committed to capital equipment are critical to long-term planning and prevent excessive swings in annual costs by anticipating future equipment needs and amortizing the costs over a period of time. The target funding level for this account will be based on a calculation that generally includes a depreciation schedule.

Process for approving transfer of funds into Committed Fund Balance Accounts:

Based on fund balance available, the Fire Chief or designee shall make a recommendation for amounts to be transferred to committed fund balance accounts. If available fund balance is insufficient to meet the funding level targeted, the Chief shall additionally recommend the level of funds to be committed to each category. Approval of this recommendation shall require a majority vote of the Board of Directors for approval. In the event that no recommendation is made during an annual period, all committed funds shall remain at their previously-approved balance.

Process for approving transfer of funds out of Committed Fund Balance Accounts:

When a transfer from committed fund balance accounts is necessary, the Fire Chief or designee shall make a recommendation to the Fire District Board of Directors. This may occur through approval of the annual operating budget or through any meeting of the Fire District Board of Directors.

Resolution No: 2015/2016-09
Dated: March 8, 2016

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEY OF THE MOON
FIRE PROTECTION DISTRICT, SONOMA COUNTY, STATE OF CALIFORNIA,
APPROVING THE REVISED FUND BALANCE POLICY**

WHEREAS, Fund Balance, the net assets of a government organization, is a measure of the fiscal sustainability of that entity; and

WHEREAS, the Board of Directors is responsible for the ongoing financial sustainability of the Valley of the Moon Fire Protection District and has the authority to establish Committed Fund balances for specified purposes and may also establish a target funding level for unassigned fund balance; and

WHEREAS, on March 10, 2015 the Board of Directors approved Resolution 2014/2015-11, approving a fund balance policy in compliance with Government Accounting Standards Board (GASB) Statement 54, and minor changes are needed to that policy; and

WHEREAS, the Board of Directors wishes to reallocate fund balance based on findings from the Annual Financial Audit Report for Fiscal Year 2015, and those allocations are as specified on Exhibit A, attached.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Valley of the Moon Fire Protection District hereby revokes the language in Resolution 2014/2015-11; approves the revised District Fund Balance Policy, and approves new allocations to Committed Fund Balance as shown in Exhibit A, attached, replacing assignments to Fund Balance made in Resolution 2014/2015-11.

IN REGULAR SESSION, the foregoing resolution was introduced by Director _____, who moved its adoption, seconded by Director _____, and passed by the Board of Directors of the Valley of the Moon Fire Protection District this 8th day of March 2016, on regular roll call vote of the members of said Board:

President Norton	Aye_____	No_____	Absent_____
Director Brunton	Aye_____	No_____	Absent_____
Director Greben	Aye_____	No_____	Absent_____
Director Brady	Aye_____	No_____	Absent_____
Director Leen	Aye_____	No_____	Absent_____
Vote:	Aye_____	No_____	Absent_____

WHEREUPON, the President declared the foregoing resolution adopted, and

SO ORDERED:

ATTEST:

William Norton, President

Brian Brady, Clerk

Exhibit A - Resolution 2015/2016-09
Approved Fund Balance Allocations March 2016

Account	Basis of Allocation	Allocation as of 6/30/15	Recommended Allocation
Unassigned	2 months of operating expenses (Annual Budget / 6). Updated to reflect FY 2016 Operating Budget.	\$ 629,272	\$ 656,622
Committed for Emergency / Contingency	10% of Annual Operating Budget. Updated to reflect FY 2016 Operating Budget.	\$ 377,563	\$ 393,973
Committed for Compensated Absences	Estimated District Share of Compensated Absence liability for employees. Updated based on FY 2015 Annual Financial Audit Report	\$ 215,000	\$ 206,532
Committed for Other Post- Employment Benefits Liability	Based on current GASB 45 Report and 2015 Annual Financial Audit Report	\$ 165,175	\$ 396,579
Committed for Buildings and Improvements	Based on schedule of maintenance with estimated costs and timeline	\$ 433,000	\$ 471,515
Committed for Capital Equipment	Based on depreciation schedule	\$ 882,447	\$ 741,681
		\$ 2,702,457	\$ 2,866,902



Valley of the Moon Fire Protection District

Board of Directors Meeting

Agenda Item Summary

March 8, 2016



Agenda Item No.	Staff Contact
10C	Mark Freeman, Fire Chief
Agenda Item Title	
Resolution 2015/2016-10 approving amendments to the 2015/16 operating budget	
Recommended Actions	
Approve budget amendments	
Executive Summary	
Since the Board's approval of budget amendments on February 9, 2016, unanticipated expenditures have arisen that require additional amendments as detailed in the displayed Fiscal Summary tables.	
Alternative Actions	
Decline approval or request information and/or changes to amendments before approval	
Strategic Plan Alignment	
Fiscal Summary – FY 15/16 Sonoma Valley Fire & Rescue Budget 798	
Expenditures	
Budgeted Amount	\$9,179,287
Add. Appropriations Req'd.	\$ 28,407
	\$
Total Expenditure	\$9,207,694
Funding Source(s)	
General Fund	\$
Fees/Other	\$28,407
Use of Fund Balance	\$
Contingencies	\$
Grants	\$
Total Sources	\$28,407
Fiscal Summary – FY 15/16 Valley of the Moon District Budget 799	
Expenditures	
Budgeted Amount	\$3,939,734
Add. Appropriations Req'd.	\$ 32,500
	\$
Total Expenditure	\$3,972,234
Funding Source(s)	
District General Fund	\$
Fees/Other	\$12,500
Use of Fund Balance	\$
Contingencies	\$
Grants	\$20,000
Total Sources	\$32,500
Narrative Explanation of Fiscal Impacts (if required)	
Attachments	
Resolution 2015/2016-10	

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEY OF THE MOON
 FIRE PROTECTION DISTRICT, SONOMA COUNTY, STATE OF CALIFORNIA,
 APPROVING AMENDMENTS TO THE 2015/16 OPERATING BUDGET**

WHEREAS, the 2015/16 Final Budget was approved by the Board of Directors on September 8, 2015 and amendments were approved on February 9, 2016; and

WHEREAS, subsequent to the adoption of the 2015/16 budget, unanticipated expenditures have arisen which require additional amendments to the budget; and

WHEREAS, the Board of Directors determined that budget amendments should be made as follows:

Account	Amendment
798-00000-000-35004	Increase budgeted revenues by \$28,407 (from \$0 to \$28,407).
798-68901-550-70550	Increase budgeted appropriations by \$20,575 (from \$105,000 to \$125,575)
798-68901-606-70606	Increase budgeted appropriations by \$2,900 (from \$15,000 to \$17,900)
798-68901-607-70607	Increase budgeted appropriations by \$4,932 (from \$17,000 to \$21,932)
799-00000-000-31514	Increase budgeted revenues by \$20,000 (from \$0 to \$20,000)
799-00000-000-35004	Increase budgeted revenues by \$12,500 (from \$0 to \$12,500)
799-68900-703-70703	Increase budgeted appropriations by \$32,500 (from \$35,000 to \$67,500)

NOW, THEREFORE, BE IT RESOLVED that the Final Budget for the Sonoma Valley Fire Rescue Authority in the amount of \$8,532,822 shall be amended to \$9,207,694 and the final budget for the Valley of the Moon Fire Protection District in the amount of \$3,939,734 shall be amended to \$3,972,234.

IN REGULAR SESSION, the foregoing resolution was introduced by Director _____, who moved its adoption, seconded by Director _____, and passed by the Board of Directors of the Valley of the Moon Fire Protection District this 8th day of March, 2016, on regular roll call vote of the members of said Board:

President Norton	Aye_____	No_____	Absent_____
Director Brunton	Aye_____	No_____	Absent_____
Director Greben	Aye_____	No_____	Absent_____
Director Brady	Aye_____	No_____	Absent_____
Director Leen	Aye_____	No_____	Absent_____
 Vote:	 Aye_____	 No_____	 Absent_____

WHEREUPON, the President declared the foregoing resolution adopted, and

SO ORDERED:

ATTEST:

William Norton, President

Brian Brady, Clerk



Valley of the Moon Fire Protection District

Board of Directors Meeting

Agenda Item Summary

March 8, 2016



Agenda Item No.		Staff Contact	
10D		Mark Freeman, Fire Chief	
Agenda Item Title			
Appoint representative to County Fire Services Project regional council			
Recommended Actions			
Appoint District representative			
Executive Summary			
A regional council will be formed to coordinate operational activities as part of the County Fire Services Project. Each region will select a possible nominee to serve on the Countywide Advisory Council, which will be comprised of regional zone members and delegates of the Board of Supervisors.			
Alternative Actions			
Decline to appoint representative			
Strategic Plan Alignment			
Fiscal Summary – FY 15/16			
Expenditures		Funding Source(s)	
Budgeted Amount	\$	District General Fund	\$
Add. Appropriations Req'd.	\$	Fees/Other	\$
	\$	Use of Fund Balance	\$
		Contingencies	\$
		Grants	\$
Total Expenditure	\$	Total Sources	\$
Narrative Explanation of Fiscal Impacts (if required)			
Attachments			
<ol style="list-style-type: none"> 1. Letter from the County Administrator's office 2. List of regions and member agencies 			

OFFICE OF THE COUNTY ADMINISTRATOR



COUNTY OF SONOMA

575 ADMINISTRATION DRIVE – ROOM 104A
SANTA ROSA, CALIFORNIA 95403-2888
TELEPHONE (707) 565-2431
FAX (707) 565-3778

VERONICA A. FERGUSON
COUNTY ADMINISTRATOR

CHRISTINA RIVERA
DEPUTY COUNTY ADMINISTRATOR

REBECCA WACHSBERG
DEPUTY COUNTY ADMINISTRATOR

January 29, 2016

Sonoma Valley Fire & Rescue Authority
Board of Directors
630 Second Street West
Sonoma, CA 95476

Dear Board of Directors,

On December 8, 2015, the Board of Supervisors received a report on the Fire Service Project, and took action on the recommendations that were provided by the Sonoma County Fire Services Project Advisory Committee. Among those approved recommendations was a proposal to form a Countywide Advisory Council. This Council will be comprised of nine members, including one member from each of the seven regional zones and two members selected by the Board of Supervisors.

This model is based around seven regions corresponding to the current geographic dispatch zones (a list of regions and member agencies is attached). Each region will have a council with representatives of all agencies in the region in order to facilitate coordination and to select a nominee for possible appointment to the Countywide Advisory Council. County staff will assist in organizing the regional councils and so will need to know who will represent your organization. The councils will primarily serve to coordinate operational activities within their zones, as well as recommend an individual from your region who you would like the Board of Supervisors to consider for appointment to the Countywide Advisory Council. **Please select someone to represent your organization to sit on your regional council and let us know who has been selected by March 18, 2016.**

Upon formation of the 9-member Countywide Advisory Council, a charter and bylaws will be adopted and the Council can then commence their work to coordinate centrally provided shared services, allocate funds to incentivize collaboration and volunteer recruitment and retention efforts, and advise the Board of Supervisors on fire related matters.

In addition, the Advisory Council will provide direction on implementing other recommendations that the Board endorsed, including procurements for Lexipol, a consultant to complete a countywide Standards of Cover study, and a grant writer to assist with the ATRG countywide volunteer recruitment and retention grant.

Funding recommendations approved during the Fire Services Project will be appropriated as part of the second quarter consolidated budget adjustments, which are currently scheduled for March 1.

In order to speed implementation along, the county is engaging a consultant, Jim Colangelo, who has extensive experience working with LAFCO, fire agencies and the County. He brings a wealth of experience and will help ensure that all aspects of the project move forward in a timely manner.

Please feel free to contact Al Terrell at (707)565-1152 or me at (707)565-3086 with any questions you may have. We look forward to working with you going forward.

Sincerely,

Peter Bruland

Region	Entity
3	Eldridge FD
3	Glen Ellen
3	Kenwood
3	Mayacamas
3	Schell Vista
3	Sonoma Valley
4	Annapolis
4	Fort Ross
4	The Sea Ranch
4	Timber Cove
5	Camp Meeker
5	Cazadero
5	Forestville
5	Monte Rio
5	Occidental
5	Russian River
6	Cloverdale
6	Dry Creek Rancheria FD
6	Geyserville
6	Healdsburg/Sotoyome
6	Knights Valley
7	Bennett Valley
	Central Fire (Rincon
7	Valley+Windsor)
7	Mountain
7	Santa Rosa
8	Bloomfield
8	Bodega
8	Bodega Bay
8	Gold Ridge
8	Graton
8	Sebastopol
8	Valley Ford
9	Lakeville
9	Petaluma
9	Rancho Adobe
9	Rohnert Park
9	San Antonio
9	Two Rock
9	Two Rock Coast Guard FD
9	Wilmar



Valley of the Moon Fire Protection District

Board of Directors Meeting

Agenda Item Summary

March 8, 2016



Agenda Item No.		Staff Contact	
10E		Mark Freeman, Fire Chief	
Agenda Item Title			
Appoint ad hoc committee for the purpose of Fire Chief recruitment			
Recommended Actions			
Appoint committee			
Executive Summary			
The position of Fire Chief for the SVFRA will become vacant in 2017. The Board considers that it would be prudent to address recruitment well in advance of need to ensure that a suitable candidate is secured for the position. President Norton will appoint an ad hoc committee to serve this purpose.			
Alternative Actions			
Decline to appoint committee			
Strategic Plan Alignment			
Not applicable			
Fiscal Summary – FY 15/16			
Expenditures		Funding Source(s)	
Budgeted Amount	\$	District General Fund	\$
Add. Appropriations Req'd.	\$	Fees/Other	\$
	\$	Use of Fund Balance	\$
		Contingencies	\$
		Grants	\$
Total Expenditure	\$	Total Sources	\$
Narrative Explanation of Fiscal Impacts (if required)			
Attachments			