

**County Service Area No. 40 – Fire Services
Annual Report**

**For the Fiscal Year Ended
June 30, 2016**

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Annual Report
For the Fiscal Year Ended June 30, 2016

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TREASURER-TAX COLLECTOR

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Board of Directors
County Service Area No. 40 – Fire Services
Santa Rosa, CA

Auditor-Controller's Report

Report on the Financial Statements

We were engaged to audit the accompanying government wide financial statements, fund financial statements and the related notes to the financial statements of the County Service Area No. 40 – Fire Services (CSA No. 40), as of and for the year ended June 30, 2016, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the independence impairments described in the Basis for Disclaimer of Opinion paragraph, auditing standards require us to disclaim an opinion on the financial statements.

Basis for Disclaimer of Opinion

As required by various statutes within the California Government Code, County Auditor-Controllers are mandated to perform certain accounting, auditing and financial reporting functions. In Sonoma County, the Auditor-Controller and Treasurer-Tax Collector (ACTTC) positions are combined. CSA No. 40's cash is pooled with the Sonoma County Treasurer (a division of the ACTTC), who acts as a disbursing agent for CSA No. 40. The Accounting Division within the ACTTC Office maintains internal controls over the financial accounting management information system, and processes transactions that have been approved by CSA No. 40. The Accounting Division processes County

checks for expenditures approved by CSA No. 40, these checks are signed by the Auditor-Controller-Treasurer-Tax Collector. These non-audit activities create management participation threats to auditor independence, as discussed in Interpretation 101-3 of the American Institute of Certified Public Accountants Code of Professional Conduct, which cannot be mitigated. Internal Audit, a Division of the ACTTC Office, which has no other responsibility for the accounts and records being audited, performed this audit. The amount by which this departure affects the assets, liabilities, net position, deferred outflows of resources, deferred inflows of resources, revenues and expenses of CSA No. 40 has not been determined.

Disclaimer of Opinion

Because of the independence impairments described in the Basis for Disclaimer of Opinion paragraph, auditing standards require us to disclaim an opinion on the financial statements. Accordingly, we do not express an opinion on these financial statements.

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), beginning on pages 1 of this report, and required supplementary information, beginning on page 27 of this report, 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 MD&A and the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consists 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 have obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the MD&A or the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Sonoma County Auditor-Controller

Sonoma County Auditor-Controller

June 26, 2017

Management's Discussion and Analysis

As management of CSA No. 40, we offer readers of these financial statements this narrative overview and analysis of the CSA No. 40 financial activities for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with CSA No. 40's financial statements and the accompanying notes to the basic financial statements.

Financial Highlights

- The assets of CSA No. 40 exceeded their liabilities at the close of the most recent fiscal year by \$4,281,645 (net position). Of this amount, \$3,020,651 (unrestricted net position) may be used to meet CSA No. 40's ongoing operations.
- CSA No. 40's total net position decreased by \$429,554 during the current fiscal year due primarily to a transfer of CSA No. 40- Sea Ranch operations and fixed assets to a newly formed North Sonoma Coast Fire Protection District (NSCFPD).
- As of the close of the current fiscal year, CSA No. 40 reported an ending fund balance of \$3,113,857, a decrease of \$113,968, in comparison with the prior year. Approximately 87.0% of this amount is available for spending at CSA No. 40's discretion (unassigned fund balance).
- At the end of the year, unassigned fund balance was \$2,707,656 or 55.3% of the total general fund expenditures of \$4,895,064.
- CSA No. 40's long-term debt decreased by \$142,865 during the current fiscal year due primarily to a transfer of 2009 Pierce Navistar lease to NSCFPD and current year lease payments.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to CSA No. 40's basic financial statements. CSA No. 40's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of CSA No. 40's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of CSA No. 40's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of CSA No. 40 is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the 2016 fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected rental revenue and earned but unused vacation leave).

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. CSA No. 40, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. CSA No. 40's funds are governmental funds.

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

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

CSA No. 40 uses governmental funds to account for its activities, which include fire protection services in CSA No. 40 boundaries. CSA No. 40 adopts an annual appropriated budget for its funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Notes to the basic financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of CSA No. 40, assets exceeded liabilities by \$4,281,645 at the close of 2016 fiscal year.

A large portion of CSA No. 40's net position \$1,260,994 reflects its investment in capital assets (e.g. land, construction in progress, buildings and improvements and equipment). CSA No. 40 uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

**Summary of Net Position
June 30**

	2016	2015	Increase (Decrease)	Percentage Change
Current and other assets	\$ 4,986,700	\$ 3,736,955	\$ 1,249,745	33.4%
Capital assets	1,735,648	2,194,810	(459,162)	-20.9%
Total assets	<u>6,722,348</u>	<u>5,931,765</u>	<u>790,583</u>	<u>13.3%</u>
Current liabilities	1,928,700	585,486	1,343,214	229.4%
Non-current liabilities	512,003	635,080	(123,077)	-19.4%
Total liabilities	<u>2,440,703</u>	<u>1,220,566</u>	<u>1,220,137</u>	<u>100.0%</u>
Net position:				
Net investment in capital assets	1,260,994	1,600,709	(339,715)	-21.2%
Unrestricted	<u>3,020,651</u>	<u>3,110,490</u>	<u>(89,839)</u>	<u>-2.9%</u>
Total net position	<u>\$ 4,281,645</u>	<u>\$ 4,711,199</u>	<u>\$ (429,554)</u>	<u>-9.1%</u>

The balance of unrestricted net position \$3,020,651 may be used to meet CSA No. 40's ongoing obligations to citizens and vendors.

At the end of the 2016 fiscal year, CSA No. 40 is able to report positive balances in both categories of net position. The same held true for the prior fiscal year.

Governmental Activities: Governmental activities decreased CSA No. 40's net position by \$429,554 .

**Changes in Net Position
For the Fiscal Year Ended June 30**

	2016	2015	Increase (Decrease)	Percentage Change
Revenues:				
Program Revenues:				
Public safety - fire protection	\$ 1,600,704	\$ 1,231,623	\$ 369,081	30.0%
Operating Grants and Contributions	83,083	136,889	(53,806)	-39.3%
Capital Grants and Contributions	-	166,250	(166,250)	-100.0%
General Revenues:				
Property taxes	3,278,477	3,419,872	(141,395)	-4.1%
Investment income	24,816	26,391	(1,575)	-6.0%
Miscellaneous	13,712	8,758	4,954	56.6%
Gain on sale of capital assets	-	14,945	(14,945)	-100.0%
Total revenues	<u>5,000,792</u>	<u>5,004,728</u>	<u>(3,936)</u>	<u>-0.1%</u>
Expenses:				
Program Expenses:				
Public safety - fire protection	4,741,866	4,610,600	131,266	2.8%
General Expenses:				
Debt service - interest and other	<u>216,511</u>	<u>213,360</u>	<u>3,151</u>	<u>1.5%</u>
Total expenses	<u>4,958,377</u>	<u>4,823,960</u>	<u>134,417</u>	<u>2.8%</u>
Special Item-Residual Equity Transfer	<u>471,969</u>	<u>-</u>	<u>471,969</u>	<u>100.0%</u>
Change in net position	(429,554)	180,768	(610,322)	337.6%
Net position, beginning of the year	<u>4,711,199</u>	<u>4,530,431</u>	<u>180,768</u>	<u>4.0%</u>
Net position, end of the year	<u>\$ 4,281,645</u>	<u>\$ 4,711,199</u>	<u>\$ (429,554)</u>	<u>-9.1%</u>

Financial Analysis of the Government's Funds

CSA No. 40 uses fund accounting to ensure and demonstrate compliance with legal and governmental accounting requirements.

Governmental funds: The focus of CSA No. 40's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing CSA No. 40's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year.

As of the end of the 2016 fiscal year, CSA No. 40's governmental fund reported ending fund balance of \$3,113,857, a decrease of \$113,968 in comparison with the prior year. Approximately 87.0% of the total amount constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is assigned for encumbrances and vehicle replacement.

As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 55.3% of

total general fund expenditures.

General Fund Budgetary Highlights

Differences between the original and the final amended budgets were to recognize additional revenues received during the fiscal year and the expenditures offsetting these increases.

Capital Asset and Debt Administration

Capital Assets: CSA No. 40's capital assets, as of June 30, 2016, amount to \$1,735,648 (net of accumulated depreciation). The capital assets include land, construction in progress, buildings and improvements, and equipment. The total decrease in CSA No. 40's capital assets for the current fiscal year was \$459,162.

Major capital asset events during the current fiscal year included the following:

Depreciation expense	\$ (194,324)
Capital assets acquisitions:	
Equipment-Fire Services	34,741
Capital assets dispositions:	
Equipment-Sea Ranch, net of accumulated depreciation	(281,479)
Equipment-Fire Services, net of accumulated depreciation	(18,100)
Total decrease in capital assets	\$ <u><u>(459,162)</u></u>

On December 9, 2015, the Sonoma County Local Area Formation Commission (LAFCO) approved the formation of the NSCFPD with an effective date of April 1, 2016. CSA No. 40-Sea Ranch fund balance was transferred to the NSCFPD. All CSA No. 40-Sea Ranch and some of the CSA No. 40-Fire Services fixed assets were transferred to the NSCFPD.

In addition to the capital asset transactions above, CSA No. 40 transferred a fully depreciated 2008 Ford Explorer and a 2008 Toyota Camry Hybrid with historical cost of \$49,768 to the Department of Fire and Emergency Services. CSA No. 40 received a fully depreciated 2006 Ford Expedition from the Department of Fire and Emergency Services with historical cost of \$28,500.

Additional information on CSA No. 40's capital assets and capital leases can be found in note II.B and II.D respectively.

Debt administration: At the end of the fiscal year CSA No. 40 had total long-term obligations of \$564,576. This amount is comprised of \$89,922 of compensated absences and \$474,654 of notes payable. During the current fiscal year, CSA No. 40's long-term debt decreased by \$142,865. It was primarily due to a transfer of 2009 Pierce Navistar lease to the NSCFPD and current year lease payments.

Economic Factors and Next Year's Budgets and Rates

Over the next year CSA No. 40 is expecting:

- Approximately a 34.1% decrease in property tax revenue compared to fiscal year 2015/2016 due to the transfer to the NSCFPD of property tax revenue for fire services in the newly formed District.
- Eliminating the CSA No. 40 – Sea Ranch budget due to creation of the NSCFPD.

Both of these factors were considered in preparing CSA No. 40's budget for the fiscal year ending June 30, 2017.

Request for Additional Information

This financial report is designed to provide a general overview of CSA No. 40's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Fire and Emergency Services Department, 2300 County Center Drive #220 B, Santa Rosa, CA 95403.

County Service Area No. 40 - Fire Services
Statement of Net Position
June 30, 2016

Assets

Cash and investments	\$ 4,722,436
Accounts receivable	44,166
Due from other governments	38,152
Flat charges receivable	5,909
Reserved cash - Vehicle Replacement	164,789
Reserved cash - Computer Replacement	9,507
Other Assets	1,741
Capital assets	
Land	80,000
Construction in progress	275,000
Buildings and improvements (net of accumulated depreciation)	19,420
Equipment (net of accumulated depreciation)	1,361,228
Total assets	6,722,348

Liabilities

Accounts payable	13,238
Due to other governments	1,407,995
Capital leases payable - Due within one year	52,573
Interest payable	3,284
Unearned revenue	451,610
Non-current liabilities:	
Compensated absences	89,922
Capital leases payable - Due in more than one year	422,081
Total liabilities	2,440,703

Net Position

Net investment in capital assets	1,260,994
Unrestricted	3,020,651
Total net position	\$ 4,281,645

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

County Service Area No. 40 - Fire Services
Statement of Activities
For the Fiscal Year Ended June 30, 2016

Program Expenses

Public safety - fire prevention	
Salaries and employee benefits	\$ 2,111,542
Services and supplies	2,630,324
Depreciation	194,324
Debt service - interest	22,187
Total program expenses	<u>4,958,377</u>

Program Revenues

Charges for services	
Intergovernmental revenue	266,188
Charges for services	1,313,959
Mitigation Funds	20,557
Total charges for services	<u>1,600,704</u>
Operating Grants and Contributions	<u>83,083</u>
Total program revenues	<u>1,683,787</u>
Net program revenues (expenses)	<u>(3,274,590)</u>

General Revenues

Property taxes	3,278,477
Investment earnings	24,816
Miscellaneous	13,712
Total general revenues	<u>3,317,005</u>

Special Item

Residual Equity Transfer	471,969
Change in net position	(429,554)
Net position, beginning balance	<u>4,711,199</u>
Net position, end of year	<u>\$ 4,281,645</u>

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

**County Service Area No. 40 - Fire Services
 Combined Balance Sheet - All Funds
 Governmental Fund
 June 30, 2016**

Assets

Cash and investments	\$ 4,722,436
Accounts receivable	44,166
Due from other governments	38,152
Flat charges receivable	5,909
Reserved cash - Vehicle replacement	164,789
Reserved cash - Computer replacement	9,507
Other Assets	1,741
Total assets	\$ 4,986,700

Liabilities and Fund Balance

Liabilities:	
Accounts payable	\$ 13,238
Due to other governments	1,407,995
Unearned revenue	451,610
Total liabilities	1,872,843

Fund balance:

Assigned for encumbrances	231,905
Assigned for vehicle replacement	164,789
Assigned for computer replacement	9,507
Unassigned	2,707,656
Total fund balance	3,113,857
Total liabilities and fund balance	\$ 4,986,700

Reconciliation of Balance Sheet to Statement of Net Position

Fund balance - total government funds	\$ 3,113,857
Amount reported for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	1,735,648
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Compensated absences	(89,922)
Capital leases payable	(474,654)
Accrued interest payable	(3,284)
Net position of governmental activities	\$ 4,281,645

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

**County Service Area No. 40 - Fire Services
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balance - All Funds
 Governmental Fund
 For the Fiscal Year Ended June 30, 2016**

Revenues

Property taxes	\$ 3,278,477
Investment earnings	24,816
Intergovernmental revenue	349,271
Charges for services	1,313,959
Mitigation Funds	20,557
Miscellaneous	13,712
Total revenues	5,000,792

Expenditures

Current:	
Salaries and employee benefits	2,134,960
Services and supplies	2,630,324
Debt service	
Principal	72,361
Interest	22,678
Capital outlay	34,741
Total expenditures	4,895,064

Excess (deficiency) of revenues over (under) expenditures	105,728
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Other financing sources (uses)

Operating transfers in	2,045,262
Operating transfers out	(2,045,262)
Total other financing sources (uses)	-

Special Item

Residual Equity Transfer	(219,696)
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Net change in fund balance	(113,968)
Fund balance, beginning of year	3,227,825
Fund balance, end of year	\$ 3,113,857

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

**County Service Area No. 40 - Fire Services
 Combined Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balance of the Governmental Fund to the
 Statement of Activities - All Funds
 For the Fiscal Year Ended June 30, 2016**

**Amounts reported for governmental activities in the statement of activities
 are different because:**

Net change in fund balance - total governmental fund	\$ (113,968)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Expenditure for capital assets	34,741
Current year depreciation	(194,324)
Residual Equity Transfer-capital assets	(252,273)
<p>Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Activities. While repayment of lease principal is an expenditure in the governmental funds, it reduces long-term liabilities in the Statement of Activities.</p>	
Principal payments	72,361
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.</p>	
Change in accrued interest payable	491
<p>Change in compensated absences reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds.</p>	
	<u>23,418</u>
Change in net position of governmental activities	<u>\$ (429,554)</u>

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

County Service Area No. 40 - Fire Services
Combined Statement of Revenues, Expenditures and Changes in Fund Balance -
Budgets and Actual - All Funds
Governmental Fund
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
Revenues				Positive
Property taxes	\$ 3,445,267	\$ 3,445,267	\$ 3,278,477	\$ (166,790)
Investment earnings	16,700	16,700	24,816	8,116
Intergovernmental revenue	77,783	347,645	349,271	1,626
Charges for services	1,261,741	1,261,741	1,313,959	52,218
Mitigation Funds	-	-	20,557	20,557
Miscellaneous	405,750	405,750	13,712	(392,038)
Total revenues	5,207,241	5,477,103	5,000,792	(476,311)
Expenditures				
Current:				
Salaries and employee benefits	2,378,896	2,553,896	2,134,960	418,936
Services and supplies	3,795,005	4,584,067	2,631,025	1,953,042
Debt service:				
Principal	4,382	4,382	72,361	(67,979)
Interest	91,798	91,798	22,678	69,120
Capital outlay	17,000	248,204	265,945	(17,741)
Total expenditures	6,287,081	7,482,347	5,126,969	2,355,378
Excess (deficiency) of revenues over (under) expenditures	(1,079,840)	(2,005,244)	(126,177)	1,879,067
Other financing sources (uses)				
Operating transfers in	1,695,046	2,386,460	2,045,262	(341,198)
Operating transfers out	(1,035,535)	(1,038,186)	(2,045,262)	(1,007,076)
Total other financing sources (uses)	659,511	1,348,274	-	(1,348,274)
Special Item				
Residual Equity Transfer	-	(219,966)	(219,696)	270
Net change in fund balance, budgetary basis	\$ (420,329)	\$ (876,936)	(345,873)	\$ 531,063
Budgetary Adjustments:				
Basis adjustments:				
Encumbrances			231,905	
Net change in fund balance, GAAP Basis			\$ (113,968)	

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

County Service Area No. 40 – Fire Services
Notes to the Basic Financial Statements
June 30, 2016

I. Summary of Significant Accounting Policies

A. Reporting Entity

CSA No. 40 coordinates fire service activities in the unincorporated areas of Sonoma County, advises the Board of Supervisors on fire services issues, assists with disaster program planning and emergency response planning, responds to emergency situations and reviews program and policy matters with the Board appointed Fire Safety Committee. CSA No. 40 is managed by the County of Sonoma Department of Fire and Emergency Services. The department administers contracts for structural fire response with local fire agencies, not-for-profit corporations and the California Department of Forestry (CDF). The department also administers the volunteer fire program for fifteen service areas and provides administrative support for five dependent fire zones. Funds for the individual assessment districts are reported under the supplementary information section of this report.

B. Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or section and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing

County Service Area No. 40 – Fire Services
Notes to the Basic Financial Statements
June 30, 2016

of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

D. Assets, Liabilities, and Net Position or Equity

1. Cash and Investments

In accordance with GASB Statement No. 31, *“Accounting and Financial Reporting for Certain Investments and External Investment Pools”* and GASB Statement No. 72, *“Fair Value Measurement and Application”*, investments are stated at fair value in the statement of net position and balance sheet and the corresponding changes in the fair value of investments are recognized in the year in which the change occurred. CSA No. 40 reports certain investments at fair value in the balance sheet and recognizes the corresponding change in the fair value of investments in the year in which the change occurred.

2. Receivables and Payables

a. Property Taxes

The County of Sonoma is responsible for assessing, collecting and distributing property taxes in accordance with state law. Liens on real property are established January 1 for the ensuing fiscal year. The property tax is levied as

County Service Area No. 40 – Fire Services
Notes to the Basic Financial Statements
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of July 1 on all taxable property located in the County of Sonoma. Secured property taxes are due in two installments, on November 1 and February 1, and are delinquent after December 10 and April 10, respectively. Additionally, supplemental property taxes are levied on a pro rata basis when changes in assessed valuation occur due to sales transactions or the completion of construction.

Since the passage of California's Proposition 13, beginning with fiscal year 1978/1979, general property taxes are based either on a flat 1% rate applied to the 1975/1976 full value, or on 1% of the sales price of the property on sales transactions and construction after the 1975/1976 valuation. Taxable values on properties (exclusive of increases related to sales and construction) can rise at a maximum of 2% per year.

Included within the property tax revenue is \$250,227 in Benefit Assessments collected. Benefit Assessments are a type of flat charge applied to each parcel of property within the District, exclusive of the property value. Flat taxes are currently being assessed within the Wilmar, Dry Creek and Mayacamas jurisdictions.

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

b. Reserved Cash

Reserved cash represents cash and investments which are restricted for the purpose of vehicle and computer equipment replacement.

c. Due to/from Other Governments

Due to other governments are payables for services received from other governmental entities.

Due from other governments are receivables for services provided to other governmental entities.

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d. Unearned revenues

Unearned revenues are resource inflows which do not yet meet the criteria for revenue recognition.

3. Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by CSA No. 40 as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Equipment of CSA No. 40 is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	10 – 25
Equipment	4 – 25

4. Compensated Absences

CSA No. 40 employees are entitled to certain compensated absences based on their length of employment and position held. Vacation pay is subject to certain maximum accumulations and is payable upon termination. Sick leave may be accumulated without limitation. An average of the most recent three years cost to convert sick leave to service credits for employees separating due to retirement from the CSA No. 40 has been included in the compensated absence liability. Because vacation, sick leave and other compensated absence balances do not require the use of current financial resources, no liability is recorded within the governmental funds. However, this liability is reflected in the government-wide statement of net position. In compliance with GASB Statement No. 16, *Accounting for Compensated Absences*, the amounts reported include estimated employer liability for taxes and workers' compensation premiums.

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Notes to the Basic Financial Statements
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5. Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets (net of related debt), restricted and unrestricted.

- a. *Net investment in capital assets* – This category groups all capital assets, including infrastructure, into one category of net position. Accumulated depreciation and amortization and outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- b. *Restricted net position* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* - This category represents net position, not restricted for any project or other purpose.

6. Fund Balance

In the fund financial statements, governmental funds report fund balance as non-spendable, restricted, committed, assigned or unassigned based primarily on the extent to which the entity is bound to honor constraints on how specific amounts can be spent.

- a. *Non-spendable Fund Balance* – Amounts that cannot be spent because they are either not spendable in form or legally or contractually required to be maintained intact.
- b. *Restricted Fund Balance* – Amounts with constraints placed on their use that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

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- c. *Committed Fund Balance* – Amounts that can only be used for specific purposes pursuant to constraints imposed by ordinance or resolution of the County’s highest decision-making authority (the Board of Supervisors) and that remain binding unless removed by an equally binding action.
- d. *Assigned Fund Balance* – Amounts that are constrained by the County’s intent to be used for specific purposes. The intent can be established by the County’s highest level of decision-making authority (the Board of Supervisors) or by a body or an official to which the Board of Supervisors has delegated the authority (i.e. County Administrator).
- e. *Unassigned* – The residual amount of all general fund spendable resources not contained in the other classifications.

7. Estimates

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

II. Detailed Notes

A. Cash and Investments

CSA No. 40 follows the County’s practice of pooling cash and investments of all funds with the County Treasurer. The amount of cash at June 30, 2016 is as follows:

Cash in County Treasury	\$ 4,722,436
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Investment in the Sonoma County Treasurer’s Investment Pool

As authorized by Health and Safety Code 13854 (a), CSA No. 40’s cash is pooled with the Sonoma County Treasurer, who acts as a disbursing agent for CSA No. 40. The fair value of the CSA No. 40’s investment in this pool is reported in the accompanying financial statements at amounts based upon the CSA No. 40’s pro-rata share of the fair value provided by the Treasury Pool for the entire Treasury Pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based

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on accounting records maintained by the Treasury Pool, which are recorded on an amortized cost basis. Interest earned on investments pooled with the County is allocated quarterly to the appropriate fund based on its respective average daily balance for that quarter. The Treasury Oversight Committee has regulatory oversight for all monies deposited into the Treasury Pool.

Investment Guidelines

The CSA No. 40's pooled cash and investments are invested pursuant to investment policy guidelines established by the County Treasurer and approved by the Board of Supervisors. The objectives of the policy are, in order of priority: safety of capital, liquidity and maximum rate of return. The policy addresses the soundness of financial institutions in which the County will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity.

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

Interest Rate Risk

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

As of June 30, 2016, approximately 37 percent of the securities in the Treasury Pool had maturities of one year or less. Of the remainder, only 1 percent had a maturity of more than five years.

Disclosures Relating to Credit Risk

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

County Service Area No. 40 – Fire Services
Notes to the Basic Financial Statements
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not have a rating provided by a nationally recognized statistical rating organization.

Custodial Credit Risk

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

- The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by depository regulated under state law. The market value of the pledged securities in the collateral pool must equal to at least 110% of the total amount deposited by the public agencies.
- California law also allows financial institutions to secure the County's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.
- The California Government Code limits the total of all securities lending transactions to 20% of the fair value of the investment portfolio.

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

Concentration of Credit Risk

The investment policy of the County contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. For a listing of investments in any one issuer (other than U.S. Treasury securities, mutual funds, or external investment pools) that represent 5% or more of total County investments, refer to the 2016 Sonoma County Comprehensive Annual Financial Report.

County Service Area No. 40 – Fire Services
Notes to the Basic Financial Statements
June 30, 2016

B. Capital assets

Capital asset activity for the year ending June 30, 2016 was as follows:

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers & Adjustments</u>	<u>Ending Balance</u>
Capital assets not being depreciated:					
Land	\$ 80,000	\$ -	\$ -	\$ -	\$ 80,000
Construction in progress	275,000	-	-	-	275,000
Total capital assets, not being depreciated	<u>355,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>355,000</u>
Capital assets, being depreciated:					
Buildings and improvements	28,932	-	-	-	28,932
Equipment	3,661,245	34,741	(1,185,959)	28,500	2,538,527
Total capital assets, being depreciated:	<u>3,690,177</u>	<u>34,741</u>	<u>(1,185,959)</u>	<u>28,500</u>	<u>2,567,459</u>
Less accumulated depreciation for					
Buildings and improvements	(7,493)	(2,019)	-	-	(9,512)
Equipment	(1,842,874)	(192,305)	886,380	(28,500)	(1,177,299)
Total accumulated depreciation	<u>(1,850,367)</u>	<u>(194,324)</u>	<u>886,380</u>	<u>(28,500)</u>	<u>(1,186,811)</u>
Total capital assets, being depreciated, net	<u>1,839,810</u>	<u>(159,583)</u>	<u>(299,579)</u>	<u>-</u>	<u>1,380,648</u>
Capital assets, net	<u>\$ 2,194,810</u>	<u>\$ (159,583)</u>	<u>\$ (299,579)</u>	<u>\$ -</u>	<u>\$ 1,735,648</u>

Depreciation expense was charged to functions/programs of CSA No. 40 as follows:

Governmental activities:

 Public safety - fire services \$ 194,324

**County Service Area No. 40 – Fire Services
Notes to the Basic Financial Statements
June 30, 2016**

E. Operating Transfer

Transfers are used to move unrestricted general fund revenues to finance fire safety programs that the government must account for in separate funds. In the year ended June 30, 2016 a transfer of \$604,308 was made from Fire Services to Sea Ranch.

Fire and Emergency Services Department with authorization from the Sonoma County Board of Supervisors executed two agreements with the Central Fire Authority of Sonoma County and the Rancho Adobe Fire Protection District, to distribute monies received by the County from the Graton Mitigation Fund to mitigate impacts from the Graton Casino on fire and emergency services. In the year ended June 30, 2016 Fire Services received a transfer of \$976,036 from the Graton Casino Mitigation Fund and the funds were transferred to Rancho Adobe and Central Fire Authority.

In the year ended June 30, 2016, CSA No. 40 received strike team revenue of \$236,404 on behalf of certain volunteer fire districts from the State of California. A transfer of \$236,404 was made from CSA No. 40 to the volunteer fire districts.

F. Residual Equity Transfer

On December 9, 2015, the Sonoma County LAFCO approved the formation of the NSCFPD with an effective date of April 1, 2016. CSA No. 40-Sea Ranch fund balance was transferred to the NSCFPD. CSA No. 40 made a cash transfer to NSCFPD for \$219,696. All CSA No. 40-Sea Ranch and some of the CSA No. 40-Fire Services fixed assets were transferred to the NSCFPD. In addition, CSA No. 40-Sea Ranch transferred 2009 Pierce Navistar lease to NSCFPD. See reconciliation of residual equity transfer between governmental fund and government-wide financial statements:

Residual Equity Transfer-governmental fund	\$	219,696
Fire Services fixed assets,		
net of accumulated depreciation		18,100
Sea Ranch fixed assets,		
net of accumulated depreciation	\$	281,479
Sea Ranch 2009 Pierce Navistar lease		(47,306)
Total Sea Ranch		234,173
Residual Equity Transfer-Statement of Activities	\$	<u><u>471,969</u></u>

County Service Area No. 40 – Fire Services
Notes to the Basic Financial Statements
June 30, 2016

III. Other Information

A. Risk Management

CSA No. 40 was provided insurance coverage through American Alternative Insurance Corporation for general liability and auto liability with a combined single limit of \$1,000,000 and excess liability coverage of \$10,000,000 per each occurrence.

Worker's Compensation insurance for all CSA No. 40 volunteer organizations is covered by the County of Sonoma self-insurance program.

B. Employee Retirement Plan and Other Post-employment Benefits

CSA No. 40 is a blended component unit of the County of Sonoma. As such, the County's financial statements include the required information and disclosures relating to financial reporting requirements for pensions and other post-employment benefits. Please see the County of Sonoma annual comprehensive financial report for additional information.

C. Implementation of Governmental Accounting Standards Board (GASB) Statements

The requirements of the following GASB Statements are effective for the purpose of implementation, if applicable to the County, for the fiscal year ending June 30, 2016:

GASB Statement No. 72, *Fair Value Measurement and Application*. The objective of this Statement is to address accounting and financial reporting issues related to fair value measurements. See Note II.A for additional information.

GASB Statement No. 76, *Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. 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). This statement did not impact the CSA No. 40 financial statements.

D. Future Government Accounting Standards Board (GASB) Pronouncements

CSA No. 40 is currently analyzing its accounting and financial reporting practices to determine the potential impact on the financial statements of the following GASB Statements:

County Service Area No. 40 – Fire Services
Notes to the Basic Financial Statements
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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*. The objective of this Statement is to improve the usefulness of pension information included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. Certain provisions of this Statement are effective in fiscal year 2016 while others will become effective in fiscal year 2017. Management has not determined the effect of the provisions of this Statement that are effective for fiscal year 2017. The County did not have any circumstances applicable during fiscal year 2016.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. 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. The provisions of this Statement are effective for the County's fiscal year ending June 30, 2017.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension Plans*. 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. The provisions of this Statement are effective for the County's fiscal year ending June 30, 2018.

GASB Statement No. 77, *Tax Abatement Disclosures*. The objective of this Statement is to provide transparency in financial statements prepared by state and local governments in conformity with generally accepted accounting principles, provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. The provisions of this Statement are effective for the County's fiscal year ending June 30, 2017.

County Service Area No. 40 – Fire Services
Notes to the Basic Financial Statements
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GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address certain pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The provisions of this Statement are effective for the County's fiscal year ending June 30, 2017.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The objective of this Statement is to address accounting and financial reporting for certain external investment pools and pool participants. It establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. Certain provisions of this Statement became effective in fiscal year 2016 while others become effective in fiscal year 2017. The County did not have any circumstances applicable during fiscal year 2016.

GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The provisions of this Statement are effective for the County's fiscal year ending June 30, 2018.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions of this Statement are effective for the County's fiscal year ending June 30, 2018.

GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address issues regarding (1) the presentation of payroll-related measure in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for the County's fiscal year ending June 30, 2017, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

Required Supplementary Information
County Service Area No. 40 - Fire Services
Combining Balance Sheet - All Funds
Governmental Fund
June 30, 2016

	Fire Services	Sea Ranch Fire	Fitch Mountain Fire	Dry Creek Fire	Wilmar Fire	Mayacamas Fire	Total Governmental Funds
Assets							
Cash and investments	\$ 3,899,231	\$ 195,000	\$ 61,430	\$ 187,860	\$ 324,262	\$ 54,653	\$ 4,722,436
Accounts receivable	44,166	-	-	-	-	-	44,166
Due from other governments	38,152	-	-	-	-	-	38,152
Flat charges receivable	-	-	-	2,093	2,800	1,016	5,909
Restricted cash - Vehicle replacement	164,789	-	-	-	-	-	164,789
Restricted cash - Computer replacement	9,507	-	-	-	-	-	9,507
Other Assets	1,741	-	-	-	-	-	1,741
Total assets	\$ 4,157,586	\$ 195,000	\$ 61,430	\$ 189,953	\$ 327,062	\$ 55,669	\$ 4,986,700
Liabilities and Fund Balance							
Liabilities:							
Accounts payable	\$ 12,506	\$ -	\$ -	\$ -	\$ 512	\$ 220	\$ 13,238
Due to other governments	1,212,995	195,000	-	-	-	-	1,407,995
Unearned revenue	451,610	-	-	-	-	-	451,610
Total liabilities	1,677,111	195,000	-	-	512	220	1,872,843
Fund balance:							
Assigned for encumbrances	75,701	-	-	-	156,204	-	231,905
Assigned for vehicle replacement	164,789	-	-	-	-	-	164,789
Assigned for computer replacement	9,507	-	-	-	-	-	9,507
Unassigned:	2,230,478	-	61,430	189,953	170,346	55,449	2,707,656
Total fund balances	2,480,475	-	61,430	189,953	326,550	55,449	3,113,857
Total liabilities and fund balance	\$ 4,157,586	\$ 195,000	\$ 61,430	\$ 189,953	\$ 327,062	\$ 55,669	\$ 4,986,700

The notes to the required supplementary information are an integral part of this statement.

Required Supplementary Information
County Service Area No. 40 - Fire Services
Reconciliation of the Combining Balance Sheet - All Funds
To the Statement of Net Position
Governmental Fund
June 30, 2016

	Fire Services	Sea Ranch Fire	Fitch Mountain Fire	Dry Creek Fire	Wilmar Fire	Mayacamas Fire	Total Governmental Funds
Reconciliation of Balance Sheet to Statement of Net Position							
Fund balance - total government funds	\$ 2,480,475	\$ -	\$ 61,430	\$ 189,953	\$ 326,550	\$ 55,449	\$ 3,113,857
Amount reported for governmental activities in the Statement of Net Position is different because:							
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	998,368	-	-	37,846	485,843	213,591	1,735,648
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.							
Compensated absences	(89,922)	-	-	-	-	-	(89,922)
Capital leases payable	(111,424)	-	-	-	(251,806)	(111,424)	(474,654)
Accrued interest payable	(1,449)	-	-	-	(386)	(1,449)	(3,284)
Net Position of governmental activities	\$ 3,276,048	\$ -	\$ 61,430	\$ 227,799	\$ 560,201	\$ 156,167	\$ 4,281,645

The notes to the required supplementary information are an integral part of this statement.

Required Supplementary Information
County Service Area No. 40 - Fire Services
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - All Funds
Governmental Fund
For the Fiscal Year Ended June 30, 2016

	Fire Services	Sea Ranch Fire	Fitch Mountain Fire	Dry Creek Fire	Wilmar Fire	Mayacamas Fire	Total Governmental Funds
Revenues							
Property taxes	\$ 3,030,677	\$ -	\$ -	\$ 110,236	\$ 115,407	\$ 22,157	\$ 3,278,477
Investment earnings	19,805	739	392	1,541	2,025	314	24,816
Intergovernmental revenue	287,973	61,298	-	-	-	-	349,271
Charges for services	1,200,368	113,591	-	-	-	-	1,313,959
Mitigation Funds	20,557	-	-	-	-	-	20,557
Miscellaneous	12,927	785	-	-	-	-	13,712
Total revenues	<u>4,572,307</u>	<u>176,413</u>	<u>392</u>	<u>111,777</u>	<u>117,432</u>	<u>22,471</u>	<u>5,000,792</u>
Expenditures							
Current:							
Salaries and employee benefits	2,134,960	-	-	-	-	-	2,134,960
Services and supplies	1,669,164	813,129	-	109,799	33,677	4,555	2,630,324
Debt service							
Principal	13,754	21,659	-	-	23,194	13,754	72,361
Interest	4,408	3,913	-	-	9,949	4,408	22,678
Capital outlay	34,741	-	-	-	-	-	34,741
Total expenditures	<u>3,857,027</u>	<u>838,701</u>	<u>-</u>	<u>109,799</u>	<u>66,820</u>	<u>22,717</u>	<u>4,895,064</u>
Excess (deficiency) of revenues over (under) expenditures	<u>715,280</u>	<u>(662,288)</u>	<u>392</u>	<u>1,978</u>	<u>50,612</u>	<u>(246)</u>	<u>105,728</u>
Other financing sources (uses)							
Operating transfers in	1,212,440	604,308	-	112,061	116,453	-	2,045,262
Operating transfers out	(1,816,748)	-	-	(112,061)	(116,453)	-	(2,045,262)
Total other financing sources (uses)	<u>(604,308)</u>	<u>604,308</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Special Item							
Residual Equity Transfer	-	(219,696)	-	-	-	-	(219,696)
Net change in fund balance	110,972	(277,676)	392	1,978	50,612	(246)	(113,968)
Fund balance, beginning of year	2,369,503	277,676	61,038	187,975	275,938	55,695	3,227,825
Fund balance, end of year	<u>\$ 2,480,475</u>	<u>\$ -</u>	<u>\$ 61,430</u>	<u>\$ 189,953</u>	<u>\$ 326,550</u>	<u>\$ 55,449</u>	<u>\$ 3,113,857</u>

The notes to the required supplementary information are an integral part of this statement.

Required Supplementary Information
County Service Area No. 40 - Fire Services
Combining Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of the Governmental Fund to the
Statement of Activities - All Funds
For the Fiscal Year Ended June 30, 2016

	Fire Services	Sea Ranch Fire	Fitch Mountain Fire	Dry Creek Fire	Wilmar Fire	Mayacamas Fire	Total Governmental Funds
Amounts reported for governmental activities in the statement of activities are different because:							
Net change in fund balance - total governmental fund	\$ 110,972	\$ (277,676)	\$ 392	\$ 1,978	\$ 50,612	\$ (246)	\$ (113,968)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.							
Expenditure for capital assets	34,741	-	-	-	-	-	34,741
Current year depreciation	(130,764)	(29,201)	-	(4,810)	(15,787)	(13,762)	(194,324)
Residual Equity Transfer	(18,100)	(234,173)	-	-	-	-	(252,273)
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Activities. While repayment of lease principal is an expenditure in the governmental funds, it reduces long-term liabilities in the Statement of Activities.							
Principal payments	13,754	- 21,659	-	-	23,194	13,754	72,361
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.							
Change in accrued interest payable	178	100	-	-	35	178	491
Change in compensated absences reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds.							
Change in net position of governmental activities	<u>23,418</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,418</u>
	<u>\$ 34,199</u>	<u>\$ (519,291)</u>	<u>\$ 392</u>	<u>\$ (2,832)</u>	<u>\$ 58,054</u>	<u>\$ (76)</u>	<u>\$ (429,554)</u>

The notes to the required supplementary information are an integral part of this statement.

Required Supplementary Information
Fire Services - County Service Area No. 40
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budgets and Actual
General Fund
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive
	Original	Final		(Negative)
Revenues				
Property taxes	\$ 3,195,667	\$ 3,195,667	\$ 3,030,677	\$ (164,990)
Investment earnings	13,000	13,000	19,805	6,805
Intergovernmental revenue	77,783	347,645	287,973	(59,672)
Charges for services	1,261,741	1,261,741	1,200,368	(61,373)
Mitigation Funds	-	-	20,557	20,557
Miscellaneous	405,750	405,750	12,927	(392,823)
Total revenues	<u>4,953,941</u>	<u>5,223,803</u>	<u>4,572,307</u>	<u>(651,496)</u>
Expenditures				
Current:				
Salaries and employee benefits	2,378,896	2,553,896	2,134,960	418,936
Services and supplies	2,796,784	3,585,846	1,669,865	1,915,981
Debt service:				
Principal	-	-	13,754	(13,754)
Interest	18,443	18,443	4,408	14,035
Capital outlay	-	75,000	109,741	(34,741)
Total expenditures	<u>5,194,123</u>	<u>6,233,185</u>	<u>3,932,728</u>	<u>2,300,457</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(240,182)</u>	<u>(1,009,382)</u>	<u>639,579</u>	<u>1,648,961</u>
Other financing sources (uses)				
Operating transfers in	690,422	1,379,185	1,212,440	(166,745)
Operating transfers out	(809,671)	(809,671)	(1,816,748)	(1,007,077)
Total other financing sources (uses)	<u>(119,249)</u>	<u>569,514</u>	<u>(604,308)</u>	<u>(1,173,822)</u>
Net change in fund balance, budgetary basis	<u>\$ (359,431)</u>	<u>\$ (439,868)</u>	<u>35,271</u>	<u>\$ 475,139</u>
Budgetary Adjustments:				
Basis adjustments:				
Encumbrances			<u>75,701</u>	
Net change in fund balance, GAAP Basis			<u>\$ 110,972</u>	

The notes to required supplementary information are an integral part of this schedule.

Required Supplementary Information
Sea Ranch - County Service Area No. 40
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budgets and Actual
General Fund
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Investment earnings	\$ 2,000	\$ 2,000	\$ 739	\$ (1,261)
Intergovernmental revenue	-	-	61,298	61,298
Charges for services	-	-	113,591	113,591
Miscellaneous	-	-	785	785
Total revenues	2,000	2,000	176,413	174,413
Expenditures				
Current:				
Services and supplies	813,168	813,168	813,129	39
Debt service:				
Principal	-	-	21,659	(21,659)
Interest	25,573	25,573	3,913	21,660
Total expenditures	838,741	838,741	838,701	40
Excess (deficiency) of revenues over (under) expenditures	(836,741)	(836,741)	(662,288)	174,453
Other financing sources (uses)				
Operating transfers in	778,760	778,760	604,308	(174,452)
Total other financing sources (uses)	778,760	778,760	604,308	(174,452)
Other financing sources (uses)				
Residual Equity Transfer	-	(219,966)	(219,696)	270
Net change in fund balance	\$ (57,981)	\$ (277,947)	\$ (277,676)	\$ 271

The notes to required supplementary information are an integral part of this schedule.

Required Supplementary Information
Fitch Mountain - County Service Area No. 40
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budgets and Actual
General Fund
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Investment earnings	\$ -	\$ -	\$ 392	\$ 392
Total revenues	-	-	392	392
Expenditures				
Current:				
Other charges	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	392	392
Net change in fund balance	\$ -	\$ -	\$ 392	\$ 392

The notes to required supplementary information are an integral part of this schedule.

Required Supplementary Information
Dry Creek - County Service Area No. 40
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budgets and Actual
General Fund
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 110,000	\$ 110,000	\$ 110,236	\$ 236
Investment earnings	1,000	1,000	1,541	541
Total revenues	111,000	111,000	111,777	777
Expenditures				
Current:				
Services and supplies	111,000	111,000	109,799	1,201
Total expenditures	111,000	111,000	109,799	1,201
Excess (deficiency) of revenues over (under) expenditures	-	-	1,978	1,978
Other financing sources (uses)				
Operating transfers in	110,100	112,061	112,061	-
Operating transfers out	(110,100)	(112,061)	(112,061)	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	\$ -	\$ -	\$ 1,978	\$ 1,978

The notes to required supplementary information are an integral part of this schedule.

Required Supplementary Information
Wilmar - County Service Area No. 40
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budgets and Actual
General Fund
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
Revenues	Original	Final	Amounts	
Property taxes	\$ 117,000	\$ 117,000	\$ 115,407	\$ (1,593)
Investment earnings	400	400	2,025	1,625
Total revenues	117,400	117,400	117,432	32
Expenditures				
Current:				
Services and supplies	65,064	65,064	33,677	31,387
Debt service:				
Principal	-	-	23,194	(23,194)
Interest	34,000	34,000	9,949	24,051
Capital outlay	17,000	173,204	156,204	17,000
Total expenditures	116,064	272,268	223,024	49,244
Excess (deficiency) of revenues over (under) expenditures	1,336	(154,868)	(105,592)	49,276
Other financing sources (uses)				
Operating transfers in	115,764	116,454	116,453	(1)
Operating transfers out	(115,764)	(116,454)	(116,453)	1
Total other financing sources (uses)	-	-	-	-
Net change in fund balance budgetary basis	\$ 1,336	\$ (154,868)	\$ (105,592)	\$ 49,276
Budgetary Adjustments:				
Basis adjustments:				
Encumbrances			156,204	
Net change in fund balance, GAAP Basis			\$ 50,612	

The notes to required supplementary information are an integral part of this schedule.

Required Supplementary Information
Mayacamas - County Service Area No. 40
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budgets and Actual
General Fund
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 22,600	\$ 22,600	\$ 22,157	\$ (443)
Investment earnings	300	300	314	14
Total revenues	22,900	22,900	22,471	(429)
Expenditures				
Current:				
Services and supplies	8,989	8,989	4,555	4,434
Debt service:				
Principal	4,382	4,382	13,754	(9,372)
Interest	13,782	13,782	4,408	9,374
Total expenditures	27,153	27,153	22,717	4,436
Excess (deficiency) of revenues over (under) expenditures	(4,253)	(4,253)	(246)	4,007
Net change in fund balance	\$ (4,253)	\$ (4,253)	\$ (246)	\$ 4,007

The notes to required supplementary information are an integral part of this schedule.

Required Supplementary Information
Fire Services - County Service Area No. 40
Summary of Changes in Capital Assets
For the Fiscal Year Ended June 30, 2016

	<u>Balance</u> <u>Beginning</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers &</u> <u>Adjustments</u>	<u>Ending</u> <u>Balance</u>
Capital assets not being depreciated:					
Land	\$ 80,000	\$ -	\$ -	\$ -	\$ 80,000
Construction in progress	-	-	-	-	-
Total capital assets, not being depreciated	<u>80,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,000</u>
Capital assets, being depreciated:					
Building and improvements	28,932	-	-	-	28,932
Equipment	1,897,584	34,741	(195,205)	28,500	1,765,620
Total capital assets being depreciated	<u>1,926,516</u>	<u>34,741</u>	<u>(195,205)</u>	<u>28,500</u>	<u>1,794,552</u>
Less accumulated depreciation for					
Buildings and improvements	(7,493)	(2,019)	-	-	(9,512)
Equipment	(886,532)	(128,745)	177,105	(28,500)	(866,672)
Total accumulated depreciation	<u>(894,025)</u>	<u>(130,764)</u>	<u>177,105</u>	<u>(28,500)</u>	<u>(876,184)</u>
Total capital assets, being depreciated, net	<u>1,032,491</u>	<u>(96,023)</u>	<u>(18,100)</u>	<u>-</u>	<u>918,368</u>
Capital assets, net	<u>\$ 1,112,491</u>	<u>\$ (96,023)</u>	<u>\$ (18,100)</u>	<u>\$ -</u>	<u>\$ 998,368</u>

The notes to required supplementary information are an integral part of this schedule.

Required Supplementary Information
Sea Ranch - County Service Area No. 40
Summary of Changes in Capital Assets
For the Fiscal Year Ended June 30, 2016

	Balance Beginning of Year	Additions	Retirements	Transfers & Adjustments	Ending Balance
Capital assets, being depreciated:					
Equipment	\$ 990,754	\$ -	\$ (990,754)	\$ -	\$ -
Less accumulated depreciation for					
Equipment	(680,074)	(29,201)	709,275	-	-
Capital assets, net	<u>\$ 310,680</u>	<u>\$ (29,201)</u>	<u>\$ (281,479)</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the required supplementary information are an integral part of this schedule.

**Required Supplementary Information
 Dry Creek - County Service Area No. 40
 Summary of Changes in Capital Assets
 For the Fiscal Year Ended June 30, 2016**

	Balance Beginning of Year	Additions	Retirements	Transfers & Adjustments	Ending Balance
Capital assets, being depreciated:					
Equipment	\$ 83,223	\$ -	\$ -	\$ -	\$ 83,223
Less accumulated depreciation for					
Equipment	(40,567)	(4,810)	-	-	(45,377)
Capital assets, net	<u>\$ 42,656</u>	<u>\$ (4,810)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,846</u>

The notes to the required supplementary information are an integral part of this schedule.

**Required Supplementary Information
Wilmar - County Service Area No. 40
Summary of Changes in Capital Assets
For the Fiscal Year Ended June 30, 2016**

	Balance Beginning of Year	Additions	Retirements	Transfers & Adjustments	Ending Balance
Capital assets not being depreciated:					
Construction in progress	275,000	-	-	-	275,000
Capital assets, being depreciated:					
Equipment	\$ 394,690	\$ -	\$ -	\$ -	\$ 394,690
Less accumulated depreciation for					
Equipment	(168,060)	(15,787)	-	-	(183,847)
Total capital assets, being					
depreciated, net	\$ 226,630	\$ (15,787)	\$ -	\$ -	\$ 210,843
Capital assets, net	<u>\$ 501,630</u>	<u>\$ (15,787)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 485,843</u>

The notes to the required supplementary information are an integral part of this schedule.

**Required Supplementary Information
 Mayacamas - County Service Area No. 40
 Summary of Changes in Capital Assets
 For the Fiscal Year Ended June 30, 2016**

	Balance Beginning of Year	Additions	Retirements	Transfers & Adjustments	Ending Balance
Capital assets, being depreciated:					
Equipment	\$ 294,994	\$ -	\$ -	\$ -	\$ 294,994
Less accumulated depreciation for					
Equipment	(67,641)	(13,762)	-	-	(81,403)
Capital assets, net	<u>\$ 227,353</u>	<u>\$ (13,762)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 213,591</u>

The notes to the required supplementary information are an integral part of this schedule.

County Service Area No. 40 – Fire Services
Notes to Required Supplementary Information
June 30, 2016

I. Stewardship, Compliance, and Accountability

A. Budgetary Information

Budgetary revenue estimates represent original estimates modified for any authorized adjustment which was contingent upon new or additional revenue sources. Budgetary expenditure amounts represent original appropriations adjusted by budget transfers and authorized appropriation adjustments made during the various years. All budgets are adopted on a non-GAAP basis. CSA No. 40's budgetary information was amended during each of the years by resolution of the Board of Directors.

B. Encumbrances

CSA No. 40 has unexpended encumbrances of \$231,905 for the fiscal year ending June 30, 2016. These encumbrances represent commitments made by CSA No. 40 for services related to public safety.

**County Service Area No. 40 – Fire Services
Roster of Board Members**

As of June 30, 2017 CSA No. 40 Board consisted of the following members:

<u>Directors</u>	<u>Office</u>	<u>Term Expires</u>
Susan Gorin.....		January 2021
David Rabbitt.....		January 2019
Shirlee Zane.....	Chair.....	January 2021
James Gore	Vice Chair	January 2019
Lynda Hopkins.....		January 2021