

County Service Area No. 40 – Fire Services Annual Report

For the Fiscal Year Ended
June 30, 2015

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County Service Area No. 40 – Fire Services

Annual Report

For the Fiscal Year Ended June 30, 2015

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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, 2015, 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 Accounts 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 page 1 of this report, and required supplementary information, beginning on page 23 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, 2016

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, 2015. 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 \$4,711,199 (net position). Of this amount, \$3,110,490 (unrestricted net position) may be used to meet CSA No. 40's ongoing operations.
- CSA No. 40's total net position increased by \$180,768.
- As of the close of the 2015 fiscal year, CSA No. 40 reported an ending fund balance of \$3,227,825, an increase of \$216,109, in comparison with the prior year. Approximately 87.6% 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 \$2,827,456 or 55.8% of the total general fund expenditures of \$5,063,619.
- CSA No. 40's long-term debt increased by \$209,575 during the current fiscal year due primarily to a new capital lease for the purchase of 2015 Spartan ER Type I Fire Engine.

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 2015 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 \$4,711,199 at the close of the 2015 fiscal year.

A large portion of CSA No. 40's net position \$1,600,709 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.

Net Position June 30, 2015				
	2015	2014	Increase (Decrease)	Percentage Change
Current and other assets	\$ 3,736,955	\$ 3,490,952	\$ 246,003	7.0%
Capital assets	<u>2,194,810</u>	<u>2,020,596</u>	<u>174,214</u>	<u>8.6%</u>
Total assets	<u>5,931,765</u>	<u>5,511,548</u>	<u>420,217</u>	<u>7.6%</u>
Current liabilities	585,486	530,283	55,203	10.4%
Non-current liabilities	<u>635,080</u>	<u>450,834</u>	<u>184,246</u>	<u>40.9%</u>
Total liabilities	<u>1,220,566</u>	<u>981,117</u>	<u>239,449</u>	<u>24.4%</u>
Net position:				
Net investment in capital assets	1,600,709	1,654,463	(53,754)	-3.2%
Unrestricted	<u>3,110,490</u>	<u>2,875,968</u>	<u>234,522</u>	<u>8.2%</u>
Total net position	<u>\$ 4,711,199</u>	<u>\$ 4,530,431</u>	<u>\$ 180,768</u>	<u>4.0%</u>

The balance of unrestricted net position \$3,110,490 may be used to meet CSA No. 40's ongoing obligations to citizens and vendors.

At the end of the 2015 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 increased CSA No. 40's net position by \$180,768.

**Changes in Net Position
For the Fiscal Year Ended June 30, 2015**

	2015	2014	Increase (Decrease)	Percentage Change
Revenues:				
Program Revenues:				
Public safety - fire protection	\$ 1,231,623	\$ 1,120,934	\$ 110,689	9.9%
Operating Grants and Contributions	136,889	171,416	(34,527)	-20.1%
Capital Grants and Contributions	166,250	45,000	121,250	269.4%
General Revenues:				
Property taxes	3,419,872	3,284,484	135,388	4.1%
Investment income and other	26,391	19,152	7,239	37.8%
Miscellaneous	8,758	5,420	3,338	61.6%
Operating transfers	-	81,502	(81,502)	-100.0%
Gain on sale of capital assets	14,945	4,457	10,488	235.3%
Total revenues	<u>5,004,728</u>	<u>4,732,365</u>	<u>272,363</u>	<u>5.8%</u>
Expenses:				
Program Expenses:				
Public safety - fire protection	4,610,600	4,591,087	19,513	0.4%
General Expenses:				
Debt service - interest and other	<u>213,360</u>	<u>178,008</u>	<u>35,352</u>	<u>19.9%</u>
Total expenses	<u>4,823,960</u>	<u>4,769,095</u>	<u>54,865</u>	<u>1.2%</u>
Change in net position	180,768	(36,730)	217,498	592.2%
Net position, beginning of the year	<u>4,530,431</u>	<u>4,567,161</u>	<u>(36,730)</u>	<u>-0.8%</u>
Net position, end of the year	<u>\$ 4,711,199</u>	<u>\$ 4,530,431</u>	<u>\$ 180,768</u>	<u>4.0%</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 2015 fiscal year, CSA No. 40's governmental fund reported ending fund balance of \$3,227,825, an increase of \$216,109 in comparison with the prior year. Approximately 87.6% 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 55.8% 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, 2015, amount to \$2,194,810 (net of accumulated depreciation). The capital assets include land, buildings and improvements, and equipment. The total increase in CSA No. 40's capital assets for the current fiscal year was \$174,214.

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

• Depreciation of the capital assets	(\$198,514)
Capital asset acquisitions:	
• 2015 Ford-F250	\$ 31,548
• Bandit Model 990XP Drum Chipper	34,702
• 2014 Ford Explorer	31,478
• 2015 Spartan ER Type I Engine Fire Truck	275,000
Total net of depreciation expense	\$ 174,214
Capital asset dispositions:	
• 2006 Ford Expedition	\$ 27,516
• 2008 Ford F-250 Pickup	25,797
Total dispositions	\$ 53,313

At the end of 2015 year CSA No. 40 entered into a capital lease with Leasource Financial Services, Inc. for the purchase of 2015 Spartan ER Type I Fire Engine, which was classified as construction in progress on the schedule of capital assets. 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 \$707,441. This amount is comprised of \$113,340 of compensated absences and \$594,101 of notes payable. During the current fiscal year, CSA No. 40's long-term debt increased by \$209,575.

Economic Factors and Next Year's Budgets and Rates

Over the next year CSA No. 40 is expecting:

- Approximately a 3% increase in property tax revenue compared to fiscal year 2014/2015.
- Stabilization of fire prevention fees based on development

Both of these factors were considered in preparing CSA No. 40's budget for the fiscal year ending June 30, 2016.

Request for Additional Information

This financial report is designed to provide a general overview of 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, 2015

Assets

Cash and investments	\$	3,520,299
Accounts receivable		44,588
Flat charges receivable		8,340
Reserved cash - Vehicle Replacement		163,728
Capital assets		
Land		80,000
Construction in progress		275,000
Buildings and improvements (net of accumulated depreciation)		21,439
Equipment (net of accumulated depreciation)		1,818,371
		5,931,765
Total assets		5,931,765

Liabilities

Accounts payable		109,705
Due to other governments		831
Capital leases payable - Due within one year		72,361
Interest payable		3,995
Unearned revenue		398,594
Non-current liabilities:		
Compensated absences		113,340
Capital leases payable - Due in more than one year		521,740
		1,220,566
Total liabilities		1,220,566

Net Position

Net investment in capital assets		1,600,709
Unrestricted		3,110,490
		4,711,199
Total net position	\$	4,711,199

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, 2015

Program Expenses

Public safety - fire prevention	
Salaries and employee benefits	\$ 2,140,672
Services and supplies	2,469,928
Depreciation	198,514
Debt service - interest	14,846
Total program expenses	4,823,960

Program Revenues

Charges for services	
Intergovernmental revenue	180,292
Charges for services	1,031,331
Mitigation Funds	20,000
Total charges for services	1,231,623
Operating Grants and Contributions	136,889
Capital Grants and Contributions	166,250
Total program revenues	1,534,762
Net program revenues (expenses)	(3,289,198)

General Revenues

Property taxes	3,419,872
Investment earnings	26,391
Miscellaneous	8,758
Gain on sale of capital assets	14,945
Total general revenues	3,469,966

Change in net position	180,768
Net position, beginning balance	4,530,431
Net position, end of year	\$ 4,711,199

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, 2015

Assets

Cash and investments	\$ 3,520,299
Accounts receivable	44,588
Flat charges receivable	8,340
Reserved cash - Vehicle replacement	163,728
Total assets	\$ 3,736,955

Liabilities and Fund Balance

Liabilities:	
Accounts payable	\$ 109,705
Due to other governments	831
Unearned revenue	398,594
Total liabilities	509,130

Fund balance:

Assigned for encumbrances	236,641
Assigned for vehicle replacement	163,728
Unassigned	2,827,456
Total fund balance	3,227,825
Total liabilities and fund balance	\$ 3,736,955

Reconciliation of Balance Sheet to Statement of Net Position

Fund balance - total government funds	\$ 3,227,825
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	2,194,810
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Compensated absences	(113,340)
Capital leases payable	(594,101)
Accrued interest payable	(3,995)
Net position of governmental activities	\$ 4,711,199

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, 2015

Revenues

Property taxes	\$ 3,419,872
Investment earnings	26,391
Intergovernmental revenue	483,431
Charges for services	1,031,331
Mitigation Funds	20,000
Miscellaneous	8,758
Total revenues	4,989,783

Expenditures

Current:	
Salaries and employee benefits	2,159,065
Services and supplies	2,469,928
Debt service	
Principal	47,032
Interest	14,866
Capital outlay	372,728
Total expenditures	5,063,619

Excess (deficiency) of revenues over (under) expenditures	(73,836)
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Other financing sources (uses)

Proceeds from sale of capital assets	14,945
Capital lease proceeds	275,000
Operating transfers in	649,111
Operating transfers out	(649,111)
Total other financing sources (uses)	289,945

Net change in fund balance	216,109
Fund balance, beginning of year	3,011,716
Fund balance, end of year	\$ 3,227,825

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, 2015**

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

Net change in fund balance - total governmental fund	\$	216,109
<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		372,728
Current year depreciation		(198,514)
<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>		
Capital lease proceeds		(275,000)
Principal payments		47,032
<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		20
<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>		
		18,393
Change in net position of governmental activities	\$	180,768

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

Required Supplementary Information
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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 3,201,083	\$ 3,371,123	\$ 3,419,872	\$ 48,749
Investment earnings	26,300	26,300	26,391	91
Intergovernmental revenue	380,011	580,011	483,431	(96,580)
Charges for services	1,100,662	1,131,438	1,031,331	(100,107)
Fines and penalties	-	-	20,000	20,000
Miscellaneous	369,987	369,987	8,758	(361,229)
Total revenues	<u>5,078,043</u>	<u>5,478,859</u>	<u>4,989,783</u>	<u>(489,076)</u>
Expenditures				
Current:				
Salaries and employee benefits	2,419,612	2,502,699	2,159,065	343,634
Services and supplies	2,884,342	3,561,471	2,475,365	1,086,106
Debt service:				
Principal	36,886	18,443	47,032	(28,589)
Interest	39,173	44,016	14,866	29,150
Capital outlay	0	705,000	603,932	101,068
Total expenditures	<u>5,380,013</u>	<u>6,831,629</u>	<u>5,300,260</u>	<u>1,531,369</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(301,970)</u>	<u>(1,352,770)</u>	<u>(310,477)</u>	<u>1,042,293</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	14,945	14,945
Capital lease proceeds		275,000	275,000	0
Operating transfers in	1,102,317	1,797,202	1,653,145	(144,057)
Operating transfers out	(1,076,791)	(1,106,627)	(1,653,145)	(546,518)
Total other financing sources (uses)	<u>25,526</u>	<u>965,575</u>	<u>289,945</u>	<u>(675,630)</u>
Net change in fund balance, budgetary basis	<u>\$ (276,444)</u>	<u>\$ (387,195)</u>	<u>(20,532)</u>	<u>\$ 366,663</u>
Budgetary Adjustments:				
Basis adjustments:				
Encumbrances			<u>236,641</u>	
Net change in fund balance, GAAP Basis			<u>\$ 216,109</u>	

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

Notes to the Basic Financial Statements

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. 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 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

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 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 \$246,189 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 Mayacama 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

Restricted 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.

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 asset 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.

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, if any* – 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 Equity

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.
- 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, 2015 is as follows:

Cash in County Treasury	\$ 3,520,299
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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 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 53601, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity.

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

Interest Rate Risk

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

As of June 30, 2015, approximately 38 percent of the securities in the Treasury Pool had maturities of one year or less. Of the remainder, only 3 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 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 represents 5% or more of total County investments, refer to the 2015 Sonoma County Comprehensive Annual Financial Report.

B. Capital assets

Capital asset activity for the year ending June 30, 2015 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>80,000</u>	<u>275,000</u>	<u>-</u>	<u>-</u>	<u>355,000</u>
Capital assets, being depreciated:					
Buildings and improvements	28,932	-	-	-	28,932
Equipment	3,616,830	97,728	(53,313)	-	3,661,245
Total capital assets, being depreciated:	<u>3,645,762</u>	<u>97,728</u>	<u>(53,313)</u>	<u>-</u>	<u>3,690,177</u>
Less accumulated depreciation for					
Buildings and improvements	(5,474)	(2,019)	-	-	(7,493)
Equipment	(1,699,692)	(196,495)	53,313	-	(1,842,874)
Total accumulated depreciation	<u>(1,705,166)</u>	<u>(198,514)</u>	<u>53,313</u>	<u>-</u>	<u>(1,850,367)</u>
Total capital assets, being depreciated, net	<u>1,940,596</u>	<u>(100,786)</u>	<u>-</u>	<u>-</u>	<u>1,839,810</u>
Capital assets, net	<u>\$ 2,020,596</u>	<u>\$ 174,214</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,194,810</u>

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

Governmental activities:

 Public safety - fire services \$ 198,514

C. Long-Term Debt

Changes in long-term debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-term liabilities:					
Compensated absences	\$ 131,733	\$ -	\$ (18,393)	\$ 113,340	\$ -
Capital leases	366,133	275,000	(47,032)	594,101	72,361
Total long-term liabilities	<u>\$ 497,866</u>	<u>\$ 275,000</u>	<u>\$ (65,425)</u>	<u>\$ 707,441</u>	<u>\$ 72,361</u>

D. Capital Leases Payable

Type of Indebtedness (Purpose)	Maturity	Interest Rate	Annual Principal Installments	Original Issue Amount	Outstanding as of June 30, 2015
2009 Pierce Navistar	6/1/2018	5.58%	\$15,537 - \$24,643	\$200,000	68,745
2014 Rescue Combo Fire Truck	2/20/2023	3.62%	\$6,344 - \$8,920	\$151,250	125,178
2013 Quick Attack Fire Truck	2/20/2023	3.62%	\$6,344 - \$8,920	\$151,250	125,178
2015 Spartan Fire Engine	6/15/2025	3.69%	\$11,491 - \$16,271	\$275,000	275,000
Total				\$	<u>594,101</u>

The annual debt service requirements on the outstanding loans are as follows:

Year Ending June 30	Principal	Interest
2016	72,361	22,678
2017	75,464	19,577
2018	78,706	16,334
2019	56,521	12,946
2020	58,606	10,863
2021-2025	252,443	22,247
Total	<u>\$ 594,101</u>	<u>\$ 104,645</u>

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, 2015 a transfer of \$782,517 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, 2015 Fire Services received a transfer of \$649,111 from the Graton Casino Mitigation Fund and the funds were transferred to Rancho Adobe and Central Fire Authority.

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's 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 Comprehensive Annual Financial Report for additional information.

C. 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:

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. The objective of this provision is to address accounting and financial reporting issues related to fair value measurements. The provisions of this statement are effective for the fiscal year ending June 30, 2016. Management has not determined the effect of this statement.

In June 2015, the GASB issued 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 information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The provisions of this statement should be applied simultaneously with the provisions of Statement No. 68. The provisions of this statement are effective for the County's fiscal year ending June 30, 2017 – except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 30, 2017. Management has not determined the effect of this statement.

In June 2015, the GASB issued 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. Management has not determined the effect of this statement.

In June 2015, the GASB issued 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. Management has not determined the effect of this statement.

In June 2015, the GASB issued Statement No. 76, *The 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). The provisions of this statement are effective for the County's fiscal year ending June 30, 2016. Management has not determined the effect of this statement.

In August 2015, the GASB issued 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. Management has not determined the effect of this statement.

In December 2015, the GASB issued 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 fiscal year ending June 30, 2016. Management has not determined the effect of this statement.

In December 2015, the GASB issued 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. The provisions of this statement are effective for the fiscal year ending June 30, 2016. Management has not determined the effect of this statement.

D. Subsequent Events

On December 9, 2015, the Sonoma County Local Area Formation Commission (LAFCO) approved the formation of the North Sonoma Coast Fire Protection District (NSCFPD) with an effective date of April 1, 2016. CSA No. 40 will continue fire and emergency services in the area that will become the NSCFPD through June 30, 2016. NSCFPD will pay \$55,000 for the continuation of these services for the period of April 1, 2016 through June 30, 2016. This agreement may be extended for an additional period of 90 days. This will allow the NSCFPD time to put in place needed services currently provided by CSA No. 40. The NSCFPD's formation did not occur in time for the California Board of Equalization to authorize funds to be transferred directly to NSCFPD during fiscal year 2016-2017. CSA No. 40 will continue to receive these funds and pass them through to the NSCFPD. Uncommitted fund balance in the CSA No. 40-Sea Ranch fund will be transferred to the NSCFPD when it forms. Following the end of fiscal year 2015-2016, any additional funds that would previously have transferred to CSA No. 40-Sea Ranch will transfer to NSCFPD. The Tax Share Agreement approved on December 8, 2015 included a provision that, following the formation of the NSCFPD, a separate agreement would be made for the transfer or continued use of the Annapolis Fire Station by NSCFPD.

Required Supplementary Information
County Service Area No. 40 - Fire Services
Combining Balance Sheet - All Funds
Governmental Fund
June 30, 2015

	Fire Services	Sea Ranch Fire	Fitch Mountain Fire	Dry Creek Fire	Wilmar Fire	Mayacamas Fire	Total Governmental Funds
Assets							
Cash and investments	\$ 2,650,533	\$ 296,380	\$ 61,038	\$ 184,385	\$ 273,291	\$ 54,672	\$ 3,520,299
Accounts receivable	44,588	-	-	-	-	-	44,588
Flat charges receivable	-	-	-	3,590	3,516	1,234	8,340
Restricted cash - Vehicle replacement	163,728	-	-	-	-	-	163,728
Total assets	<u>\$ 2,858,849</u>	<u>\$ 296,380</u>	<u>\$ 61,038</u>	<u>\$ 187,975</u>	<u>\$ 276,807</u>	<u>\$ 55,906</u>	<u>\$ 3,736,955</u>
Liabilities and Fund Balance							
Liabilities:							
Accounts payable	\$ 89,921	\$ 18,704	\$ -	\$ -	\$ 869	\$ 211	\$ 109,705
Due to other governments	831	-	-	-	-	-	831
Unearned revenue	398,594	-	-	-	-	-	398,594
Total liabilities	<u>489,346</u>	<u>18,704</u>	<u>-</u>	<u>-</u>	<u>869</u>	<u>211</u>	<u>509,130</u>
Fund balance:							
Assigned for encumbrances	80,437	-	-	-	156,204	-	236,641
Assigned for vehicle replacement	163,728	-	-	-	-	-	163,728
Unassigned:	2,125,338	277,676	61,038	187,975	119,734	55,695	2,827,456
Total fund balances	<u>2,369,503</u>	<u>277,676</u>	<u>61,038</u>	<u>187,975</u>	<u>275,938</u>	<u>55,695</u>	<u>3,227,825</u>
Total liabilities and fund balance	<u>\$ 2,858,849</u>	<u>\$ 296,380</u>	<u>\$ 61,038</u>	<u>\$ 187,975</u>	<u>\$ 276,807</u>	<u>\$ 55,906</u>	<u>\$ 3,736,955</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
Reconciliation of the Combining Balance Sheet - All Funds
To the Statement of Net Position
Governmental Fund
June 30, 2015

	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	\$ 2,369,503	\$ 277,676	\$ 61,038	\$ 187,975	\$ 275,938	\$ 55,695	\$ 3,227,825
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.	1,112,491	310,680	-	42,656	501,630	227,353	2,194,810
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.							
Compensated absences	(113,340)	-	-	-	-	-	(113,340)
Capital leases payable	(125,178)	(68,745)	-	-	(275,000)	(125,178)	(594,101)
Accrued interest payable	(1,627)	(320)	-	-	(421)	(1,627)	(3,995)
Net Position of governmental activities	<u>\$ 3,241,849</u>	<u>\$ 519,291</u>	<u>\$ 61,038</u>	<u>\$ 230,631</u>	<u>\$ 502,147</u>	<u>\$ 156,243</u>	<u>\$ 4,711,199</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 Statement of Revenues, Expenditures and
Changes in Fund Balance - All Funds
Governmental Fund
For the Fiscal Year Ended June 30, 2015

	Fire Services	Sea Ranch Fire	Fitch Mountain Fire	Dry Creek Fire	Wilmar Fire	Mayacamas Fire	Total Governmental Funds
Revenues							
Property taxes	\$ 3,173,684	\$ -	\$ -	\$ 108,274	\$ 115,411	\$ 22,503	\$ 3,419,872
Investment earnings	22,797	(554)	520	1,502	1,696	430	26,391
Intergovernmental revenue	383,431	-	-	-	100,000	-	483,431
Charges for services	1,031,331	-	-	-	-	-	1,031,331
Mitigation Funds	20,000	-	-	-	-	-	20,000
Miscellaneous	8,743	15	-	-	-	-	8,758
Total revenues	<u>4,639,986</u>	<u>(539)</u>	<u>520</u>	<u>109,776</u>	<u>217,107</u>	<u>22,933</u>	<u>4,989,783</u>
Expenditures							
Current:							
Salaries and employee benefits	2,159,065	-	-	-	-	-	2,159,065
Services and supplies	1,536,115	767,334	-	98,591	62,975	4,913	2,469,928
Debt service							
Principal	13,270	20,492	-	-	-	13,270	47,032
Interest	4,893	5,080	-	-	-	4,893	14,866
Capital outlay	97,728	-	-	-	275,000	-	372,728
Total expenditures	<u>3,811,071</u>	<u>792,906</u>	<u>-</u>	<u>98,591</u>	<u>337,975</u>	<u>23,076</u>	<u>5,063,619</u>
Excess (deficiency) of revenues over (under) expenditures	<u>828,915</u>	<u>(793,445)</u>	<u>520</u>	<u>11,185</u>	<u>(120,868)</u>	<u>(143)</u>	<u>(73,836)</u>
Other financing sources (uses)							
Proceeds from sale of capital assets	14,945	-	-	-	-	-	14,945
Capital lease proceeds					275,000		275,000
Operating transfers in	649,111	782,517	-	107,852	113,665	-	1,653,145
Operating transfers out	(1,431,628)	-	-	(107,852)	(113,665)	-	(1,653,145)
Total other financing sources (uses)	<u>(767,572)</u>	<u>782,517</u>	<u>-</u>	<u>-</u>	<u>275,000</u>	<u>-</u>	<u>289,945</u>
Net change in fund balance	61,343	(10,928)	520	11,185	154,132	(143)	216,109
Fund balance, beginning of year	2,308,160	288,604	60,518	176,790	121,806	55,838	3,011,716
Fund balance, end of year	<u>\$ 2,369,503</u>	<u>\$ 277,676</u>	<u>\$ 61,038</u>	<u>\$ 187,975</u>	<u>\$ 275,938</u>	<u>\$ 55,695</u>	<u>\$ 3,227,825</u>

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, 2015

	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	\$ 61,343	\$ (10,928)	\$ 520	\$ 11,185	\$ 154,132	\$ (143)	\$ 216,109
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	97,728	-	-	-	275,000	-	372,728
Current year depreciation	(134,954)	(29,201)	-	(4,810)	(15,787)	(13,762)	(198,514)
Revenues on the Statement of Activities which do not provide current financial resources are not reported as revenues in governmental funds.							
Contribution from other government	-	-	-	-	-	-	-
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.							
Capital lease proceeds					(275,000)		(275,000)
Principal payments	13,270	20,492	-	-	-	13,270	47,032
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	173	95	-	-	(421)	173	20
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	18,393	-	-	-	-	-	18,393
	<u>\$ 55,953</u>	<u>\$ (19,542)</u>	<u>\$ 520</u>	<u>\$ 6,375</u>	<u>\$ 137,924</u>	<u>\$ (462)</u>	<u>\$ 180,768</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 2,955,483	\$ 3,125,523	\$ 3,173,684	\$ 48,161
Investment earnings	21,000	21,000	22,797	1,797
Intergovernmental revenue	380,011	480,011	383,431	(96,580)
Charges for services	1,095,662	1,126,438	1,031,331	(95,107)
Fines and penalties	-	-	20,000	20,000
Miscellaneous	369,987	369,987	8,743	(361,244)
Total revenues	<u>4,822,143</u>	<u>5,122,959</u>	<u>4,639,986</u>	<u>(482,973)</u>
Expenditures				
Current:				
Salaries and employee benefits	2,419,612	2,502,699	2,159,065	343,634
Services and supplies	1,853,744	2,542,273	1,541,552	1,000,721
Debt service:				
Principal	18,443	-	13,270	(13,270)
Interest	-	18,443	4,893	13,550
Capital outlay	-	255,000	172,728	82,272
Total expenditures	<u>4,291,799</u>	<u>5,318,415</u>	<u>3,891,508</u>	<u>1,426,907</u>
Excess (deficiency) of revenues over (under) expenditures	<u>530,344</u>	<u>(195,456)</u>	<u>748,478</u>	<u>943,934</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	14,945	14,945
Operating transfers in	141,602	810,712	649,111	(161,601)
Operating transfers out	(853,791)	(883,627)	(1,431,628)	(548,001)
Total other financing sources (uses)	<u>(712,189)</u>	<u>(72,915)</u>	<u>(767,572)</u>	<u>(694,657)</u>
Net change in fund balance, budgetary basis	<u>\$ (181,845)</u>	<u>\$ (268,371)</u>	<u>(19,094)</u>	<u>\$ 249,277</u>
Budgetary Adjustments:				
Basis adjustments:				
Encumbrances			<u>80,437</u>	
Net change in fund balance, GAAP Basis			<u>\$ 61,343</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Investment earnings	\$ 3,500	\$ 3,500	\$ (554)	\$ (4,054)
Miscellaneous	-	-	15	15
Total revenues	<u>3,500</u>	<u>3,500</u>	<u>(539)</u>	<u>(4,039)</u>
Expenditures				
Current:				
Services and supplies	808,519	808,519	767,334	41,185
Debt service:				
Principal	-	-	20,492	(20,492)
Interest	25,573	25,573	5,080	20,493
Total expenditures	<u>834,092</u>	<u>834,092</u>	<u>792,906</u>	<u>41,186</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(830,592)</u>	<u>(830,592)</u>	<u>(793,445)</u>	<u>37,147</u>
Other financing sources (uses)				
Operating transfers in	<u>737,715</u>	<u>763,490</u>	<u>782,517</u>	<u>19,027</u>
Total other financing sources (uses)	<u>737,715</u>	<u>763,490</u>	<u>782,517</u>	<u>19,027</u>
Net change in fund balance	<u>\$ (92,877)</u>	<u>\$ (67,102)</u>	<u>\$ (10,928)</u>	<u>\$ 56,174</u>

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Investment earnings	\$ -	\$ -	\$ 520	\$ 520
Total revenues	-	-	520	520
Expenditures				
Current:				
Other charges	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	520	520
Net change in fund balance	\$ -	\$ -	\$ 520	\$ 520

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 108,000	\$ 108,000	\$ 108,274	\$ 274
Investment earnings	1,000	1,000	1,502	502
Charges for services	5,000	5,000	-	(5,000)
Total revenues	<u>114,000</u>	<u>114,000</u>	<u>109,776</u>	<u>(4,224)</u>
Expenditures				
Current:				
Services and supplies	114,081	114,081	98,591	15,490
Total expenditures	<u>114,081</u>	<u>114,081</u>	<u>98,591</u>	<u>15,490</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(81)</u>	<u>(81)</u>	<u>11,185</u>	<u>11,266</u>
Other financing sources (uses)				
Operating transfers in	108,000	108,000	107,852	(148)
Operating transfers out	<u>(108,000)</u>	<u>(108,000)</u>	<u>(107,852)</u>	<u>148</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ (81)</u>	<u>\$ (81)</u>	<u>\$ 11,185</u>	<u>\$ 11,266</u>

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 115,000	\$ 115,000	\$ 115,411	\$ 411
Investment earnings	500	500	1,696	1,196
Intergovernmental revenue	-	100,000	100,000	-
Total revenues	115,500	215,500	217,107	1,607
Expenditures				
Current:				
Services and supplies	103,005	91,605	62,975	28,630
Debt service:				
Principal	-	-	-	-
Interest	13,600	-	-	-
Capital outlay	-	450,000	431,204	18,796
Total expenditures	116,605	541,605	494,179	47,426
Excess (deficiency) of revenues over (under) expenditures	(1,105)	(326,105)	(277,072)	49,033
Other financing sources (uses)				
Capital lease proceeds	-	275,000	275,000	0
Operating transfers in	115,000	115,000	113,665	(1,335)
Operating transfers out	(115,000)	(115,000)	(113,665)	1,335
Total other financing sources (uses)	-	275,000	275,000	-
Net change in fund balance budgetary basis	\$ (1,105)	\$ (51,105)	\$ (2,072)	\$ 49,033
Budgetary Adjustments:				
Basis adjustments:				
Encumbrances			156,204	
Net change in fund balance, GAAP Basis			\$ 154,132	

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 22,600	\$ 22,600	\$ 22,503	\$ (97)
Investment earnings	300	300	430	130
Total revenues	<u>22,900</u>	<u>22,900</u>	<u>22,933</u>	<u>33</u>
Expenditures				
Current:				
Services and supplies	4,993	4,993	4,913	80
Debt service:				
Principal	18,443	18,443	13,270	5,173
Interest	-	-	4,893	(4,893)
Total expenditures	<u>23,436</u>	<u>23,436</u>	<u>23,076</u>	<u>360</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(536)</u>	<u>(536)</u>	<u>(143)</u>	<u>393</u>
Net change in fund balance	<u>\$ (536)</u>	<u>\$ (536)</u>	<u>\$ (143)</u>	<u>\$ 393</u>

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, 2015

	<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	1,853,169	97,728	(53,313)	-	1,897,584
Total capital assets being depreciated	<u>1,882,101</u>	<u>97,728</u>	<u>(53,313)</u>	<u>-</u>	<u>1,926,516</u>
Less accumulated depreciation for					
Buildings and improvements	(5,474)	(2,019)	-	-	(7,493)
Equipment	(806,910)	(132,935)	53,313	-	(886,532)
Total accumulated depreciation	<u>(812,384)</u>	<u>(134,954)</u>	<u>53,313</u>	<u>-</u>	<u>(894,025)</u>
Total capital assets, being depreciated, net	<u>1,069,717</u>	<u>(37,226)</u>	<u>-</u>	<u>-</u>	<u>1,032,491</u>
Capital assets, net	<u>\$ 1,149,717</u>	<u>\$ (37,226)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,112,491</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, 2015

	Balance Beginning of Year	Additions	Retirements	Transfers & Adjustments	Ending Balance
Capital assets, being depreciated:					
Equipment	\$ 990,754	\$ -	\$ -	\$ -	\$ 990,754
Less accumulated depreciation for					
Equipment	(650,873)	(29,201)	-	-	(680,074)
Capital assets, net	<u>\$ 339,881</u>	<u>\$ (29,201)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 310,680</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, 2015

	Balance Beginning of Year	Additions	Retirements	Transfers & Adjustments	Ending Balance
Capital assets, being depreciated:					
Equipment	\$ 83,223	\$ -	\$ -	\$ -	\$ 83,223
Less accumulated depreciation for					
Equipment	(35,757)	(4,810)	-	-	(40,567)
Capital assets, net	<u>\$ 47,466</u>	<u>\$ (4,810)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,656</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, 2015**

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers & Adjustments</u>	<u>Ending Balance</u>
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	<u>(152,273)</u>	<u>(15,787)</u>	<u>-</u>	<u>-</u>	<u>(168,060)</u>
Total capital assets, being					
depreciated, net	<u>\$ 242,417</u>	<u>\$ (15,787)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 226,630</u>
Capital assets, net	<u><u>\$ 242,417</u></u>	<u><u>\$ 259,213</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 501,630</u></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, 2015

	Balance Beginning of Year	Additions	Retirements	Transfers & Adjustments	Ending Balance
Capital assets, being depreciated:					
Equipment	\$ 294,994	\$	-	-	\$ 294,994
Less accumulated depreciation for					
Equipment	(53,879)	(13,762)	-	-	(67,641)
Capital assets, net	<u>\$ 241,115</u>	<u>\$ (13,762)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 227,353</u>

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

Notes to the Required Supplementary Information

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 \$236,641 for the fiscal year ending June 30, 2015. 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, 2016 CSA No. 40 Board consisted of the following members:

<u>Directors</u>	<u>Office</u>	<u>Term Expires</u>
Susan Gorin.....		January, 2017
David Rabbitt.....		January, 2019
Shirlee Zane.....	Vice Chair.....	January, 2017
James Gore.....		January, 2019
Efren Carrillo.....	Chair.....	January, 2017