

County Service Area No. 40 – Fire Services

**Annual Report
For the Fiscal Year Ended
June 30, 2018**

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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, 2018, 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 page 1 of this report, and required supplementary information, beginning on page 26 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

April 17, 2019

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, 2018. 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 \$4,279,224 (net position). Of this amount, \$3,008,651 (unrestricted net position) may be used to meet CSA No. 40's ongoing operations.
- CSA No. 40's total net position decreased by \$(229,379).
- As of the close of the current fiscal year, CSA No. 40 reported an ending fund balance of \$3,127,594, a decrease of \$(59,366) in comparison with the prior year. Approximately 93.7% 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 \$2,930,897 or 60.2% of the total general fund expenditures of \$4,865,841.
- CSA No. 40's long-term debt decreased by \$(51,927) during the current fiscal year primarily due to scheduled principal payments on long term debt.

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 2018 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 \$4,279,224 at the close of 2018 fiscal year.

A large portion of CSA No. 40's net position \$1,270,573 reflects its investment in capital assets (e.g. land, 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

	2018	2017	Increase (Decrease)	Percentage Change
Assets:				
Current and other assets	\$ 3,875,740	\$ 3,962,901	\$ (87,161)	-2.2%
Capital assets	<u>1,638,141</u>	<u>1,860,504</u>	<u>(222,363)</u>	<u>-12.0%</u>
Total assets	<u>5,513,881</u>	<u>5,823,405</u>	<u>(309,524)</u>	<u>-5.3%</u>
Liabilities:				
Current liabilities	807,119	833,329	(26,210)	-3.1%
Non-current liabilities	<u>427,538</u>	<u>481,473</u>	<u>(53,935)</u>	<u>-11.2%</u>
Total liabilities	<u>1,234,657</u>	<u>1,314,802</u>	<u>(80,145)</u>	<u>-6.1%</u>
Net position:				
Net investment in capital assets	1,270,573	1,438,423	(167,850)	-11.7%
Unrestricted	<u>3,008,651</u>	<u>3,070,180</u>	<u>(61,529)</u>	<u>-2.0%</u>
Total net position	<u>\$ 4,279,224</u>	<u>\$ 4,508,603</u>	<u>\$ (229,379)</u>	<u>-5.1%</u>

The balance of unrestricted net position \$3,008,651 may be used to meet CSA No. 40's ongoing obligations to citizens and vendors.

At the end of the 2018 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 \$(229,379)

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

	2018	2017	Increase (Decrease)	Percentage Change
Revenues:				
Program Revenues:				
Public safety - fire prevention	\$ 1,978,311	\$ 1,645,984	\$ 332,327	20.2%
Operating Grants and Contributions	38,698	-	38,698	100.0%
General Revenues:				
Property taxes	2,639,010	2,469,430	169,580	6.9%
Investment earnings	36,329	20,625	15,704	76.1%
Miscellaneous	14,127	17,911	(3,784)	-21.1%
Operating transfers	100,000	824,199	(724,199)	-87.9%
Gain on sale of capital assets	-	13,338	(13,338)	-100.0%
Total revenues	<u>4,806,475</u>	<u>4,991,487</u>	<u>(185,012)</u>	<u>-3.7%</u>
Expenses:				
Program Expenses:				
Public safety - fire prevention	<u>5,035,854</u>	<u>4,764,529</u>	<u>271,325</u>	<u>5.7%</u>
Total expenses	<u>5,035,854</u>	<u>4,764,529</u>	<u>271,325</u>	<u>5.7%</u>
Change in net position	(229,379)	226,958	(456,337)	-201.1%
Net position, beginning of the year	<u>4,508,603</u>	<u>4,281,645</u>	<u>226,958</u>	<u>5.3%</u>
Net position, end of the year	<u>\$ 4,279,224</u>	<u>\$ 4,508,603</u>	<u>\$ (229,379)</u>	<u>-5.1%</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 2018 fiscal year, CSA No. 40's governmental fund reported ending fund balance of \$3,127,594, a decrease of \$(59,366) in comparison with the prior year. Approximately 93.7% 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 60.2% 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, 2018, amount to \$1,638,141 (net of accumulated depreciation). The capital assets include land, buildings and improvements, and equipment. The total decrease in CSA No. 40's capital assets for the current fiscal year was \$222,363, which represents current year depreciation.

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 \$484,059. This amount is comprised of \$116,491 of compensated absences and \$367,568 of notes payable. During the current fiscal year, CSA No. 40's long-term debt decreased by \$(51,927). It was primarily due to scheduled principal payments on long term debt.

Economic Factors and Next Year's Budgets and Rates

Over the next year CSA No. 40 is expecting:

- Approximately a 4.0% increase in property tax revenue compared to fiscal year 2017/2018 based on higher than anticipated growth projections.

Both of these factors were considered in preparing CSA No. 40's budget for the fiscal year ending June 30, 2019.

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, 2018

Assets

Cash and investments	\$ 3,606,705
Accounts receivable	68,877
Due from other governments	7,208
Flat charges receivable	8,250
Reserved cash - Vehicle Replacement	162,199
Reserved cash - Computer Replacement	22,501
Capital assets	
Land	80,000
Buildings and improvements (net of accumulated depreciation)	15,384
Equipment (net of accumulated depreciation)	<u>1,542,757</u>
Total assets	<u>5,513,881</u>

Liabilities

Accounts payable	44,425
Due to other governments	380,699
Capital leases payable - Due within one year	56,521
Interest payable	2,452
Unearned revenue	323,022
Non-current liabilities:	
Compensated absences	116,491
Capital leases payable - Due in more than one year	<u>311,047</u>
Total liabilities	<u>1,234,657</u>

Net Position

Net investment in capital assets	1,270,573
Unrestricted	<u>3,008,651</u>
Total net position	<u>\$ 4,279,224</u>

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, 2018

Program Expenses

Public safety - fire prevention	
Salaries and employee benefits	\$ 2,074,568
Services and supplies	2,724,391
Depreciation	222,363
Debt service - interest	14,532
Total program expenses	<u>5,035,854</u>

Program Revenues

Charges for services	
Intergovernmental revenue	696,348
Charges for services	1,261,963
Mitigation Funds	20,000
Total charges for services	<u>1,978,311</u>

Operating Grants and Contributions	<u>38,698</u>
Total program revenues	<u>2,017,009</u>
Net program revenues (expenses)	<u>(3,018,845)</u>

General Revenues

Property taxes	2,639,010
Investment earnings	36,329
Operating transfers	100,000
Miscellaneous	14,127
Total general revenues	<u>2,789,466</u>

Change in net position	(229,379)
Net position, beginning balance	<u>4,508,603</u>
Net position, end of year	<u>\$ 4,279,224</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, 2018

Assets

Cash and investments	\$ 3,606,705
Accounts receivable	68,877
Due from other governments	7,208
Flat charges receivable	8,250
Reserved cash - Vehicle replacement	162,199
Reserved cash - Computer replacement	22,501
Total assets	\$ 3,875,740

Liabilities and Fund Balance

Liabilities:

Accounts payable	\$ 44,425
Due to other governments	380,699
Unearned revenue	323,022
Total liabilities	748,146

Fund balance:

Assigned for encumbrances	11,997
Assigned for vehicle replacement	162,199
Assigned for computer replacement	22,501
Unassigned	2,930,897
Total fund balance	3,127,594
Total liabilities and fund balance	\$ 3,875,740

Reconciliation of Balance Sheet to Statement of Net Position

Fund balance - total government funds	\$ 3,127,594
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	1,638,141
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Compensated absences	(116,491)
Capital leases payable	(367,568)
Accrued interest payable	(2,452)
Net position of governmental activities	\$ 4,279,224

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, 2018**

Revenues

Property taxes	\$ 2,639,010
Investment earnings	36,329
Intergovernmental revenue	735,046
Charges for services	1,261,963
Mitigation Funds	20,000
Miscellaneous	<u>14,127</u>
Total revenues	<u>4,706,475</u>

Expenditures

Current:	
Salaries and employee benefits	2,071,982
Services and supplies	2,724,391
Debt service	
Principal	54,513
Interest	<u>14,955</u>
Total expenditures	<u>4,865,841</u>

Excess (deficiency) of revenues over (under) expenditures	<u>(159,366)</u>
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Other financing sources (uses)

Operating transfers in	1,424,388
Operating transfers out	<u>(1,324,388)</u>
Total other financing sources (uses)	<u>100,000</u>

Net change in fund balance	(59,366)
Fund balance, beginning of year	<u>3,186,960</u>
Fund balance, end of year	<u><u>\$ 3,127,594</u></u>

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, 2018**

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

Net change in fund balance - total governmental fund	\$ (59,366)
<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>	
Current year depreciation	(222,363)
<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	54,513
<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	423
<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>(2,586)</u>
Change in net position of governmental activities	<u>\$ (229,379)</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, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
Revenues				Positive
Property taxes	\$ 2,465,219	\$ 2,465,219	\$ 2,639,010	\$ 173,791
Investment earnings	26,650	26,650	36,329	9,679
Intergovernmental revenue	279,486	668,486	735,046	66,560
Charges for services	1,368,948	1,368,948	1,261,963	(106,985)
Mitigation Funds	-	-	20,000	20,000
Miscellaneous	808,102	808,102	14,127	(793,975)
Total revenues	4,948,405	5,337,405	4,706,475	(630,930)
Expenditures				
Current:				
Salaries and employee benefits	2,716,441	2,717,955	2,071,982	645,973
Services and supplies	3,821,957	4,403,807	2,736,388	1,667,419
Debt service:				
Principal	14,779	14,779	54,513	(39,734)
Interest	55,828	55,828	14,955	40,873
Capital outlay	18,000	18,000	-	18,000
Total expenditures	6,627,005	7,210,369	4,877,838	2,332,531
Excess (deficiency) of revenues over (under) expenditures	(1,678,600)	(1,872,964)	(171,363)	1,701,601
Other financing sources (uses)				
Operating transfers in	1,558,142	1,582,656	1,424,388	(158,268)
Operating transfers out	(276,936)	(301,450)	(1,324,388)	(1,022,938)
Total other financing sources (uses)	1,281,206	1,281,206	100,000	(1,181,206)
Net change in fund balance, budgetary basis	\$ (397,394)	\$ (591,758)	(71,363)	\$ 520,395
Budgetary Adjustments:				
Basis adjustments:				
Encumbrances			11,997	
Net change in fund balance, GAAP Basis			\$ (59,366)	

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

County Service Area No. 40 – Fire Services
Notes to the Basic Financial Statements
June 30, 2018

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 of the related cash flows. Property taxes are recognized as revenues in the year for

County Service Area No. 40 – Fire Services
Notes to the Basic Financial Statements
June 30, 2018

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 of July 1 on all taxable property located in the County of Sonoma. Secured

County Service Area No. 40 – Fire Services
Notes to the Basic Financial Statements
June 30, 2018

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 \$250,251 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.

County Service Area No. 40 – Fire Services
Notes to the Basic Financial Statements
June 30, 2018

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.

County Service Area No. 40 – Fire Services
Notes to the Basic Financial Statements
June 30, 2018

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.
- 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

County Service Area No. 40 – Fire Services
Notes to the Basic Financial Statements
June 30, 2018

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.

E. Stewardship, Compliance, and Accountability

1. 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.

2. Encumbrance

CSA No. 40 has unexpended encumbrances of \$11,997 for the fiscal year ending June 30, 2018. These encumbrances represent commitments made by CSA No. 40 for services related to public safety.

County Service Area No. 40 – Fire Services
Notes to the Basic Financial Statements
June 30, 2018

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, 2018 is as follows:

Cash in County Treasury	\$ 3,606,705
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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 ACTTC, 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 requires an annual audit to ensure the County’s Investment Portfolio is in compliance with its policy and California Government Code Section 53601.

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

County Service Area No. 40 – Fire Services
Notes to the Basic Financial Statements
June 30, 2018

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, 2018, approximately 50 percent of the investments in the Treasury Pool had maturities of one year or less. Of the remainder, less than 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 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.

County Service Area No. 40 – Fire Services
Notes to the Basic Financial Statements
June 30, 2018

➤ 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 2018 Sonoma County Comprehensive Annual Financial Report.

County Service Area No. 40 – Fire Services
Notes to the Basic Financial Statements
June 30, 2018

B. Capital assets

Capital asset activity for the year ending June 30, 2018 was as follows:

	<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
Total capital assets, not being depreciated	<u>80,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,000</u>
Capital assets, being depreciated:					
Buildings and improvements	28,932	-	-	-	28,932
Equipment	3,009,163	-	-	-	3,009,163
Total capital assets, being depreciated:	<u>3,038,095</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,038,095</u>
Less accumulated depreciation for					
Buildings and improvements	(11,530)	(2,018)	-	-	(13,548)
Equipment	(1,246,061)	(220,345)	-	-	(1,466,406)
Total accumulated depreciation	<u>(1,257,591)</u>	<u>(222,363)</u>	<u>-</u>	<u>-</u>	<u>(1,479,954)</u>
Total capital assets, being depreciated, net	<u>1,780,504</u>	<u>(222,363)</u>	<u>-</u>	<u>-</u>	<u>1,558,141</u>
Capital assets, net	<u>\$ 1,860,504</u>	<u>\$ (222,363)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,638,141</u>

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

Governmental activities:

 Public safety - fire services \$ 222,363

County Service Area No. 40 – Fire Services
Notes to the Basic Financial Statements
June 30, 2018

C. Long-Term Debt

Changes in long-term debt

Long-term liability activity for the year ended June 30, 2018, was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Long-term liabilities:					
Compensated absences	\$ 113,905	\$ 2,586	\$ -	\$ 116,491	\$ -
Capital leases	<u>422,081</u>	<u>-</u>	<u>(54,513)</u>	<u>367,568</u>	<u>56,521</u>
Total long-term liabilities	<u>\$ 535,986</u>	<u>\$ 2,586</u>	<u>\$ (54,513)</u>	<u>\$ 484,059</u>	<u>\$ 56,521</u>

D. Capital Leases Payable

<u>Type of</u> <u>Indebtedness (Purpose)</u>	<u>Maturity</u>	<u>Interest</u> <u>Rate</u>	<u>Annual</u> <u>Principal</u> <u>Installments</u>	<u>Original</u> <u>Issue</u> <u>Amount</u>	<u>Outstanding</u> <u>as of</u> <u>June 30, 2018</u>
2014 Rescue Combo Fire Truck	2/20/2023	3.62%	\$6,344 - \$8,920	\$151,250	82,389
2013 Quick Attack Fire Truck	2/20/2023	3.62%	\$6,344 - \$8,920	\$151,250	82,389
2015 Spartan Fire Engine	6/15/2025	3.69%	\$11,491-\$16,271	\$275,000	<u>202,790</u>
Total					<u>\$ 367,568</u>

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

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2019	56,521	12,946
2020	58,607	10,863
2021	60,768	8,701
2022	63,008	6,461
2023	65,330	4,133
2024-2025	<u>63,334</u>	<u>2,952</u>
Total	<u>\$ 367,568</u>	<u>\$ 46,056</u>

County Service Area No. 40 – Fire Services
Notes to the Basic Financial Statements
June 30, 2018

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.

The Fire and Emergency Services Department with authorization from the Sonoma County Board of Supervisors executed three agreements with the Rincon Valley Fire Protection District, the Rancho Adobe Fire Protection District and the city of Rohnert Park, 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, 2018, CSA No. 40-Fire Services received a transfer of \$1,061,291 from the Graton Casino Mitigation Fund and the funds were transferred to Rincon Valley Fire, the Rancho Adobe Fire Protection District and the city of Rohnert Park.

In the year ended June 30, 2018 the Sonoma County Board of Supervisors authorized a transfer of \$100,000 to enhance CSA No. 40 recruitment and retention program of volunteer firefighters. Funding sources for the transfers were made from Transient Occupancy Tax dollars and Proposition 172 funds the County receives each year from the state as its share of a statewide public safety sales tax allocation.

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 Comprehensive Annual Financial Report for additional information.

County Service Area No. 40 – Fire Services
Notes to the Basic Financial Statements
June 30, 2018

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

The requirements of the following GASB Statements are effective for the purpose of implementation, as noted, for the fiscal year ending June 30, 2018:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*. The 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). See Note B for additional information.

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 CSA No.40 did not have any circumstances applicable during fiscal year 2018.

GASB Statement No. 85, *Omnibus 2017*: Addresses issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits (OPEB)). See Note B for additional information related to Other Postemployment Benefits. The CSA No. 40 has determined that the remaining requirements of this Statement do not affect the financial reporting for CSA No. 40, and consequently are not currently applicable.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*: Improves consistency in accounting and financial reporting for in-substance defeasance of debt and for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. CSA No. 40 did not have any circumstances applicable during fiscal year 2018.

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:

GASB Statement No. 83, *Certain Asset Retirement Obligations*. The primary objective of this Statement is to enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain asset retirement obligations. Effective FY 2018-19.

County Service Area No. 40 – Fire Services
Notes to the Basic Financial Statements
June 30, 2018

GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report fiduciary activities. Effective FY 2019-20

GASB Statement No. 87, *Leases*. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Effective FY 2020-21.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this Statement is to increase requirements on information that is disclosed in the notes to the financial statements related to debt, including direct borrowings and direct placements. Requires additional information related to debt be disclosed in notes to the financial statements. Effective FY 2018-19.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Effective FY 2020-21.

GASB Statement No. 90, *Majority Equity Interests-amendment of GASB Statement No. 14 and No. 61*. The Statement modifies previous guidance for reporting a government's majority equity interests in legally separate organizations. In addition, provides guidance for reporting a component unit if the government acquires a 100 percent equity interest in that component unit. Effective FY 2018-19.

Required Supplementary Information
County Service Area No. 40 - Fire Services
Combining Balance Sheet - All Funds
Governmental Fund
June 30, 2018

	Fire Services	Fitch Mountain Fire	Dry Creek Fire	Wilmar Fire	Mayacamas Fire	Total Governmental Funds
Assets						
Cash and investments	\$ 3,042,435	\$ 10,266	\$ 188,903	\$ 304,801	\$ 60,300	\$ 3,606,705
Accounts receivable	68,877	-	-	-	-	68,877
Due from other governments	7,208	-	-	-	-	7,208
Flat charges receivable	-	-	2,532	4,955	763	8,250
Reserved cash - Vehicle replacement	162,199	-	-	-	-	162,199
Reserved cash - Computer replacement	22,501	-	-	-	-	22,501
Total assets	<u>\$ 3,303,220</u>	<u>\$ 10,266</u>	<u>\$ 191,435</u>	<u>\$ 309,756</u>	<u>\$ 61,063</u>	<u>\$ 3,875,740</u>
Liabilities and Fund Balance						
Liabilities:						
Accounts payable	\$ 44,151	\$ -	\$ -	\$ 69	\$ 205	\$ 44,425
Due to other governments	378,980	-	-	1,719	-	380,699
Unearned revenue	323,022	-	-	-	-	323,022
Total liabilities	<u>746,153</u>	<u>-</u>	<u>-</u>	<u>1,788</u>	<u>205</u>	<u>748,146</u>
Fund balance:						
Assigned for encumbrances	11,997	-	-	-	-	11,997
Assigned for vehicle replacement	162,199	-	-	-	-	162,199
Assigned for computer replacement	22,501	-	-	-	-	22,501
Unassigned:	<u>2,360,370</u>	<u>10,266</u>	<u>191,435</u>	<u>307,968</u>	<u>60,858</u>	<u>2,930,897</u>
Total fund balances	<u>2,557,067</u>	<u>10,266</u>	<u>191,435</u>	<u>307,968</u>	<u>60,858</u>	<u>3,127,594</u>
Total liabilities and fund balance	<u>\$ 3,303,220</u>	<u>\$ 10,266</u>	<u>\$ 191,435</u>	<u>\$ 309,756</u>	<u>\$ 61,063</u>	<u>\$ 3,875,740</u>

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, 2018

	Fire Services	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	\$ 2,557,067	\$ 10,266	\$ 191,435	\$ 307,968	\$ 60,858	\$ 3,127,594
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.	859,008	-	28,228	611,790	139,115	1,638,141
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.						
Compensated absences	(116,491)	-	-	-	-	(116,491)
Capital leases payable	(82,389)	-	-	(202,790)	(82,389)	(367,568)
Accrued interest payable	(1,071)	-	-	(310)	(1,071)	(2,452)
Net Position of governmental activities	\$ 3,216,124	\$ 10,266	\$ 219,663	\$ 716,658	\$ 116,513	\$ 4,279,224

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, 2018

	Fire Services	Fitch Mountain Fire	Dry Creek Fire	Wilmar Fire	Mayacamas Fire	Total Governmental Funds
Revenues						
Property taxes	\$ 2,388,759	\$ -	\$ 109,919	\$ 118,558	\$ 21,774	\$ 2,639,010
Investment earnings	29,607	538	2,812	2,775	597	36,329
Intergovernmental revenue	705,654	-	-	25,092	4,300	735,046
Charges for services	1,261,963	-	-	-	-	1,261,963
Mitigation Funds	20,000	-	-	-	-	20,000
Miscellaneous	14,127	-	-	-	-	14,127
Total revenues	<u>4,420,110</u>	<u>538</u>	<u>112,731</u>	<u>146,425</u>	<u>26,671</u>	<u>4,706,475</u>
Expenditures						
Current:						
Salaries and employee benefits	2,071,982	-	-	-	-	2,071,982
Services and supplies	2,578,291	-	111,335	29,792	4,973	2,724,391
Debt service						
Principal	14,778	-	-	24,957	14,778	54,513
Interest	3,384	-	-	8,187	3,384	14,955
Total expenditures	<u>4,668,435</u>	<u>-</u>	<u>111,335</u>	<u>62,936</u>	<u>23,135</u>	<u>4,865,841</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(248,325)</u>	<u>538</u>	<u>1,396</u>	<u>83,489</u>	<u>3,536</u>	<u>(159,366)</u>
Other financing sources (uses)						
Operating transfers in	1,186,803	-	110,140	124,945	2,500	1,424,388
Operating transfers out	<u>(1,073,876)</u>	<u>(25,512)</u>	<u>(110,140)</u>	<u>(114,860)</u>	<u>-</u>	<u>(1,324,388)</u>
Total other financing sources (uses)	<u>112,927</u>	<u>(25,512)</u>	<u>-</u>	<u>10,085</u>	<u>2,500</u>	<u>100,000</u>
Net change in fund balance	(135,398)	(24,974)	1,396	93,574	6,036	(59,366)
Fund balance, beginning of year	2,692,465	35,240	190,039	214,394	54,822	3,186,960
Fund balance, end of year	<u>\$ 2,557,067</u>	<u>\$ 10,266</u>	<u>\$ 191,435</u>	<u>\$ 307,968</u>	<u>\$ 60,858</u>	<u>\$ 3,127,594</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, 2018

	Fire Services	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	\$ (135,398)	\$ (24,974)	\$ 1,396	\$ 93,574	\$ 6,036	\$ (59,366)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.						
Current year depreciation	(146,703)	-	(4,809)	(61,784)	(9,067)	(222,363)
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	14,778	-	-	24,957	14,778	54,513
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	192	-	-	39	192	423
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>(2,586)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,586)</u>
	<u>\$ (269,717)</u>	<u>\$ (24,974)</u>	<u>\$ (3,413)</u>	<u>\$ 56,786</u>	<u>\$ 11,939</u>	<u>\$ (229,379)</u>

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, 2018

	Budgeted Amounts		Actual	Variance with
Revenues	Original	Final	Amounts	Final Budget - Positive (Negative)
Property taxes	\$ 2,213,219	\$ 2,213,219	\$ 2,388,759	\$ 175,540
Investment earnings	24,000	24,000	29,607	5,607
Intergovernmental revenue	279,486	668,486	705,654	37,168
Charges for services	1,368,948	1,368,948	1,261,963	(106,985)
Mitigation Funds	-	-	20,000	20,000
Miscellaneous	808,102	808,102	14,127	(793,975)
Total revenues	4,693,755	5,082,755	4,420,110	(662,645)
Expenditures				
Current:				
Salaries and employee benefits	2,716,441	2,717,955	2,071,982	645,973
Services and supplies	3,637,371	4,217,006	2,590,288	1,626,718
Debt service:				
Principal	-	-	14,778	(14,778)
Interest	18,443	18,443	3,384	15,059
Total expenditures	6,372,255	6,953,404	4,680,432	2,272,972
Excess (deficiency) of revenues over (under) expenditures	(1,678,500)	(1,870,649)	(260,322)	1,610,327
Other financing sources (uses)				
Operating transfers in	1,327,642	1,352,156	1,186,803	(165,353)
Operating transfers out	(36,436)	(36,436)	(1,073,876)	(1,037,440)
Total other financing sources (uses)	1,291,206	1,315,720	112,927	(1,202,793)
Net change in fund balance, budgetary basis	\$ (387,294)	\$ (554,929)	(147,395)	\$ 407,534
Budgetary Adjustments:				
Basis adjustments:				
Encumbrances			11,997	
Net change in fund balance, GAAP Basis			\$ (135,398)	

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Investment earnings	\$ -	\$ -	\$ 538	\$ 538
Total revenues	-	-	538	538
Expenditures				
Current:				
Other charges	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	538	538
Other financing sources (uses)				
Operating transfer out	(10,000)	(34,514)	(25,512)	9,002
Net change in fund balance	<u>\$ (10,000)</u>	<u>\$ (34,514)</u>	<u>\$ (24,974)</u>	<u>\$ 9,540</u>

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, 2018

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive
	<u>Original</u>	<u>Final</u>		(Negative)
Revenues				
Property taxes	\$ 113,000	\$ 113,000	\$ 109,919	\$ (3,081)
Investment earnings	1,500	1,500	2,812	1,312
Total revenues	<u>114,500</u>	<u>114,500</u>	<u>112,731</u>	<u>(1,769)</u>
Expenditures				
Current:				
Services and supplies	<u>114,500</u>	<u>114,500</u>	<u>111,335</u>	<u>3,165</u>
Total expenditures	<u>114,500</u>	<u>114,500</u>	<u>111,335</u>	<u>3,165</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>1,396</u>	<u>1,396</u>
Other financing sources (uses)				
Operating transfers in	113,500	113,500	110,140	(3,360)
Operating transfers out	<u>(113,500)</u>	<u>(113,500)</u>	<u>(110,140)</u>	<u>3,360</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,396</u>	<u>\$ 1,396</u>

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 116,500	\$ 116,500	\$ 118,558	\$ 2,058
Investment earnings	850	850	2,775	1,925
Intergovernmental revenue	-	-	25,092	25,092
Total revenues	<u>117,350</u>	<u>117,350</u>	<u>146,425</u>	<u>29,075</u>
Expenditures				
Current:				
Services and supplies	65,350	65,350	29,792	35,558
Debt service:				
Principal	-	-	24,957	(24,957)
Interest	34,000	34,000	8,187	25,813
Capital outlay	18,000	18,000	-	18,000
Total expenditures	<u>117,350</u>	<u>117,350</u>	<u>62,936</u>	<u>54,414</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>83,489</u>	<u>83,489</u>
Other financing sources (uses)				
Operating transfers in	117,000	117,000	124,945	7,945
Operating transfers out	(117,000)	(117,000)	(114,860)	2,140
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>10,085</u>	<u>10,085</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,574</u>	<u>\$ 93,574</u>

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, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u> Amounts	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget - Positive (Negative)
Revenues				
Property taxes	\$ 22,500	\$ 22,500	\$ 21,774	\$ (726)
Investment earnings	300	300	597	297
Intergovernmental revenue	-	-	4,300	4,300
Total revenues	<u>22,800</u>	<u>22,800</u>	<u>26,671</u>	<u>3,871</u>
Expenditures				
Current:				
Services and supplies	4,736	6,951	4,973	1,978
Debt service:				
Principal	14,779	14,779	14,778	1
Interest	3,385	3,385	3,384	1
Total expenditures	<u>22,900</u>	<u>25,115</u>	<u>23,135</u>	<u>1,980</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(100)</u>	<u>(2,315)</u>	<u>3,536</u>	<u>5,851</u>
Other financing sources (uses)				
Operating transfers in	-	-	2,500	2,500
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>2,500</u>	<u>2,500</u>
Net change in fund balance	<u>\$ (100)</u>	<u>\$ (2,315)</u>	<u>\$ 6,036</u>	<u>\$ 8,351</u>

Required Supplementary Information
Fire Services - County Service Area No. 40
Summary of Changes in Capital Assets
For the Fiscal Year Ended June 30, 2018

	<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
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	<u>1,963,275</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,963,275</u>
Total capital assets being depreciated	<u>1,992,207</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,992,207</u>
Less accumulated depreciation for					
Buildings and improvements	(11,530)	(2,018)	-	-	(13,548)
Equipment	<u>(1,054,966)</u>	<u>(144,685)</u>	<u>-</u>	<u>-</u>	<u>(1,199,651)</u>
Total accumulated depreciation	<u>(1,066,496)</u>	<u>(146,703)</u>	<u>-</u>	<u>-</u>	<u>(1,213,199)</u>
Total capital assets, being depreciated, net	<u>925,711</u>	<u>(146,703)</u>	<u>-</u>	<u>-</u>	<u>779,008</u>
Capital assets, net	<u>\$ 1,005,711</u>	<u>\$ (146,703)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 859,008</u>

Required Supplementary Information
Dry Creek - County Service Area No. 40
Summary of Changes in Capital Assets
For the Fiscal Year Ended June 30, 2018

	Balance Beginning of Year	Additions	Retirements	Transfers & Adjustments	Ending Balance
Capital assets, being depreciated:					
Equipment	\$ 83,223	\$ -	\$ -	\$ -	\$ 83,223
Less accumulated depreciation for					
Equipment	(50,186)	(4,809)	-	-	(54,995)
Capital assets, net	<u>\$ 33,037</u>	<u>\$ (4,809)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,228</u>

**Required Supplementary Information
 Wilmar - County Service Area No. 40
 Summary of Changes in Capital Assets
 For the Fiscal Year Ended June 30, 2018**

	Balance Beginning of Year	Additions	Retirements	Transfers & Adjustments	Ending Balance
Capital assets, being depreciated:					
Equipment	785,050	\$ -	-	-	785,050
Less accumulated depreciation for					
Equipment	<u>(111,476)</u>	<u>(61,784)</u>	<u>-</u>	<u>-</u>	<u>(173,260)</u>
Capital assets, net	<u>\$ 673,574</u>	<u>\$ (61,784)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 611,790</u>

Required Supplementary Information
Mayacamas - County Service Area No. 40
Summary of Changes in Capital Assets
For the Fiscal Year Ended June 30, 2018

	Balance Beginning of Year	Additions	Retirements	Transfers & Adjustments	Ending Balance
Capital assets, being depreciated:					
Equipment	\$ 177,615	\$ -	\$ -	\$ -	\$ 177,615
Less accumulated depreciation for					
Equipment	<u>(29,433)</u>	<u>(9,067)</u>	<u>-</u>	<u>-</u>	<u>(38,500)</u>
Capital assets, net	<u>\$ 148,182</u>	<u>\$ (9,067)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 139,115</u>

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

As of February 28, 2019 CSA No. 40 Board consisted of the following members:

<u>Directors</u>	<u>Office</u>	<u>Term Expires</u>
Susan Gorin.....	Vice Chair	January 2021
David Rabbitt.....	Chair	January 2023
Shirlee Zane.....	January 2021
James Gore	January 2023
Lynda Hopkins.....	January 2021