

County Service Area No. 40 – Fire Services

**Annual Report
For the Fiscal Year Ended
June 30, 2024**

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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, 2024, 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 General 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 General 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 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

December 2, 2024

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, 2024. 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 \$2,404,608 (net position). Of this amount, \$2,304,279 (unrestricted net position) may be used to meet CSA No. 40's ongoing operations.
- CSA No. 40's total net position decreased by \$2,028,435. The decrease was primarily due to transfer of operations (fund balances and fixed assets) to Gold Ridge and Northern Sonoma County Fire Protection Districts.
- As of the close of the current fiscal year, CSA No. 40 reported an ending fund balance of \$2,304,279, an increase of \$11,920 in comparison with the prior year. 100.0% of this amount is available for spending at CSA No. 40's discretion (unassigned fund balance).
- At the end of the year, unassigned fund balance was \$2,304,279 or 1257.8% of the total general fund expenditures of \$183,194.

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 2024 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).

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 \$2,404,608 at the close of 2024 fiscal year.

A small portion of CSA No. 40's net position \$100,329 reflects its investment in capital assets (e.g. equipment). CSA No. 40 held these capital assets for transfer to Gold Ridge Fire Protection District; consequently, these assets are not available for future spending.

**Summary of Net Position
June 30**

	2024	2023	Increase (Decrease)	Percentage Change
Assets:				
Current and other assets	\$ 2,308,606	\$ 2,355,464	\$ (46,858)	-2.0%
Capital assets	100,329	2,140,684	(2,040,355)	-95.3%
Total assets	<u>2,408,935</u>	<u>4,496,148</u>	<u>(2,087,213)</u>	<u>-46.4%</u>
Liabilities:				
Current liabilities	4,327	63,105	(58,778)	-93.1%
Total liabilities	<u>4,327</u>	<u>63,105</u>	<u>(58,778)</u>	<u>-93.1%</u>
Net position:				
Net investment in capital assets	100,329	2,140,684	(2,040,355)	-95.3%
Unrestricted	2,304,279	2,292,359	11,920	0.5%
Total net position	<u>\$ 2,404,608</u>	<u>\$ 4,433,043</u>	<u>\$ (2,028,435)</u>	<u>-45.8%</u>

The balance of unrestricted net position \$2,304,279 may be used to meet CSA No. 40's ongoing obligations to citizens and vendors.

At the end of the 2024 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 \$2,028,435 due to a disposal of operations. As a result of the disposal of operations, the assets from Wilmar and Dry Creek areas of CSA No. 40 were transferred to Gold Ridge Fire Protection District and Northern Sonoma County Fire Protection District in fiscal year 2024.

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

	2024	2023	Increase (Decrease)	Percentage Change
Revenues:				
Program Revenues:				
Charges for services	\$ 290,103	\$ 133,384	\$ 156,719	117.5%
General Revenues:				
Property taxes	114,645	2,454,158	(2,339,513)	-95.3%
Investment earnings	89,661	33,047	56,614	171.3%
Refunds	-	139,227	(139,227)	100.0%
Operating transfers	-	655,000	(655,000)	100.0%
Total revenues	<u>494,409</u>	<u>3,414,816</u>	<u>(2,920,407)</u>	<u>-85.5%</u>
Expenses:				
Program Expenses:				
Public safety - fire protection	183,194	2,727,371	(2,544,177)	-93.3%
Total expenses	<u>183,194</u>	<u>2,727,371</u>	<u>(2,544,177)</u>	<u>-93.3%</u>
Special Item-Disposal of Operations	<u>(2,339,650)</u>	<u>-</u>	<u>(2,339,650)</u>	<u>-100.0%</u>
Special Item-Contribution to other government		<u>(14,050)</u>	<u>14,050</u>	<u>-100.0%</u>
Change in net position	(2,028,435)	673,395	(2,701,830)	-401.2%
Net position, beginning of the year	<u>4,433,043</u>	<u>3,759,648</u>	<u>673,395</u>	<u>17.9%</u>
Net position, end of the year	<u>\$ 2,404,608</u>	<u>\$ 4,433,043</u>	<u>\$ (2,028,435)</u>	<u>-45.8%</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 2024 fiscal year, CSA No. 40's governmental fund reported ending fund balance of \$2,304,279, an increase of \$11,920 in comparison with the prior year. 100.0% of the total amount constitutes unassigned fund balance, which is available for spending at the government's discretion.

As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 1257.8% 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, 2024, amount to \$100,329 (net of accumulated depreciation). The capital assets include equipment. The total decrease in CSA No. 40's capital assets for the current fiscal year was \$2,040,355. Because fixed assets were held for transfer no depreciation expense was recorded in current fiscal year.

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

Capital assets dispositions:

Equipment-Fire Services	\$ (1,147,140)
Equipment-Wilmar	(893,215)
Total decrease in capital assets	\$ <u><u>(2,040,355)</u></u>

CSA No. 40 transferred 1997 Fire Engine to Wilmar.

As part of the consolidation of CSA No. 40 territory with professional, independent fire districts, CSA No. 40 transferred equipment to Gold Ridge Fire Protection District.

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

Economic Factors and Next Year's Budgets and Rates

Over the next year CSA No. 40 is expecting:

- There are a few remote territories remaining within CSA 40 which include Incident Response Program (IRP) areas. The County has an agreement with the Sonoma County Fire District to annex some of the remaining territories and continue the annexation process with the Local Agency Formation Commission (LAFCO). Once these remaining territories are annexed, CSA 40 will be dissolved.

All of these factors were considered in preparing CSA No. 40's budget for the fiscal year ending June 30, 2025.

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 County Administrator's Office, 575 Administration Drive, Suite 104 A, Santa Rosa, CA 95403.

County Service Area No. 40 - Fire Services
Statement of Net Position
June 30, 2024

Assets

Cash and investments	\$ 2,308,606
Capital assets	
Equipment (net of accumulated depreciation)	<u>100,329</u>
Total assets	<u>2,408,935</u>

Liabilities

Due to other governments	<u>4,327</u>
Total liabilities	<u>4,327</u>

Net Position

Net investment in capital assets	100,329
Unrestricted	<u>2,304,279</u>
Total net position	<u>\$ 2,404,608</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, 2024

Program Expenses

Public safety - fire protection	
Services and supplies	\$ 183,194
Total program expenses	<u>183,194</u>

Program Revenues

Charges for services	
Intergovernmental revenue	245,733
Charges for services	<u>44,370</u>
Total charges for services	<u>290,103</u>
Total program revenues	<u>290,103</u>
Net program revenues (expenses)	<u>106,909</u>

General Revenues

Property taxes	114,645
Investment earnings	<u>89,661</u>
Total general revenues	<u>204,306</u>

Special Item

Disposal of operations	<u>(2,339,650)</u>
Change in net position	(2,028,435)
Net position, beginning balance	<u>4,433,043</u>
Net position, end of year	<u>\$ 2,404,608</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, 2024**

Assets		
Cash and investments	\$	2,308,606
Total assets	\$	2,308,606
Liabilities and Fund Balance		
Liabilities:		
Due to other governments	\$	4,327
Total liabilities		4,327
Fund Balance		
Unassigned		2,304,279
Total fund balance		2,304,279
Total liabilities and fund balance	\$	2,308,606
Reconciliation of Balance Sheet to Statement of Net Position		
Fund balance - total government funds	\$	2,304,279
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		100,329
Net position of governmental activities	\$	2,404,608

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, 2024**

Revenues

Property taxes	\$ 114,645
Investment earnings	89,661
Intergovernmental revenue	245,733
Charges for services	<u>44,370</u>
Total revenues	<u>494,409</u>

Expenditures

Current:	
Services and supplies	<u>183,194</u>
Total expenditures	<u>183,194</u>

Excess (deficiency) of revenues over (under) expenditures	<u>311,215</u>
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Special Item

Disposal of operations	(299,295)
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Net change in fund balance	11,920
Fund balance, beginning of year	<u>2,292,359</u>
Fund balance, end of year	<u><u>\$ 2,304,279</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, 2024**

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

Net change in fund balance - total governmental fund	\$ 11,920
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.	
Capital asset transfers	(2,040,355)
Change in net position of governmental activities	\$ <u>(2,028,435)</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, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
Revenues				Positive
Property taxes	\$ 40,300	\$ 40,300	\$ 114,645	\$ 74,345
Investment earnings	-	-	89,661	89,661
Intergovernmental revenue	222,056	222,056	245,733	23,677
Charges for services	-	-	44,370	44,370
Total revenues	262,356	262,356	494,409	232,053
Expenditures				
Current:				
Services and supplies	262,356	362,371	183,194	179,177
Total expenditures	262,356	362,371	183,194	179,177
Excess (deficiency) of revenues over (under) expenditures	-	(100,015)	311,215	411,230
Special Item				
Disposal of operations	-	(302,000)	(299,295)	2,705
Net change in fund balance, budgetary basis	\$ -	\$ (402,015)	\$ 11,920	\$ 413,935

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, 2024

I. Summary of Significant Accounting Policies

A. Reporting Entity

CSA No. 40 was formed in 1993 as a special dependent district to collect property taxes to provide fire protection services to the unincorporated areas of Sonoma County that are not within the boundaries of an existing Fire Protection or County Services District. CSA No. 40 is managed by the County Administrator. As a result of consolidation efforts undertaken via the Fire Services Project, the remaining Volunteer Fire Companies that provided fire services under CSA 40 were approved for consolidation with the Gold Ridge Fire Protection District and Northern Sonoma County Fire Protection District in FY 2022-23 and consolidated in FY 2023-24 (equipment and fund balances transfers). 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, 2024

which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

D. Assets, Liabilities, and Net Position or Equity

1. Cash and Investments

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

2. Receivables and Payables

a. Property Taxes

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

County Service Area No. 40 – Fire Services
Notes to the Basic Financial Statements
June 30, 2024

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 \$239,967 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 and Dry Creek 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. Due to/from Other Governments

Due to other governments represents Dry Creek and Wilmar fund balances which are due to Gold Ridge and Northern Sonoma County Fire Protection Districts respectively at the end of the year as part of the disposal of operations.

3. Capital Assets

Capital assets, which include 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

County Service Area No. 40 – Fire Services
Notes to the Basic Financial Statements
June 30, 2024

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.

There is no depreciation expense recorded in the current fiscal year because all equipment is classified as held for disposal of operations and was not used by CSA No. 40.

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. 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.

5. Fund Balance

In the fund financial statements, governmental funds report fund balance as non-

County Service Area No. 40 – Fire Services
Notes to the Basic Financial Statements
June 30, 2024

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.

6. 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.

County Service Area No. 40 – Fire Services
Notes to the Basic Financial Statements
June 30, 2024

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.

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, is as follows:

Cash in County Treasury	\$ 2,308,606
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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.

County Service Area No. 40 – Fire Services
Notes to the Basic Financial Statements
June 30, 2024

Investment Guidelines

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

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

Interest Rate Risk

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

As of June 30, 2023, approximately 45 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

County Service Area No. 40 – Fire Services
Notes to the Basic Financial Statements
June 30, 2024

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

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

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

Concentration of Credit Risk

The investment policy of the County contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. For a listing of investments in any one issuer (other than U.S. Treasury securities, mutual funds, or external investment pools) that represent 5% or more of total County investments, refer to the 2024 Sonoma County Annual Comprehensive Financial Report.

**County Service Area No. 40 – Fire Services
Notes to the Basic Financial Statements
June 30, 2024**

B. Capital assets

Capital asset activity for the year ending June 30, 2024 was as follows:

	Balance Beginning	Additions	Retirements	Transfers & Adjustments	Ending Balance
Capital assets, not being depreciated:					
Equipment	\$ 3,775,192	\$ 116,000	\$ (3,380,502)	\$ (116,000)	\$ 394,690
Less accumulated depreciation for Equipment	(1,634,508)	(116,000)	1,340,147	116,000	(294,361)
Capital assets, net	<u>\$ 2,140,684</u>	<u>\$ -</u>	<u>\$ (2,040,355)</u>	<u>\$ -</u>	<u>\$ 100,329</u>

C. Special Item-Disposal of Operations

In fiscal year 2024 CSA NO. 40 transferred \$2,272,987 in cash, equipment, and vehicles to the Gold Ridge Fire Protection District and \$66,663 in cash to the Northern Sonoma County Fire Protection District. As a result of the transfer, the CSA No. 40 recognized a loss of \$2,339,650 (Statement of Activities) on the disposal of its fire service operations as a special item.

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.

County Service Area No. 40 – Fire Services
Notes to the Basic Financial Statements
June 30, 2024

B. 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, 2024:

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*: Provides guidance on accounting and financial reporting for these transactions. No impact to the CSA No. 40.

GASB Statement No. 96, *Subscription-based information technology arrangements (SBITAs)*. Provides guidance on accounting and financial reporting for SBITAs. No impact to the CSA No. 40.

GASB Statement No. 100, *Accounting Changes and Error Corrections-an amendment of GASB Statement No. 62*: Provides guidance on accounting and financial reporting for accounting changes and error corrections. No impact to the CSA No. 40.

C. Future Government Accounting Standards Board (GASB) Pronouncements

The following GASB statements were issued. CSA No. 40 has not determined the effect on the financial statements of the following GASB statements:

GASB Statement No. 101, *Compensated Absences*: Provides guidance on accounting and financial reporting for Compensated Absences. *Effective FY 2024-25*.

Required Supplementary Information
County Service Area No. 40 - Fire Services
Combining Balance Sheet - All Funds
Governmental Fund
June 30, 2024

	<u>Fire Services</u>	<u>Dry Creek Fire</u>	<u>Wilmar Fire</u>	<u>Total Governmental Funds</u>
Assets				
Cash and investments	\$ 2,304,279	\$ 4,146	\$ 181	\$ 2,308,606
Total assets	<u>\$ 2,304,279</u>	<u>\$ 4,146</u>	<u>\$ 181</u>	<u>\$ 2,308,606</u>
Liabilities and Fund Balance				
Liabilities:				
Due to other governments	\$ -	\$ 4,146	\$ 181	\$ 4,327
Total liabilities	<u>-</u>	<u>4,146</u>	<u>181</u>	<u>4,327</u>
Fund Balance				
Unassigned:	<u>2,304,279</u>	<u>-</u>	<u>-</u>	<u>2,304,279</u>
Total fund balances	<u>2,304,279</u>	<u>-</u>	<u>-</u>	<u>2,304,279</u>
Total liabilities and fund balance	<u>\$ 2,304,279</u>	<u>\$ 4,146</u>	<u>\$ 181</u>	<u>\$ 2,308,606</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, 2024

	Fire Services	Dry Creek Fire	Wilmar Fire	Total Governmental Funds
Reconciliation of Balance Sheet to Statement of Net Position				
Fund balance - total government funds	\$ 2,304,279	\$ -	\$ -	\$ 2,304,279
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.	-	-	100,329	100,329
Net Position of governmental activities	\$ 2,304,279	\$ -	\$ 100,329	\$ 2,404,608

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, 2024

	Fire Services	Dry Creek Fire	Wilmar Fire	Total Governmental Funds
Revenues				
Property taxes	\$ 114,510	\$ 1,903	\$ (1,768)	\$ 114,645
Investment earnings	74,676	9,919	5,066	89,661
Intergovernmental revenue	245,733	-	-	245,733
Charges for services	44,370	-	-	44,370
Total revenues	<u>479,289</u>	<u>11,822</u>	<u>3,298</u>	<u>494,409</u>
Expenditures				
Current:				
Services and supplies	183,194	-	-	183,194
Total expenditures	<u>183,194</u>	<u>-</u>	<u>-</u>	<u>183,194</u>
Excess (deficiency) of revenues over (under) expenditures	<u>296,095</u>	<u>11,822</u>	<u>3,298</u>	<u>311,215</u>
Special Item				
Disposal of operations	<u>-</u>	<u>(232,632)</u>	<u>(66,663)</u>	<u>(299,295)</u>
Net change in fund balance	296,095	(220,810)	(63,365)	11,920
Fund balance, beginning of year	2,008,184	220,810	63,365	2,292,359
Fund balance, end of year	<u>\$ 2,304,279</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,304,279</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, 2024

	Fire Services	Dry Creek Fire	Wilmar 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	\$ 296,095	\$ (220,810)	\$ (63,365)	\$ 11,920
<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>				
Capital asset transfers	(1,147,140)	-	(893,215)	(2,040,355)
Change in net position of governmental activities	\$ (851,045)	\$ (220,810)	\$ (956,580)	\$ (2,028,435)

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, 2024

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 40,300	\$ 40,300	\$ 114,510	\$ 74,210
Investment earnings	-	-	74,676	74,676
Intergovernmental revenue	222,056	222,056	245,733	23,677
Charges for services	-	-	44,370	44,370
Total revenues	<u>262,356</u>	<u>262,356</u>	<u>479,289</u>	<u>216,933</u>
Expenditures				
Current:				
Services and supplies	262,356	362,371	183,194	179,177
Total expenditures	<u>262,356</u>	<u>362,371</u>	<u>183,194</u>	<u>179,177</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(100,015)</u>	<u>296,095</u>	<u>396,110</u>
Net change in fund balance, budgetary basis	<u>\$ -</u>	<u>\$ (100,015)</u>	<u>\$ 296,095</u>	<u>\$ 396,110</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, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ -	\$ -	\$ 1,903	\$ 1,903
Investment earnings	-	-	9,919	9,919
Total revenues	<u>-</u>	<u>-</u>	<u>11,822</u>	<u>11,822</u>
Expenditures				
Current:				
Services and supplies	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>11,822</u>	<u>11,822</u>
Special Item				
Disposal of operations	<u>-</u>	<u>(232,000)</u>	<u>(232,632)</u>	<u>(632)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (232,000)</u>	<u>\$ (220,810)</u>	<u>\$ 11,190</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, 2024

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
Revenues	Original	Final	Amounts	(Negative)
Property taxes	\$ -	\$ -	\$ (1,768)	\$ (1,768)
Investment earnings	-	-	5,066	5,066
Total revenues	-	-	3,298	3,298
Excess (deficiency) of revenues over (under) expenditures	-	-	3,298	3,298
Special Item				
Disposal of Operations	-	(70,000)	(66,663)	3,337
Net change in fund balance	\$ -	\$ (70,000)	\$ (63,365)	\$ 6,635

Required Supplementary Information
Fire Services - County Service Area No. 40
Summary of Changes in Capital Assets
For the Fiscal Year Ended June 30, 2024

	<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:					
Equipment	\$ 2,299,471	\$ -	\$ (2,183,471)	\$ (116,000)	\$ -
Less accumulated depreciation for					
Equipment	<u>(1,152,331)</u>	<u>-</u>	<u>1,036,331</u>	<u>116,000</u>	<u>-</u>
Capital assets, net	<u>\$ 1,147,140</u>	<u>\$ -</u>	<u>\$ (1,147,140)</u>	<u>\$ -</u>	<u>\$ -</u>

Required Supplementary Information
Wilmar - County Service Area No. 40
Summary of Changes in Capital Assets
For the Fiscal Year Ended June 30, 2024

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Equipment	\$ 1,475,721	\$ 116,000	\$ (1,197,031)	\$ 394,690
Less accumulated depreciation for				
Equipment	<u>(482,177)</u>	<u>(116,000)</u>	<u>303,816</u>	<u>(294,361)</u>
Capital assets, net	<u>\$ 993,544</u>	<u>\$ -</u>	<u>\$ (893,215)</u>	<u>\$ \$ 100,329</u>

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

As of 6/30/2024 CSA No. 40 Board consisted of the following members:

<u>Directors</u>	<u>Office</u>	<u>Term Expires</u>
Susan Gorin.....		January 2025
David Rabbitt.....	Chair.....	January 2027
Chris Coursey.....		January 2025
James Gore		January 2027
Lynda Hopkins.....	Vice Chair.....	January 2025