

COUNTY SERVICE AREA NO. 40 – FIRE SERVICES

**ANNUAL REPORT
FOR THE FISCAL YEARS ENDED
JUNE 30, 2007 and 2006**



RODNEY A. DOLE
SONOMA COUNTY
AUDITOR-CONTROLLER
TREASURER-TAX COLLECTOR

COUNTY SERVICE AREA NO. 40 – FIRE SERVICES
Annual Report
For the Fiscal Years Ended
June 30, 2007 and 2006

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RODNEY A. DOLE
AUDITOR-CONTROLLER
TREASURER -TAX COLLECTOR



DONNA M. DUNK
ASSISTANT
AUDITOR-CONTROLLER

ROBERT BOITANO
ASSISTANT
TREASURER

PAM JOHNSTON
ASSISTANT
TAX COLLECTOR / AUDITOR

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

Auditor-Controller's Report

We have audited the accompanying basic financial statements of the County Service Area No. 40 – Fire Services (CSA No. 40), as of and for the years ended June 30, 2007 and 2006, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of CSA No. 40 management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note I.A., the basic financial statements of the CSA No. 40 are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities and the aggregate remaining fund information of the County of Sonoma that is attributable to the transactions of the CSA No. 40. They do not purport to, and do not, present fairly the financial position of the County of Sonoma as of June 30, 2007 and 2006 and the changes in its financial position, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note III.C of the Notes to the Basic Financial Statements, the Auditor-Controller is mandated by various statutes within the California Government Code to perform certain accounting, auditing and financial reporting functions. These activities, in themselves, necessarily impair the auditor's independence. However, we believe adequate safeguards and divisions of responsibility exist.

In our opinion, except for the effects, if any, of the impairment to auditor independence, the basic financial statements referred to above present fairly, in all material respects, the financial position of CSA No. 40 as of June 30, 2007 and 2006, and the respective changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

CSA No. 40's management has not presented the management's discussion and analysis information that the Government Accounting Standards Board has determined is required to supplement, although not required to be a part of, the basic financial statements.

Sonoma County Auditor-Controller

June 30, 2008

COUNTY SERVICE AREA NO. 40 - FIRE SERVICES
Statement of Net Assets
June 30, 2007

Assets

Cash and investments	\$	3,981,548
Accounts receivable		140,459
Capital assets (net of accumulated depreciation)		
Equipment		1,121,089
Restricted assets:		
Cash with fiscal agent		62,943
Total assets		5,306,039

Liabilities

Accounts payable		696,447
Capital leases payable - Due within one year		21,863
Accrued interest payable		1,490
Deferred revenue		641,248
Non-current liabilities:		
Compensated absences		126,838
Capital leases payable - Due in more than one year		187,790
Total liabilities		1,675,676

Net Assets

Invested in capital assets, net of related debt		911,436
Restricted		72,943
Unrestricted		2,645,984
Total net assets	\$	3,630,363

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

COUNTY SERVICE AREA NO. 40 - FIRE SERVICES
Statement of Net Assets
June 30, 2006

Assets

Cash and investments	\$	2,879,316
Accounts receivable		522,928
Capital assets (net of accumulated depreciation)		
Equipment		881,665
Restricted assets:		
Cash with fiscal agent		165,000
Total assets		4,448,909

Liabilities

Accounts payable		253,852
Capital leases payable - Due within one year		20,827
Accrued interest payable		1,683
Deferred revenue		545,671
Non-current liabilities:		
Compensated absences		135,284
Capital leases payable - Due in more than one year		209,653
Total liabilities		1,166,970

Net Assets

Invested in capital assets, net of related debt		651,185
Restricted		175,000
Unrestricted		2,455,754
Total net assets	\$	3,281,939

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, 2007

Program Expenses

Public safety - fire prevention	
Salaries and employee benefits	\$ 1,819,487
Services and supplies	2,158,852
Depreciation	89,671
Debt service - interest	10,728
Other charges	12,000
Total program expenses	<u>4,090,738</u>

Program Revenues

Charges for services	
Intergovernmental revenue	341,404
Charges for services	<u>1,178,079</u>
Total charges for services	<u>1,519,483</u>
Net program revenues (expenses)	<u>(2,571,255)</u>

General Revenues

Property taxes	2,706,972
Investment earnings	<u>172,291</u>
Total general revenues	<u>2,879,263</u>

Other financing sources (uses)

Operating transfers in	50,405
Operating transfers out	<u>(9,989)</u>
Total other financing sources (uses)	<u>40,416</u>

Change in net assets	348,424
Net assets, beginning of year	<u>3,281,939</u>
Net assets, end of year	<u>\$ 3,630,363</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, 2006

Program Expenses

Public safety - fire prevention	
Salaries and employee benefits	\$ 1,605,333
Services and supplies	2,419,954
Depreciation	105,663
Debt service - interest	9,879
Other charges	12,000
Total program expenses	<u>4,152,829</u>

Program Revenues

Charges for services	
Intergovernmental revenue	935,907
Charges for services	940,611
Total charges for services	<u>1,876,518</u>
Net program revenues (expenses)	<u>(2,276,311)</u>

General Revenues

Property taxes	2,528,289
Investment earnings	105,752
Total general revenues	<u>2,634,041</u>

Other financing sources (uses)

Operating transfers in	40,736
Operating transfers out	(9,904)
Total other financing sources (uses)	<u>30,832</u>

Special item

Legal settlement	<u>127,636</u>
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Change in net assets	516,198
Net assets, beginning balance, as restated	<u>2,765,741</u>
Net assets, end of year	<u>\$ 3,281,939</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, 2007

Assets

Cash and investments	\$ 3,981,548
Accounts receivable	140,459
Restricted assets:	
Cash with fiscal agent	62,943
Total assets	\$ 4,184,950

Liabilities and Fund Balance

Liabilities:	
Accounts payable	\$ 696,447
Accrued interest payable	1,490
Deferred revenue	641,248
Total liabilities	1,339,185
Fund balance:	
Reserved for encumbrances	172,796
Reserved for equipment	72,943
Unreserved	2,600,026
Total fund balances	2,845,765
Total liabilities and fund balance	\$ 4,184,950

Reconciliation of Balance Sheet to Statement of Net Assets

Fund balance - total government funds	\$ 2,845,765
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.	1,121,089
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Compensated absences	(126,838)
Capital leases payable	(209,653)
Net assets of governmental activities	\$ 3,630,363

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, 2006

Assets

Cash and investments	\$ 2,879,316
Accounts receivable	522,928
Restricted assets:	
Cash with fiscal agent	165,000
Total assets	\$ 3,567,244

Liabilities and Fund Balance

Liabilities:	
Accounts payable	\$ 253,852
Accrued interest payable	1,683
Deferred revenue	545,671
Total liabilities	801,206

Fund balance:

Reserved for encumbrances	266,173
Reserved for equipment	175,000
Unreserved:	2,324,865
Total fund balances	2,766,038
Total liabilities and fund balance	\$ 3,567,244

Reconciliation of Balance Sheet to Statement of Net Assets

Fund balance - total government funds	\$ 2,766,038
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.	881,665
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Compensated absences	(135,284)
Capital leases payable	(230,480)
Net assets of governmental activities	\$ 3,281,939

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 Funds
For the Fiscal Year Ended June 30, 2007

Revenues

Property taxes	\$ 2,706,972
Investment earnings	172,291
Intergovernmental revenue	341,404
Charges for services	1,178,079
Total revenues	4,398,746

Expenditures

Current:	
Salaries and employee benefits	1,827,933
Services and supplies	2,158,852
Other charges	12,000
Debt service	
Principal	20,827
Interest	10,728
Capital outlay	329,095
Total expenditures	4,359,435

Excess (deficiency) of revenues over (under) expenditures	39,311
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Other financing sources (uses)

Operating transfers - in	50,405
Operating transfers - out	(9,989)
Total other financing sources (uses)	40,416

Net change in fund balance	79,727
Fund balance, beginning of year	2,766,038
Fund balance, end of year	\$ 2,845,765

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, 2007

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

Net change in fund balance - total governmental fund	\$	79,727
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Expenditure for capital assets		329,095
Current year depreciation		(89,671)
<p>The net effect of various miscellaneous transactions involving capital leases payable (i.e. principal payment, accrued interest) is to increase net assets.</p>		
		20,827
<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>8,446</u>
Change in net assets of governmental activities	\$	<u><u>348,424</u></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 - All Funds
Governmental Funds
For the Fiscal Year Ended June 30, 2006

Revenues

Property taxes	\$ 2,528,289
Investment earnings	105,752
Intergovernmental revenue	935,907
Charges for services	940,611
Total revenues	4,510,559

Expenditures

Current:	
Salaries and employee benefits	1,601,546
Services and supplies	2,419,954
Other charges	12,000
Debt service	
Principal	37,850
Interest	9,879
Capital outlay	47,752
Total expenditures	4,128,981

Excess (deficiency) of revenues over (under) expenditures	381,578
--------------------------------------------------------------	---------

Other financing sources (uses)

Other financing sources	205,736
Other financing uses	(9,904)
Total other financing sources (uses)	195,832

Special item

Legal settlement	127,636
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Net change in fund balance	705,046
Fund balance, beginning of year, as restated	2,060,992
Fund balance, end of year	\$ 2,766,038

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, 2006

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

Net change in fund balance - total governmental fund	\$ 705,046
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Expenditure for capital assets	47,752
Current year depreciation	(105,663)
<p>The net effect of various miscellaneous transactions involving capital leases payable (i.e. principal payment, accrued interest) is to decrease net assets.</p>	
	(127,150)
<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>(3,787)</u>
Change in net assets of governmental activities	<u>\$ 516,198</u>

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, 2007 and 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

County Service Area No. 40 – Fire Services (CSA No. 40) coordinates fire service activities in the unincorporated areas of Sonoma County, advises the Board 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 Emergency Services. The department administers contracts for structural fire response with local fire agencies, not-for-profit corporations and the Department of Forestry (CDF). The department also administers the volunteer fire program for twelve 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 assets and the statement of activities) report information on all of the nonfiduciary 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 recorded when a liability is incurred, regardless of the timing of the

COUNTY SERVICE AREA No. 40 – FIRE SERVICES
Notes to the Basic Financial Statements
June 30, 2007 and 2006

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Taxes, interest, and charges for services are accrued 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. Likewise, general revenues include all taxes.

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Investments

CSA No. 40 reports certain investments at fair value in the balance sheet and recognizes the corresponding change in the fair value of investments in the year in which the change occurred.

2. Receivables and Payables

a. Property Taxes

The County of Sonoma is responsible for assessing, collecting and distributing property taxes in accordance with state law. Liens on real property are established January 1 for the ensuing fiscal year. The property tax is levied as of July 1 on all taxable property located in the County of Sonoma. Secured property taxes are due in two installments, on November 1 and February 1, and are delinquent after December 10 and April 10, respectively. Additionally, supplemental property taxes are levied on a pro rata basis when changes in assessed valuation occur due to sales transactions or the completion of

COUNTY SERVICE AREA No. 40 – FIRE SERVICES
Notes to the Basic Financial Statements
June 30, 2007 and 2006

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.

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. Accrued Interest Payable

Accrued interest payable is interest expense that has been incurred but not yet paid.

c. Deferred Revenues

Deferred revenues are resource inflows which do not yet meet the criteria for revenue recognition. Unearned charges for services are always reported as deferred revenues.

3. Capital Assets

Capital assets, 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:

COUNTY SERVICE AREA No. 40 – FIRE SERVICES
Notes to the Basic Financial Statements
June 30, 2007 and 2006

Assets	Years
Equipment	4 – 25

4. Compensated Absences

It is CSA No. 40’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay and 25% of sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

5. Net Assets

Net assets are classified into three components – invested in capital assets, restricted, and unrestricted. These classifications are defined as follows:

- Invested in capital assets – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted net assets – 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.
- Unrestricted net assets - This category represents net assets of the entity, not restricted for any project or other purpose.

When both restricted and unrestricted net assets are available, restricted resources are used only after the unrestricted resources are depleted.

6. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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

Effective July 1, 2005, CSA No. 40 implemented the following new GASB Statements:

COUNTY SERVICE AREA No. 40 – FIRE SERVICES
Notes to the Basic Financial Statements
June 30, 2007 and 2006

GASB Statement No. 42

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries.

GASB Statement No. 46

GASB No. 46 - *Net Assets Restricted by Enabling Legislation—an amendment of GASB Statement No. 34* in December 2004. This statement clarifies the definition of a legally enforceable enabling legislation restriction, specifies the accounting and financial reporting requirements if new enabling legislation replaces existing enabling legislation or if legal enforceability is reevaluated, and requires governments to disclose the portion of total net assets that is restricted by enabling legislation. GASB No. 46 is effective for financial statements for periods beginning after June 15, 2005.

GASB Statement No. 47

GASB Statement No. 47, *Accounting for Termination Benefits* establishes standards for accounting and financial reporting for termination benefits. Termination benefits include early-retirement incentives, severance benefits, and other termination-related benefits. The scope of this Statement does not include unemployment compensation, for which accounting requirements are established in National Council on Governmental Accounting (NCGA) Statement 4, *Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences*.

II. DETAILED NOTES

A. Cash and Investments

Investment in the Sonoma County Treasurer's Investment Pool

COUNTY SERVICE AREA No. 40 – FIRE SERVICES
Notes to the Basic Financial Statements
June 30, 2007 and 2006

As authorized by Health and Safety Code 13854 (a) CSA No. 40's cash is pooled with the Sonoma County Treasurer, who acts as a disbursing agent for CSA No. 40. The fair value of the CSA No. 40's investment in this pool is reported in the accompanying financial statements at amounts based upon the CSA No. 40's pro-rata share of the fair value provided by the Treasury Pool for the entire Treasury Pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on accounting records maintained by the Treasury Pool, which are recorded on an amortized cost basis. Interest earned on investments pooled with the County is allocated quarterly to the appropriate fund based on its respective average daily balance for that quarter. The Treasury Oversight Committee has regulatory oversight for all monies deposited into the Treasury Pool.

Investment Guidelines

The CSA No. 40's pooled cash and investments are invested pursuant to investment policy guidelines established by the County Treasurer and approved by the Board of Supervisors. The objectives of the policy are, in order of priority: safety of capital, liquidity and maximum rate of return. The policy addresses the soundness of financial institutions in which the County will deposit funds, types of investment instruments as permitted by the California Government Code 53601, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity.

A copy of the Treasury Pool investment policy is available upon request from the Sonoma County Treasurer at 585 Fiscal Drive, Room 100-F, Santa Rosa, California, 95403-2871.

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, 2007, approximately 69 percent of the securities in the Treasury Pool had maturities of one year or less. Of the remainder, only 4 percent had a maturity of more than five years.

COUNTY SERVICE AREA No. 40 – FIRE SERVICES
Notes to the Basic Financial Statements
June 30, 2007 and 2006

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 Treasury Pool'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 stated law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.
- 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 2007 Sonoma County CAFR.

COUNTY SERVICE AREA No. 40 – FIRE SERVICES
Notes to the Basic Financial Statements
June 30, 2007 and 2006

B. Capital assets

Capital asset activity for the years ending June 30, 2007 and 2006 were as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers & Adjustments</u>	<u>Ending Balance</u>
Capital assets, being depreciated:					
Equipment					
For the fiscal year ended:					
June 30, 2006	1,718,309	47,752	(38,255)		1,727,806
June 30, 2007	<u>1,727,806</u>	<u>329,095</u>	<u>(16,383)</u>		<u>2,040,518</u>
Less accumulated depreciation for all depreciable capital assets:					
For the fiscal year ended:					
June 30, 2006	(778,733)	(105,663)	38,255		(846,141)
June 30, 2007	<u>(846,141)</u>	<u>(89,671)</u>	<u>16,383</u>		<u>(919,429)</u>
Capital assets, net:					
June 30, 2006	939,576	(57,911)	0	0	881,665
June 30, 2007	<u>881,665</u>	<u>239,424</u>	<u>0</u>	<u>0</u>	<u>1,121,089</u>

COUNTY SERVICE AREA No. 40 – FIRE SERVICES
Notes to the Basic Financial Statements
June 30, 2007 and 2006

C. Long-Term Debt

Changes in long-term debt

Long-term liability activity for the year ended June 30, 2007, 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	\$ 135,284	\$	\$ (8,446)	\$ 126,838	\$ 0
Capital lease	<u>230,480</u>		<u>(20,827)</u>	<u>209,653</u>	<u>21,863</u>
Total long-term liabilities	<u>\$ 365,764</u>	<u>\$ 0</u>	<u>\$ (29,273)</u>	<u>\$ 336,491</u>	<u>\$ 21,863</u>

Long-term liability activity for the year ended June 30, 2006 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	\$ 131,497	\$ 3,787	\$	\$ 135,284	\$ 0
Capital lease	<u>103,330</u>	<u>165,000</u>	<u>(37,850)</u>	<u>230,480</u>	<u>20,827</u>
Total long-term liabilities	<u>\$ 234,827</u>	<u>\$ 168,787</u>	<u>\$ (37,850)</u>	<u>\$ 365,764</u>	<u>\$ 20,827</u>

D. Capital Leases Payable

During Fiscal Year 2005/06 CSA No. 40 – Wilmar entered into a \$165,000 lease-purchase agreement with LaSalle Bank National Association in order to finance the purchase of a Pumper Fire Truck. The lease is payable over five years at 4.59% interest.

<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, 2007</u>
Ford F-650 Fire Pumper	7/5/2012	5.33%	\$6,537 - 10,431	\$ 83,500	\$ 57,992
2006 Westates Custom Pumper	5/4/2016	4.59%	\$6,594 - \$10,148	165,000	<u>151,661</u>
Total					<u>\$ 209,653</u>

COUNTY SERVICE AREA No. 40 – FIRE SERVICES
Notes to the Basic Financial Statements
June 30, 2007 and 2006

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

Year Ending June 30	Principal	Interest
2008	21,863	9,885
2009	22,952	8,796
2010	24,095	7,653
2011	25,296	6,452
2012	26,558	5,391
2013-2016	88,889	8,673
Total	\$ <u>209,653</u>	\$ <u>46,850</u>

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.

All CSA No. 40 volunteer organizations are covered by a Worker’s Compensation Insurance program which is provided by CSA No. 40 through a contract with the State Compensation Insurance Fund.

B. Employee Retirement Plan

Plan Description

All full-time employees participate in a cost sharing multiple-employer Defined Benefit Pension Plan (DBPP) and a Post-employment Healthcare Plan (PHP) administered by the Sonoma County Employees’ Retirement Association (SCERA). The County of Sonoma is the primary government (employer) for the multiple-employer plans. The SCERA was organized on January 1, 1946, under the provision of the 1937 County Employees Retirement Act, and is financially independent of the County of Sonoma.

DBPP members include all permanent full employees of a participating employer who have been appointed to a permanent position of at least half time. The plan provides benefits as defined by the law upon retirement, death, or disability of members.

COUNTY SERVICE AREA No. 40 – FIRE SERVICES
Notes to the Basic Financial Statements
June 30, 2007 and 2006

In addition to the pension benefits described above, post-retirement health care benefits are provided to all active, covered employees who retire on or after attaining the age of 50 with at least 10 years of service. The employer pays approximately 85% of the health care insurance premium for retirees and their eligible dependents. The retiree can choose one of three health care providers. The employer reimburses a fixed amount per month for Medicare supplement for each retiree aged 65 and over covered under Medicare Parts A and B.

SCERA issues a publicly available financial report that includes financial statements and required supplementary information for the pension plan. That report may be obtained by writing to Sonoma County Employee's Retirement Association, 433 Aviation Blvd., Suite 100, Santa Rosa, CA 95403-1069 or by calling 707-565-8100.

Funding Policy

Contribution rates for the employers and their covered employees are adopted by the Board of Supervisors upon recommendation by the SCERA Board of Retirement. Pension plan members are required to contribute 5% to 12% of their annual covered salary, depending upon their age of entry into the system. The employer is required to contribute an amount necessary to finance the coverage of their employees through periodic contributions at actuarially determined rates. Contributions to the DBPP for the fiscal years ended June 30, 2007 and 2006 were \$296,087 and \$231,426, respectively.

Post employment healthcare benefits are funded by employer contributions made on a periodic basis. The rate is determined annually by SCERA and approved by the Board of Supervisors. The rate is determined by dividing the estimated annual premium cost by the annual covered payroll. The financial statements of the County of Sonoma (the primary government) contain the financial information for the post-employment benefits, which are not presented here because the CSA No. 40's portion cannot be separated from the whole.

C. Auditor Independence

As required by various statutes within the California Government Code, County Auditor-Controllers are mandated to perform certain accounting, auditing and financial reporting functions. These activities, in themselves, necessarily impair the auditor's independence. Specifically, "Auditors should not audit their own work or provide non audit services in situations where the amounts or services involved are significant or material to the subject matter of the audit." Although the office of the Auditor-Controller is statutorily obligated to maintain accounts of departments, districts or funds that are contained within the County Treasury, we believe that adequate safeguards and divisions of responsibility

COUNTY SERVICE AREA No. 40 – FIRE SERVICES
Notes to the Basic Financial Statements
June 30, 2007 and 2006

exist. Therefore, we believe that subject to this qualification and disclosure, the reader can rely on the auditor’s opinion contained in this report.

D. Prior Period Adjustment

A prior period adjustment was made to beginning fund balance to adjust for charges for services revenue which was overbilled during the previous fiscal year.

The effect of the prior period adjustment on the beginning fund balance is as follows:

Fund balance	
June 30, 2005 as previously reported	\$ 2,104,468
Restatements:	
Correction of error in contract billing	<u>(43,476)</u>
Total fund balance at July 1, 2005, as restated	<u><u>2,060,992</u></u>

The effect of the prior period adjustment on beginning net assets is as follows:

Net assets	
June 30, 2005 as previously reported	2,809,217
Restatements:	
Correction of error in contract billing	<u>(43,476)</u>
Net assets as of July 1, 2005, as restated	<u><u>\$ 2,765,741</u></u>

E. Legal Settlement

During fiscal year 2005/2006 CSA No. 40 received a legal settlement from Rancho Adobe Fire Protection District in the amount of \$127,636. This settlement was for the early termination of the administrative services contract.

COUNTY SERVICE AREA NO. 40 - FIRE SERVICES

Combining Balance Sheet - All Funds

Governmental Funds

June 30, 2007

	<u>Fire</u>	<u>Sea Ranch</u>	<u>Fitch</u>	<u>Dry Creek</u>	<u>Wilmar</u>	<u>Mayacamas</u>	<u>Total</u>
	<u>Services</u>	<u>Fire</u>	<u>Mountain</u>	<u>Fire</u>	<u>Fire</u>	<u>Fire</u>	<u>Governmental</u>
	<u> </u>	<u> </u>	<u>Fire</u>	<u> </u>	<u> </u>	<u> </u>	<u>Funds</u>
Assets							
Cash and investments	\$ 2,625,997	\$ 816,059	\$ 199,494	\$ 127,805	\$ 186,625	\$ 25,568	\$ 3,981,548
Cash with fiscal agent					62,943		62,943
Accounts receivable	<u>140,459</u>						<u>140,459</u>
Total assets	<u>\$ 2,766,456</u>	<u>\$ 816,059</u>	<u>\$ 199,494</u>	<u>\$ 127,805</u>	<u>\$ 249,568</u>	<u>\$ 25,568</u>	<u>\$ 4,184,950</u>
Liabilities and Fund Balance							
Liabilities:							
Accounts payable	\$ 203,568	\$ 304,919		\$ 19	\$ 187,722	\$ 219	\$ 696,447
Accrued interest payable						1,490	1,490
Deferred revenue	<u>641,248</u>						<u>641,248</u>
Total liabilities	<u>844,816</u>	<u>304,919</u>	<u>0</u>	<u>19</u>	<u>187,722</u>	<u>1,709</u>	<u>1,339,185</u>
Fund balance:							
Reserved for encumbrances	167,304	3,915			561	1,016	172,796
Reserved for equipment	10,000				62,943		72,943
Unreserved:	<u>1,744,336</u>	<u>507,225</u>	<u>199,494</u>	<u>127,786</u>	<u>(1,658)</u>	<u>22,843</u>	<u>2,600,026</u>
Total fund balance	<u>1,921,640</u>	<u>511,140</u>	<u>199,494</u>	<u>127,786</u>	<u>61,846</u>	<u>23,859</u>	<u>2,845,765</u>
Total liabilities and fund balance	<u>\$ 2,766,456</u>	<u>\$ 816,059</u>	<u>\$ 199,494</u>	<u>\$ 127,805</u>	<u>\$ 249,568</u>	<u>\$ 25,568</u>	<u>\$ 4,184,950</u>

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

COUNTY SERVICE AREA NO. 40 - FIRE SERVICES
Reconciliation of the Combining Balance Sheet - All Funds
To the Statement of Net Assets
Governmental Funds
June 30, 2007

	Fire Services	Sea Ranch Fire	Fitch Mountain Fire	Dry Creek Fire	Wilmar Fire	Mayacamas Fire	Total Governmental Funds
Reconciliation of Balance Sheet to Statement of Net Assets							
Fund balance - total government funds	\$ 1,921,640	\$ 511,140	\$ 199,494	\$ 127,786	\$ 61,846	\$ 23,859	\$ 2,845,765
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.	293,153	299,333		65,315	364,690	98,598	1,121,089
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.							
Compensated absences	(126,838)						(126,838)
Capital leases payable					(151,661)	(57,992)	(209,653)
Net assets of governmental activities	\$ 2,087,955	\$ 810,473	\$ 199,494	\$ 193,101	\$ 274,875	\$ 64,465	\$ 3,630,363

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

COUNTY SERVICE AREA NO. 40 - FIRE SERVICES

Combining Balance Sheet - All Funds

Governmental Funds

June 30, 2006

	<u>Fire</u>	<u>Sea Ranch</u>	<u>Fitch</u>	<u>Dry Creek</u>	<u>Wilmar</u>	<u>Mayacamas</u>	<u>Total</u>
	Services	Fire	Mountain	Fire	Fire	Fire	Governmental
	_____	_____	_____	_____	_____	_____	Funds
	_____	_____	_____	_____	_____	_____	_____
Assets							
Cash and investments	\$ 1,686,746	\$ 664,487	\$ 202,315	\$ 107,735	\$ 199,627	\$ 18,406	\$ 2,879,316
Cash with fiscal agent					165,000		165,000
Accounts receivable	522,928						522,928
	_____	_____	_____	_____	_____	_____	_____
Total assets	\$ <u>2,209,674</u>	\$ <u>664,487</u>	\$ <u>202,315</u>	\$ <u>107,735</u>	\$ <u>364,627</u>	\$ <u>18,406</u>	\$ <u>3,567,244</u>
	_____	_____	_____	_____	_____	_____	_____
Liabilities and Fund Balance							
Liabilities:							
Accounts payable	\$ 87,587	\$ 123,934	\$	\$ 2,609	\$ 39,665	\$ 57	\$ 253,852
Accrued interest payable						1,683	1,683
Deferred revenue	545,671						545,671
	_____	_____	_____	_____	_____	_____	_____
Total liabilities	633,258	123,934	0	2,609	39,665	1,740	801,206
	_____	_____	_____	_____	_____	_____	_____
Fund balance:							
Reserved for encumbrances	147,333	4,913		2,916	108,921	2,090	266,173
Reserved for equipment	10,000				165,000		175,000
Unreserved:	1,419,083	535,640	202,315	102,210	51,041	14,576	2,324,865
	_____	_____	_____	_____	_____	_____	_____
Total fund balances	1,576,416	540,553	202,315	105,126	324,962	16,666	2,766,038
	_____	_____	_____	_____	_____	_____	_____
Total liabilities and fund balance	\$ <u>2,209,674</u>	\$ <u>664,487</u>	\$ <u>202,315</u>	\$ <u>107,735</u>	\$ <u>364,627</u>	\$ <u>18,406</u>	\$ <u>3,567,244</u>
	_____	_____	_____	_____	_____	_____	_____

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

COUNTY SERVICE AREA NO. 40 - FIRE SERVICES
Reconciliation of the Combining Balance Sheet - All Funds
To the Statement of Net Assets
Governmental Funds
June 30, 2006

	Fire Services	Sea Ranch Fire	Fitch Mountain Fire	Dry Creek Fire	Wilmar Fire	Mayacamas Fire	Total Governmental Funds
Reconciliation of Balance Sheet to Statement of Net Assets							
Fund balance - total government funds	\$ 1,576,416	\$ 540,553	\$ 202,315	\$ 105,126	\$ 324,962	\$ 16,666	\$ 2,766,038
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.	286,715	329,941		70,236	91,480	103,293	881,665
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.							
Compensated absences	(135,284)						(135,284)
Capital leases payable					(165,000)	(65,480)	(230,480)
Net assets of governmental activities	\$ 1,727,847	\$ 870,494	\$ 202,315	\$ 175,362	\$ 251,442	\$ 54,479	\$ 3,281,939

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

COUNTY SERVICE AREA NO. 40 - FIRE SERVICES
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - All Funds
Governmental Funds
For the Fiscal Year Ended June 30, 2007

	Fire Services	Sea Ranch Fire	Fitch Mountain Fire	Dry Creek Fire	Wilmar Fire	Mayacamas Fire	Total Governmental Funds
Revenues							
Property taxes	\$ 2,492,063	\$	\$	\$ 104,761	\$ 87,857	\$ 22,291	\$ 2,706,972
Investment earnings	120,656	20,475	9,179	5,686	15,503	792	172,291
Intergovernmental revenue	341,404						341,404
Charges for services	1,178,079						1,178,079
Total revenues	4,132,202	20,475	9,179	110,447	103,360	23,083	4,398,746
Expenditures							
Current:							
Salaries and employee benefits	1,827,933						1,827,933
Services and supplies	1,372,502	626,442		87,787	67,025	5,096	2,158,852
Other charges			12,000				12,000
Debt service							
Principal					13,339	7,488	20,827
Interest					7,422	3,306	10,728
Capital outlay	50,405				278,690		329,095
Total expenditures	3,250,840	626,442	12,000	87,787	366,476	15,890	4,359,435
Excess (deficiency) of revenues over (under) expenditures	881,362	(605,967)	(2,821)	22,660	(263,116)	7,193	39,311
Other financing sources (uses)							
Operating transfers - in	50,405	576,554		104,538	85,000		816,497
Operating transfers - out	(586,543)			(104,538)	(85,000)		(776,081)
Total other financing sources (uses)	(536,138)	576,554	0	0	0	0	40,416
Net change in fund balance	345,224	(29,413)	(2,821)	22,660	(263,116)	7,193	79,727
Fund balance, beginning of year	1,576,416	540,553	202,315	105,126	324,962	16,666	2,766,038
Fund balance, end of year	\$ 1,921,640	\$ 511,140	\$ 199,494	\$ 127,786	\$ 61,846	\$ 23,859	\$ 2,845,765

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

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, 2007

	<u>Fire</u>	<u>Sea Ranch</u>	<u>Fitch</u>	<u>Dry Creek</u>	<u>Wilmar</u>	<u>Mayacamas</u>	<u>Total</u>
	<u>Services</u>	<u>Fire</u>	<u>Mountain</u>	<u>Fire</u>	<u>Fire</u>	<u>Fire</u>	<u>Governmental</u>
			<u>Fire</u>				<u>Funds</u>
Amounts reported for governmental activities in the statement of activities are different because:							
Net change in fund balance - total governmental fund	\$ 345,224	\$ (29,413)	\$ (2,821)	22,660	\$ (263,116)	7,193	\$ 79,727
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.							
Expenditure for capital assets	50,405				278,690		329,095
Current year depreciation	(43,967)	(30,608)		(4,921)	(5,480)	(4,695)	(89,671)
The net effect of various miscellaneous transactions involving capital leases payable (i.e. principal payment) is to increase net assets.					13,339	7,488	20,827
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.							
	<u>8,446</u>						<u>8,446</u>
Change in net assets of governmental activities	<u>\$ 360,108</u>	<u>\$ (60,021)</u>	<u>\$ (2,821)</u>	<u>\$ 17,739</u>	<u>\$ 23,433</u>	<u>\$ 9,986</u>	<u>\$ 348,424</u>

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

COUNTY SERVICE AREA NO. 40 - FIRE SERVICES
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - All Funds
Governmental Funds
For the Fiscal Year Ended June 30, 2006

	Fire Services	Sea Ranch Fire	Fitch Mountain Fire	Dry Creek Fire	Wilmar Fire	Mayacamas Fire	Total Governmental Funds
Revenues							
Property taxes	\$ 2,316,766	\$	\$	\$ 102,079	\$ 86,993	\$ 22,451	\$ 2,528,289
Investment earnings	74,774	13,854	7,287	3,697	5,709	431	105,752
Intergovernmental revenue	935,907						935,907
Charges for services	940,611						940,611
Legal settlement	127,636						127,636
Total revenues	<u>4,395,694</u>	<u>13,854</u>	<u>7,287</u>	<u>105,776</u>	<u>92,702</u>	<u>22,882</u>	<u>4,638,195</u>
Expenditures							
Current:							
Salaries and employee benefits	1,601,546						1,601,546
Services and supplies	1,763,295	496,658		88,973	64,317	6,711	2,419,954
Other charges			12,000				12,000
Debt service							
Principal		33,253				4,597	37,850
Interest		1,806				8,073	9,879
Capital outlay	27,516	10,236		10,000			47,752
Total expenditures	<u>3,392,357</u>	<u>541,953</u>	<u>12,000</u>	<u>98,973</u>	<u>64,317</u>	<u>19,381</u>	<u>4,128,981</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,003,337</u>	<u>(528,099)</u>	<u>(4,713)</u>	<u>6,803</u>	<u>28,385</u>	<u>3,501</u>	<u>509,214</u>
Other financing sources (uses)							
Capital lease proceeds					165,000		165,000
Operating transfers in	40,736	538,462		105,000	85,000		769,198
Operating transfers out	(548,366)			(105,000)	(85,000)		(738,366)
Total other financing sources (uses)	<u>(507,630)</u>	<u>538,462</u>	<u>0</u>	<u>0</u>	<u>165,000</u>	<u>0</u>	<u>195,832</u>
Net change in fund balance	495,707	10,363	(4,713)	6,803	193,385	3,501	705,046
Fund balance, beginning of year, as restated	1,080,709	530,190	207,028	98,323	131,577	13,165	2,060,992
Fund balance, end of year	<u>\$ 1,576,416</u>	<u>\$ 540,553</u>	<u>\$ 202,315</u>	<u>\$ 105,126</u>	<u>\$ 324,962</u>	<u>\$ 16,666</u>	<u>\$ 2,766,038</u>

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

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, 2006

	Fire Services	Sea Ranch Fire	Fitch Mountain Fire	Dry Creek Fire	Wilmar Fire	Mayacamas Fire	Total Governmental Funds
Amounts reported for governmental activities in the statement of activities are different because:							
Net change in fund balance - total governmental fund	\$ 495,707	\$ 10,363	\$ (4,713)	\$ 6,803	\$ 193,385	\$ 3,501	\$ 705,046
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.							
Expenditure for capital assets	27,516	10,236		10,000			47,752
Current year depreciation	(50,427)	(42,138)		(2,922)	(5,480)	(4,696)	(105,663)
The net effect of various miscellaneous transactions involving capital leases payable (i.e. principal payment) is to increase net assets.		33,253			(165,000)	4,597	(127,150)
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.	(3,787)						(3,787)
Change in net assets of governmental activities	\$ 469,009	\$ 11,714	\$ (4,713)	\$ 13,881	\$ 22,905	\$ 3,402	\$ 516,198

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

COUNTY SERVICE AREA NO. 40 - FIRE SERVICES
Combined Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budgets and Actual - All Funds
General Fund
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive
	Original	Final		(Negative)
Revenues				
Property taxes	\$ 2,616,534	\$ 2,616,534	\$ 2,706,972	\$ 90,438
Investment earnings	72,700	72,700	172,291	99,591
Intergovernmental revenue	299,907	512,294	341,404	(170,890)
Licenses and permits	1,129,078	1,129,078	1,178,079	49,001
Miscellaneous	239,182	285,682		(285,682)
Total revenues	<u>4,357,401</u>	<u>4,616,288</u>	<u>4,398,746</u>	<u>(217,542)</u>
Expenditures				
Current:				
Salaries and employee benefits	2,010,649	2,063,611	1,827,933	235,678
Services and supplies	2,741,655	2,925,283	2,315,907	609,376
Other charges	12,000	12,000	12,000	0
Debt service:				
Principal	70,340	76,895	20,827	56,068
Interest			10,728	(10,728)
Capital outlay	112,200	127,942	344,836	(216,894)
Total expenditures	<u>4,946,844</u>	<u>5,205,731</u>	<u>4,532,231</u>	<u>673,500</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(589,443)</u>	<u>(589,443)</u>	<u>(133,485)</u>	<u>455,958</u>
Other financing sources (uses)				
Operating transfers - in	791,692	791,692	816,497	24,805
Operating transfers - out	(801,681)	(801,681)	(776,081)	25,600
Total other financing sources (uses)	<u>(9,989)</u>	<u>(9,989)</u>	<u>40,416</u>	<u>50,405</u>
Net change in fund balance, budgetary basis	<u>\$ (599,432)</u>	<u>\$ (599,432)</u>	(93,069)	<u>\$ 506,363</u>
Budgetary Adjustments:				
Basis adjustments:				
Encumbrances			172,796	
Net change in fund balance, GAAP Basis			<u>\$ 79,727</u>	

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

COUNTY SERVICE AREA NO. 40 - FIRE SERVICES
Combined Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budgets and Actual - All Funds
General Fund
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
Revenues				Positive
				(Negative)
Property taxes	\$ 2,335,889	\$ 2,384,584	\$ 2,528,289	\$ 143,705
Investment earnings	41,700	41,700	105,752	64,052
Intergovernmental revenue	807,639	975,880	935,907	(39,973)
Charges for services	1,148,302	1,148,302	940,611	(207,691)
Legal settlement			127,636	127,636
Miscellaneous	181,378	181,378		(181,378)
Total revenues	4,514,908	4,731,844	4,638,195	(93,649)
Expenditures				
Current:				
Salaries and employee benefits	1,756,416	1,776,934	1,601,546	175,388
Services and supplies	2,788,809	3,000,850	2,573,927	426,923
Other charges	12,000	12,000	12,000	0
Debt service:				
Principal	92,368	92,368	37,850	54,518
Interest			9,879	(9,879)
Capital outlay	24,100	132,461	159,952	(27,491)
Total expenditures	4,673,693	5,014,613	4,395,154	619,459
Excess (deficiency) of revenues over (under) expenditures	(158,785)	(282,769)	243,041	525,810
Other financing sources (uses)				
Capital lease proceeds			165,000	165,000
Operating transfers in	744,096	744,096	769,198	25,102
Operating transfers out	(736,801)	(736,801)	(738,366)	(1,565)
Total other financing sources (uses)	7,295	7,295	195,832	188,537
Net change in fund balance, budgetary basis	\$ (151,490)	\$ (275,474)	438,873	\$ 714,347
Budgetary Adjustments:				
Basis adjustments:				
Encumbrances			266,173	
Net change in fund balance, GAAP Basis			\$ 705,046	

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

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, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive
	Original	Final		(Negative)
Revenues				
Property taxes	\$ 2,403,934	\$ 2,403,934	\$ 2,492,063	\$ 88,129
Investment earnings	48,000	48,000	120,656	72,656
Intergovernmental revenue	299,907	512,294	341,404	(170,890)
Licenses and permits	1,129,078	1,129,078	1,178,079	49,001
Miscellaneous	239,182	285,682		(285,682)
Total revenues	<u>4,120,101</u>	<u>4,378,988</u>	<u>4,132,202</u>	<u>(246,786)</u>
Expenditures				
Current:				
Salaries and employee benefits	2,010,649	2,063,611	1,827,933	235,678
Services and supplies	1,653,264	1,843,447	1,524,065	319,382
Capital outlay	3,840	19,582	66,146	(46,564)
Total expenditures	<u>3,667,753</u>	<u>3,926,640</u>	<u>3,418,144</u>	<u>508,496</u>
Excess (deficiency) of revenues over (under) expenditures	<u>452,348</u>	<u>452,348</u>	<u>714,058</u>	<u>261,710</u>
Other financing sources (uses)				
Operating transfers - in			50,405	50,405
Operating transfers - out	(611,681)	(611,681)	(586,543)	25,138
Total other financing sources (uses)	<u>(611,681)</u>	<u>(611,681)</u>	<u>(536,138)</u>	<u>75,543</u>
Net change in fund balance, budgetary basis	<u>\$ (159,333)</u>	<u>\$ (159,333)</u>	177,920	<u>\$ 337,253</u>
Budgetary Adjustments:				
Basis adjustments:				
Encumbrances			167,304	
Net change in fund balance, GAAP Basis			<u>\$ 345,224</u>	

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

SEA RANCH - COUNTY SERVICE AREA NO. 40
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budgets and Actual
General Fund
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with
Revenues	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Investment earnings	\$ 17,000	\$ 17,000	\$ 20,475	\$ 3,475
Total revenues	17,000	17,000	20,475	3,475
 Expenditures				
Current:				
Services and supplies	902,304	902,304	630,357	271,947
Debt service:				
Principal	35,060	35,060		35,060
Total expenditures	937,364	937,364	630,357	307,007
Excess (deficiency) of revenues over (under) expenditures	(920,364)	(920,364)	(609,882)	310,482
 Other financing sources (uses)				
Operating transfers - in	601,692	601,692	576,554	(25,138)
Total other financing sources (uses)	601,692	601,692	576,554	(25,138)
Net change in fund balance, budgetary basis	\$ (318,672)	\$ (318,672)	(33,328)	\$ 285,344
 Budgetary Adjustments:				
Basis adjustments:				
Encumbrances			3,915	
Net change in fund balance, GAAP Basis			\$ (29,413)	

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

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, 2007

	Budgeted Amounts		Actual	Variance with
Revenues	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Investment earnings	\$ 4,500	\$ 4,500	\$ 9,179	\$ 4,679
Total revenues	4,500	4,500	9,179	4,679
Expenditures				
Other charges	12,000	12,000	12,000	0
Total expenditures	12,000	12,000	12,000	0
Net change in fund balance	\$ (7,500)	\$ (7,500)	\$ (2,821)	\$ 4,679

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

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, 2007

	Budgeted Amounts		Actual	Variance with
Revenues	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Property taxes	\$ 105,000	\$ 105,000	\$ 104,761	\$ (239)
Investment earnings	1,000	1,000	5,686	4,686
Total revenues	106,000	106,000	110,447	4,447
Expenditures				
Current:				
Services and supplies	98,916	98,916	87,787	11,129
Debt service:				
Principal	10,000	10,000		10,000
Total expenditures	108,916	108,916	87,787	21,129
Excess (deficiency) of revenues over (under) expenditures	(2,916)	(2,916)	22,660	25,576
Other financing sources (uses)				
Operating transfers - in	105,000	105,000	104,538	(462)
Operating transfers - out	(105,000)	(105,000)	(104,538)	462
Total other financing sources (uses)	0	0	0	0
Net change in fund balance	\$ (2,916)	\$ (2,916)	\$ 22,660	\$ 25,576

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

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, 2007

	Budgeted Amounts		Actual	Variance with
Revenues	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Property taxes	\$ 85,000	\$ 85,000	\$ 87,857	\$ 2,857
Investment earnings	2,000	2,000	15,503	13,503
Total revenues	87,000	87,000	103,360	16,360
 Expenditures				
Current:				
Services and supplies	73,281	66,726	67,586	(860)
Debt service:				
Principal	14,280	20,835	13,339	7,496
Interest			7,422	(7,422)
Capital outlay	108,360	108,360	278,690	(170,330)
Total expenditures	195,921	195,921	367,037	(171,116)
Excess (deficiency) of revenues over (under) expenditures	(108,921)	(108,921)	(263,677)	(154,756)
 Other financing sources (uses)				
Operating transfers - in	85,000	85,000	85,000	0
Operating transfers - out	(85,000)	(85,000)	(85,000)	0
Total other financing sources (uses)	0	0	0	0
Net change in fund balance, budgetary basis	\$ (108,921)	\$ (108,921)	(263,677)	\$ (154,756)
 Budgetary Adjustments:				
Basis adjustments:				
Encumbrances			561	
Net change in fund balance, GAAP Basis			\$ (263,116)	

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

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, 2007

	Budgeted Amounts		Actual	Variance with
Revenues	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Property taxes	\$ 22,600	\$ 22,600	\$ 22,291	\$ (309)
Investment earnings	200	200	792	592
Total revenues	22,800	22,800	23,083	283
 Expenditures				
Current:				
Services and supplies	13,890	13,890	6,112	7,778
Debt service:				
Principal	11,000	11,000	7,488	3,512
Interest			3,306	(3,306)
Total expenditures	24,890	24,890	16,906	7,984
Net change in fund balance, budgetary basis	\$ (2,090)	\$ (2,090)	6,177	\$ 8,267
 Budgetary Adjustments:				
Basis adjustments:				
Encumbrances			1,016	
Net change in fund balance, GAAP Basis			\$ 7,193	

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

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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 2,123,289	\$ 2,171,984	\$ 2,316,766	\$ 144,782
Investment earnings	22,000	22,000	74,774	52,774
Intergovernmental revenue	807,639	975,880	935,907	(39,973)
Charges for services	1,148,302	1,148,302	940,611	(207,691)
Legal settlement			127,636	127,636
Miscellaneous	181,378	181,378		(181,378)
Total revenues	<u>4,282,608</u>	<u>4,499,544</u>	<u>4,395,694</u>	<u>(103,850)</u>
Expenditures				
Current:				
Salaries and employee benefits	1,756,416	1,776,934	1,601,546	175,388
Services and supplies	2,052,622	2,249,040	1,906,788	342,252
Debt service:				
Principal	6,308	6,308		6,308
Capital outlay	14,100	14,100	31,356	(17,256)
Total expenditures	<u>3,829,446</u>	<u>4,046,382</u>	<u>3,539,690</u>	<u>506,692</u>
Excess (deficiency) of revenues over (under) expenditures	<u>453,162</u>	<u>453,162</u>	<u>856,004</u>	<u>402,842</u>
Other financing sources (uses)				
Operating transfers in	17,199	17,199	40,736	23,537
Operating transfers out	(546,801)	(546,801)	(548,366)	(1,565)
Total other financing sources (uses)	<u>(529,602)</u>	<u>(529,602)</u>	<u>(507,630)</u>	<u>21,972</u>
Net change in fund balance, budgetary basis	<u>\$ (76,440)</u>	<u>\$ (76,440)</u>	348,374	<u>\$ 424,814</u>
Budgetary Adjustments:				
Basis adjustments:				
Encumbrances			147,333	
Net change in fund balance, GAAP Basis			<u>\$ 495,707</u>	

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

SEA RANCH - COUNTY SERVICE AREA NO. 40
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budgets and Actual
General Fund
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
Revenues	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Investment earnings	\$ 12,000	\$ 12,000	\$ 13,854	\$ 1,854
Total revenues	12,000	12,000	13,854	1,854
Expenditures				
Current:				
Services and supplies	572,910	572,910	501,571	71,339
Debt service:				
Principal	35,060	35,060	33,253	1,807
Interest			1,806	(1,806)
Capital outlay			10,236	(10,236)
Total expenditures	607,970	607,970	546,866	61,104
Excess (deficiency) of revenues over (under) expenditures	(595,970)	(595,970)	(533,012)	62,958
Other financing sources (uses)				
Operating transfers in	536,897	536,897	538,462	1,565
Net change in fund balance, budgetary basis	\$ (59,073)	\$ (59,073)	5,450	\$ 64,523
Budgetary Adjustments:				
Basis adjustments:				
Encumbrances			4,913	
Net change in fund balance, GAAP Basis			\$ 10,363	

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

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, 2006

	Budgeted Amounts		Actual	Variance with
Revenues	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Investment earnings	\$ 4,500	\$ 4,500	\$ 7,287	\$ 2,787
Total revenues	4,500	4,500	7,287	2,787
 Expenditures				
Current:				
Other charges	12,000	12,000	12,000	0
Total expenditures	12,000	12,000	12,000	0
Net change in fund balance	\$ (7,500)	\$ (7,500)	\$ (4,713)	\$ 2,787

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

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, 2006

	Budgeted Amounts		Actual	Variance with
Revenues	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Property taxes	\$ 105,000	\$ 105,000	\$ 102,079	\$ (2,921)
Investment earnings	1,000	1,000	3,697	2,697
Total revenues	106,000	106,000	105,776	(224)
 Expenditures				
Current:				
Services and supplies	93,916	93,916	91,889	2,027
Debt service:				
Principal	10,000	10,000		10,000
Capital outlay	10,000	10,000	10,000	0
Total expenditures	113,916	113,916	101,889	12,027
Excess (deficiency) of revenues over (under) expenditures	(7,916)	(7,916)	3,887	11,803
 Other financing sources (uses)				
Operating transfers in	105,000	105,000	105,000	0
Operating transfers out	(105,000)	(105,000)	(105,000)	0
Total other financing sources (uses)	0	0	0	0
Net change in fund balance, budgetary basis	\$ (7,916)	\$ (7,916)	3,887	\$ 11,803
 Budgetary Adjustments:				
Basis adjustments:				
Encumbrances			2,916	
Net change in fund balance, GAAP Basis			\$ 6,803	

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

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, 2006

	Budgeted Amounts		Actual	Variance with
Revenues	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Property taxes	\$ 85,000	\$ 85,000	\$ 86,993	\$ 1,993
Investment earnings	2,000	2,000	5,709	3,709
Total revenues	87,000	87,000	92,702	5,702
 Expenditures				
Current:				
Services and supplies	57,561	73,184	64,878	8,306
Debt service:				
Principal	30,000	30,000		30,000
Capital outlay		108,361	108,360	1
Total expenditures	87,561	211,545	173,238	38,307
Excess (deficiency) of revenues over (under) expenditures	(561)	(124,545)	(80,536)	44,009
 Other financing sources (uses)				
Capital lease proceeds			165,000	165,000
Operating transfers in	85,000	85,000	85,000	0
Operating transfers out	(85,000)	(85,000)	(85,000)	0
Total other financing sources (uses)	0	0	165,000	165,000
Net change in fund balance, budgetary basis	\$ (561)	\$ (124,545)	84,464	\$ 209,009
 Budgetary Adjustments:				
Basis adjustments:				
Encumbrances			108,921	
Net change in fund balance, GAAP Basis			\$ 193,385	

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

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, 2006

	Budgeted Amounts		Actual	Variance with
Revenues	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Property taxes	\$ 22,600	\$ 22,600	\$ 22,451	\$ (149)
Investment earnings	200	200	431	231
Total revenues	22,800	22,800	22,882	82
 Expenditures				
Current:				
Services and supplies	11,800	11,800	8,801	2,999
Debt service:				
Principal	11,000	11,000	4,597	6,403
Interest			8,073	(8,073)
Total expenditures	22,800	22,800	21,471	1,329
Net change in fund balance, budgetary basis	\$ 0	\$ 0	1,411	\$ 1,411
 Budgetary Adjustments:				
Basis adjustments:				
Encumbrances			2,090	
Net change in fund balance, GAAP Basis			\$ 3,501	

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

FIRE SERVICES - COUNTY SERVICE AREA NO. 40
Summary of Changes in Capital Assets
For the Fiscal Years Ended June 30, 2007 and 2006

	<u>Balance</u> <u>Beginning</u> <u>of Year</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers &</u> <u>Adjustments</u>	<u>Ending</u> <u>Balance</u>
Capital assets, being depreciated:					
Equipment					
For the fiscal year ended:					
June 30, 2006	\$ 545,929	\$ 27,516	\$ (38,255)	\$	\$ 535,190
June 30, 2007	<u>535,190</u>	<u>50,405</u>	<u>(16,383)</u>	<u></u>	<u>569,212</u>
Less accumulated depreciation for all depreciable capital assets:					
For the fiscal year ended:					
June 30, 2006	(236,303)	(50,427)	38,255		(248,475)
June 30, 2007	<u>(248,475)</u>	<u>(43,967)</u>	<u>16,383</u>	<u></u>	<u>(276,059)</u>
Capital assets, net:					
June 30, 2006	309,626	(22,911)	0		286,715
June 30, 2007	<u>\$ 286,715</u>	<u>\$ 6,438</u>	<u>\$ 0</u>	<u>\$</u>	<u>\$ 293,153</u>

SEA RANCH - COUNTY SERVICE AREA NO. 40
Summary of Changes in Capital Assets
For the Fiscal Years Ended June 30, 2007 and 2006

	<u>Balance</u> <u>Beginning</u> <u>of Year</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers &</u> <u>Adjustments</u>	<u>Ending</u> <u>Balance</u>
Capital assets, being depreciated:					
Equipment					
For the fiscal year ended:					
June 30, 2006	\$ 844,968	\$ 10,236	\$	\$	\$ 855,204
June 30, 2007	<u>855,204</u>	<u> </u>	<u> </u>	<u> </u>	<u>855,204</u>
Less accumulated depreciation for all depreciable capital assets:					
For the fiscal year ended:					
June 30, 2006	(483,125)	(42,138)			(525,263)
June 30, 2007	<u>(525,263)</u>	<u>(30,608)</u>	<u> </u>	<u> </u>	<u>(555,871)</u>
Capital assets, net:					
June 30, 2006	361,843	(31,902)			329,941
June 30, 2007	<u>\$ 329,941</u>	<u>\$ (30,608)</u>	<u>\$</u>	<u>\$</u>	<u>\$ 299,333</u>

DRY CREEK - COUNTY SERVICE AREA NO. 40
Summary of Changes in Capital Assets
For the Fiscal Years Ended June 30, 2007 and 2006

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers & Adjustments</u>	<u>Ending Balance</u>
Capital assets, being depreciated:					
Equipment					
For the fiscal year ended:					
June 30, 2006	\$ 73,033	\$ 10,000	\$	\$	\$ 83,033
June 30, 2007	<u>83,033</u>				<u>83,033</u>
Less accumulated depreciation for all depreciable capital assets:					
For the fiscal year ended:					
June 30, 2006	(9,875)	(2,922)			(12,797)
June 30, 2007	<u>(12,797)</u>	<u>(4,921)</u>			<u>(17,718)</u>
Capital assets, net:					
June 30, 2006	63,158	7,078			70,236
June 30, 2007	<u>\$ 70,236</u>	<u>\$ (4,921)</u>	<u>\$</u>	<u>\$</u>	<u>\$ 65,315</u>

WILMAR - COUNTY SERVICE AREA NO. 40
Summary of Changes in Capital Assets
For the Fiscal Years Ended June 30, 2007 and 2006

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers & Adjustments</u>	<u>Ending Balance</u>
Capital assets, being depreciated:					
Equipment					
For the fiscal year ended:					
June 30, 2006	\$ 137,000	\$	\$	\$	\$ 137,000
June 30, 2007	<u>137,000</u>	<u>278,690</u>	<u></u>	<u></u>	<u>415,690</u>
Less accumulated depreciation for all depreciable capital assets:					
For the fiscal year ended:					
June 30, 2006	(40,040)	(5,480)			(45,520)
June 30, 2007	<u>(45,520)</u>	<u>(5,480)</u>	<u></u>	<u></u>	<u>(51,000)</u>
Capital assets, net:					
June 30, 2006	96,960	(5,480)			91,480
June 30, 2007	<u>\$ 91,480</u>	<u>\$ 273,210</u>	<u>\$</u>	<u>\$</u>	<u>\$ 364,690</u>

MAYACAMA - COUNTY SERVICE AREA NO. 40
Summary of Changes in Capital Assets
For the Fiscal Years Ended June 30, 2007 and 2006

	<u>Balance</u> <u>Beginning</u> <u>of Year</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers &</u> <u>Adjustments</u>	<u>Ending</u> <u>Balance</u>
Capital assets, being depreciated:					
Equipment					
For the fiscal year ended:					
June 30, 2006	\$ 117,379	\$	\$	\$	\$ 117,379
June 30, 2007	<u>117,379</u>	<u> </u>	<u> </u>	<u> </u>	<u>117,379</u>
Less accumulated depreciation for all depreciable capital assets:					
For the fiscal year ended:					
June 30, 2006	(9,390)	(4,696)			(14,086)
June 30, 2007	<u>(14,086)</u>	<u>(4,695)</u>	<u> </u>	<u> </u>	<u>(18,781)</u>
Capital assets, net:					
June 30, 2006	107,989	(4,696)			103,293
June 30, 2007	<u>\$ 103,293</u>	<u>\$ (4,695)</u>	<u>\$</u>	<u>\$</u>	<u>\$ 98,598</u>

COUNTY SERVICE AREA NO. 40 – FIRE SERVICES
Notes to Required Supplementary Information
June 30, 2007 and 2006

I. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

B. Encumbrances

CSA No. 40 has unexpended encumbrances of \$172,796 and \$266,173 for the fiscal years ending June 30, 2007 and 2006, respectively. These encumbrances represent commitments made by CSA No. 40 for services related to public safety.

COUNTY SERVICE AREA NO. 40 – FIRE SERVICES
Roster of Board Members

As of June 30, 2008 CSA No. 40 Board consisted of the following members:

<u>Directors</u>	<u>Office</u>	<u>Term Expires</u>
Paul Kelley	Chairman	January 2011
Valerie Brown	Vice Chairwoman.....	January 2009
Mike Kerns		January 2011
Mike Reilly		January 2009
Tim Smith		January 2009