

COUNTY SERVICE AREA NO. 40 – FIRE SERVICES

**ANNUAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2008**



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

COUNTY SERVICE AREA NO. 40 – FIRE SERVICES
Annual Report
For the Fiscal Year Ended
June 30, 2008

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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 year ended June 30, 2008, 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, 2008 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, 2008, 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 8, 2009

COUNTY SERVICE AREA NO. 40 - FIRE SERVICES
Statement of Net Assets
June 30, 2008

Assets

Cash and investments	\$ 3,977,597
Accounts receivable	438,538
Flat charges receivable	8,145
Capital assets (net of accumulated depreciation)	
Equipment	1,241,441
Total assets	5,665,721

Liabilities

Accounts payable	862,584
Capital leases payable - Due within one year	22,952
Accrued interest payable	2,274
Deferred revenue	641,248
Non-current liabilities:	
Compensated absences	109,432
Capital leases payable - Due in more than one year	164,838
Total liabilities	1,803,328

Net Assets

Invested in capital assets, net of related debt	1,053,651
Restricted	10,000
Unrestricted	2,798,742
Total net assets	\$ 3,862,393

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, 2008

Program Expenses

Public safety - fire prevention	
Salaries and employee benefits	\$ 1,649,367
Services and supplies	3,031,055
Depreciation	99,680
Debt service - interest	10,668
Other charges	12,000
Total program expenses	4,802,770

Program Revenues

Charges for services	
Intergovernmental revenue	62,351
Charges for services	1,183,102
Total charges for services	1,245,453
Capital Grants and Contributions	
Grant revenue	161,944
Operating Grants and Contributions	
Grant revenue	623,515
Total program revenues	2,030,912
Net program revenues (expenses)	(2,771,858)

General Revenues

Property taxes	2,783,987
Investment earnings	157,618
Miscellaneous	17,291
Total general revenues	2,958,896

Other financing sources (uses)

Loss on sale of capital asset	(3,800)
Operating transfers in	58,695
Operating transfers out	(9,903)
Total other financing sources (uses)	44,992

Change in net assets	232,030
Net assets, beginning balance	3,630,363
Net assets, end of year	\$ 3,862,393

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, 2008

Assets

Cash and investments	\$ 3,977,597
Accounts receivable	438,538
Flat charges receivable	8,145
Total assets	\$ 4,424,280

Liabilities and Fund Balance

Liabilities:

Accounts payable	\$ 862,584
Deferred revenue	641,248
Total liabilities	1,503,832

Fund balance:

Reserved for encumbrances	92,095
Reserved for equipment	10,000
Unreserved:	2,818,353
Total fund balances	2,920,448
Total liabilities and fund balance	\$ 4,424,280

Reconciliation of Balance Sheet to Statement of Net Assets

Fund balance - total government funds	\$ 2,920,448
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.	1,241,441
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Compensated absences	(109,432)
Capital leases payable	(190,064)
Net assets of governmental activities	\$ 3,862,393

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, 2008

Revenues

Property taxes	\$ 2,783,987
Investment earnings	157,618
Intergovernmental revenue	847,810
Charges for services	1,183,102
Miscellaneous	17,291
Total revenues	4,989,808

Expenditures

Current:	
Salaries and employee benefits	1,666,773
Services and supplies	3,031,055
Other charges	12,000
Debt service	
Principal	21,863
Interest	8,394
Capital outlay	226,032
Total expenditures	4,966,117

Excess (deficiency) of revenues over (under) expenditures	23,691
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Other financing sources (uses)

Sale of capital asset	2,200
Other financing sources	58,695
Other financing uses	(9,903)
Total other financing sources (uses)	50,992

Net change in fund balance	74,683
Fund balance, beginning of year	2,845,765
Fund balance, end of year	\$ 2,920,448

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, 2008

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

Net change in fund balance - total governmental fund	\$ 74,683
<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	226,032
Current year depreciation	(99,680)
<p>The net effect of various transactions involving the sale of capital assets is to decrease net assets</p>	
	(6,000)
<p>The net effect of various miscellaneous transactions involving capital leases payable (i.e. principal payment, accrued interest) is to increase net assets.</p>	
	19,589
<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>17,406</u>
Change in net assets of governmental activities	<u><u>\$ 232,030</u></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, 2008

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

COUNTY SERVICE AREA No. 40 – FIRE SERVICES
Notes to the Basic Financial Statements
June 30, 2008

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 construction.

COUNTY SERVICE AREA No. 40 – FIRE SERVICES
Notes to the Basic Financial Statements
June 30, 2008

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. CSA No. 40 deferred revenues relate to permit fees received but not earned as of June 30, 2008.

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, 2008

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

In fiscal year 2008, CSA No. 40 adopted two new statements of financial accounting

COUNTY SERVICE AREA No. 40 – FIRE SERVICES
Notes to the Basic Financial Statements
June 30, 2008

standards issued by the GASB: Statement No. 45 – Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, and Statement No. 50 – Pension Disclosures – An Amendment of GASB Statements No. 25 and No. 27.

GASB Statement No. 45

In addition to pensions, many state and local governmental employers provide other post-employment benefits (OPEB) as part of the total compensation offered to attract and retain the services of qualified employees. OPEB includes post-employment health care, as well as other forms of post-employment benefits, such as life insurance, when provided separately from a pension plan. This statement establishes standards for the measurement, recognition, and display of OPEB expense/supplementary information (RSO) in the financial reports of state and local governmental employers.

GASB Statement No. 50

This Statement more closely aligns the financial reporting requirements for pensions with those for other post-employment benefits and enhances information disclosed in notes to financial statements or presented as required supplementary information by pension plans and by employers that provide pension benefits.

CSA No. 40 is presented as a blended component of the County of Sonoma. The County's financial statements include the required information and disclosures relating to these statements. Please see the County of Sonoma annual comprehensive financial report for additional information.

II. DETAILED NOTES

A. Cash and Investments

Investment in the Sonoma County Treasurer's Investment Pool

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

COUNTY SERVICE AREA No. 40 – FIRE SERVICES
Notes to the Basic Financial Statements
June 30, 2008

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, 2008, approximately 63 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.

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.

COUNTY SERVICE AREA No. 40 – FIRE SERVICES
Notes to the Basic Financial Statements
June 30, 2008

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 2008 Sonoma County CAFR.

B. Capital assets

Capital asset activity for the year ending June 30, 2008 was as follows:

COUNTY SERVICE AREA No. 40 – FIRE SERVICES
Notes to the Basic Financial Statements
June 30, 2008

	<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	\$ 2,040,518	\$ 226,032	\$ (10,000)		\$ 2,256,550
Less accumulated depreciation for					
Equipment	<u>(919,429)</u>	<u>(99,680)</u>	<u>4,000</u>		<u>(1,015,109)</u>
Capital assets, net	<u>\$ 1,121,089</u>	<u>\$ 126,352</u>	<u>\$ (6,000)</u>	<u>\$ 0</u>	<u>\$ 1,241,441</u>

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

Governmental activities:

Public safety - fire services	<u>\$ 99,680</u>
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C. Long-Term Debt

Changes in long-term debt

Long-term liability activity for the year ended June 30, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-term liabilities:					
Compensated absences	\$ 126,838	\$	\$ (17,406)	\$ 109,432	\$ 0
Capital lease	<u>209,653</u>		<u>(21,863)</u>	<u>187,790</u>	<u>22,952</u>
Total long-term liabilities	<u>\$ 336,491</u>	<u>\$ 0</u>	<u>\$ (39,269)</u>	<u>\$ 297,222</u>	<u>\$ 22,952</u>

D. Capital Leases Payable

COUNTY SERVICE AREA No. 40 – FIRE SERVICES
Notes to the Basic Financial Statements
June 30, 2008

Type of Indebtedness (Purpose)	Maturity	Interest Rate	Annual Principal Installments	Original Issue Amount	Outstanding as of June 30, 2008
Ford F-650 Fire Pumper	7/5/2012	5.33%	\$6,537 - 10,431	\$ 83,500	\$ 50,087
2006 Westates Custom Pumper	5/4/2016	4.59%	\$6,594 - \$10,148	165,000	137,703
Total					\$ 187,790

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

Year Ending June 30	Principal	Interest
2009	\$ 22,952	\$ 8,796
2010	24,095	7,653
2011	25,296	6,452
2012	26,558	5,191
2013	27,882	3,867
2014-2016	61,007	4,806
Total	<u>\$ 187,790</u>	<u>\$ 36,765</u>

E. Interfund Transfer

Transfers are used to move unrestricted general fund revenues to finance fire safety programs that the government must account for in separate funds. In the year ended June 30, 2008 a transfer of \$622,078 was made from Fire Services to Sea Ranch.

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.

COUNTY SERVICE AREA No. 40 – FIRE SERVICES
Notes to the Basic Financial Statements
June 30, 2008

B. Employee Retirement Plan and Other Post-employment Benefits

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

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

COUNTY SERVICE AREA NO. 40 - FIRE SERVICES

Combining Balance Sheet - All Funds

Governmental Funds

June 30, 2008

	Fire	Sea Ranch	Fitch	Dry Creek	Wilmar	Mayacamas	Total
	Services	Fire	Mountain	Fire	Fire	Fire	Governmental
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Assets							
Cash and investments	\$ 2,867,773	\$ 626,956	\$ 195,848	\$ 154,416	\$ 102,530	\$ 30,074	\$ 3,977,597
Accounts receivable	438,538						438,538
Flat charges receivable				2,336	4,522	1,287	8,145
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ <u>3,306,311</u>	\$ <u>626,956</u>	\$ <u>195,848</u>	\$ <u>156,752</u>	\$ <u>107,052</u>	\$ <u>31,361</u>	\$ <u>4,424,280</u>
Liabilities and Fund Balance							
Liabilities:							
Accounts payable	\$ 670,369	\$ 168,270	\$	\$ 93	\$ 23,761	\$ 91	\$ 862,584
Deferred revenue	641,248						641,248
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>1,311,617</u>	<u>168,270</u>	<u>0</u>	<u>93</u>	<u>23,761</u>	<u>91</u>	<u>1,503,832</u>
Fund balance:							
Reserved for encumbrances	62,095	30,000					92,095
Reserved for equipment	10,000						10,000
Unreserved:	1,922,599	428,686	195,848	156,659	83,291	31,270	2,818,353
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>1,994,694</u>	<u>458,686</u>	<u>195,848</u>	<u>156,659</u>	<u>83,291</u>	<u>31,270</u>	<u>2,920,448</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balance	\$ <u>3,306,311</u>	\$ <u>626,956</u>	\$ <u>195,848</u>	\$ <u>156,752</u>	\$ <u>107,052</u>	\$ <u>31,361</u>	\$ <u>4,424,280</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, 2008

	<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>
Reconciliation of Balance Sheet to Statement of Net Assets							
Fund balance - total government funds	\$ 1,994,694	\$ 458,686	\$ 195,848	\$ 156,659	\$ 83,291	\$ 31,270	\$ 2,920,448
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.	470,175	274,907		54,394	348,062	93,903	1,241,441
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.							
Compensated absences	(109,432)						(109,432)
Capital leases payable					(138,690)	(51,374)	(190,064)
Net assets of governmental activities	<u>\$ 2,355,437</u>	<u>\$ 733,593</u>	<u>\$ 195,848</u>	<u>\$ 211,053</u>	<u>\$ 292,663</u>	<u>\$ 73,799</u>	<u>\$ 3,862,393</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, 2008

	Fire Services	Sea Ranch Fire	Fitch Mountain Fire	Dry Creek Fire	Wilmar Fire	Mayacamas Fire	Total Governmental Funds
Revenues							
Property taxes	\$ 2,563,197	\$	\$	\$ 106,806	\$ 90,122	\$ 23,862	\$ 2,783,987
Investment earnings	116,740	22,248	8,354	5,629	3,725	922	157,618
Intergovernmental revenue	847,810						847,810
Charges for services	1,173,102			5,000	5,000		1,183,102
Miscellaneous	16,241	1,050					17,291
Total revenues	<u>4,717,090</u>	<u>23,298</u>	<u>8,354</u>	<u>117,435</u>	<u>98,847</u>	<u>24,784</u>	<u>4,989,808</u>
Expenditures							
Current:							
Salaries and employee benefits	1,666,773						1,666,773
Services and supplies	2,177,945	697,830		90,762	56,642	7,876	3,031,055
Other charges			12,000				12,000
Debt service							
Principal					13,958	7,905	21,863
Interest					6,802	1,592	8,394
Capital outlay	226,032						226,032
Total expenditures	<u>4,070,750</u>	<u>697,830</u>	<u>12,000</u>	<u>90,762</u>	<u>77,402</u>	<u>17,373</u>	<u>4,966,117</u>
Excess (deficiency) of revenues over (under) expenditures	<u>646,340</u>	<u>(674,532)</u>	<u>(3,646)</u>	<u>26,673</u>	<u>21,445</u>	<u>7,411</u>	<u>23,691</u>
Other financing sources (uses)							
Loss on sale of capital asset				2,200			2,200
Operating transfers in	58,695	622,078		106,000	87,000		873,773
Operating transfers out	(631,981)			(106,000)	(87,000)		(824,981)
Total other financing sources (uses)	<u>(573,286)</u>	<u>622,078</u>	<u>0</u>	<u>2,200</u>	<u>0</u>	<u>0</u>	<u>50,992</u>
Net change in fund balance	73,054	(52,454)	(3,646)	28,873	21,445	7,411	74,683
Fund balance, beginning of year	1,921,640	511,140	199,494	127,786	61,846	23,859	2,845,765
Fund balance, end of year	<u>\$ 1,994,694</u>	<u>\$ 458,686</u>	<u>\$ 195,848</u>	<u>\$ 156,659</u>	<u>\$ 83,291</u>	<u>\$ 31,270</u>	<u>\$ 2,920,448</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, 2008

	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	\$ 73,054	\$ (52,454)	\$ (3,646)	\$ 28,873	\$ 21,445	\$ 7,411	\$ 74,683
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	226,032						226,032
Current year depreciation	(49,010)	(24,426)		(4,921)	(16,628)	(4,695)	(99,680)
The net effect of various transactions involving the sale of capital assets is to decrease net assets				(6,000)			(6,000)
The net effect of various miscellaneous transactions involving capital leases payable (i.e. principal payment) is to increase net assets.					12,971	6,618	19,589
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>17,406</u>						<u>17,406</u>
Change in net assets of governmental activities	<u>\$ 267,482</u>	<u>\$ (76,880)</u>	<u>\$ (3,646)</u>	<u>\$ 17,952</u>	<u>\$ 17,788</u>	<u>\$ 9,334</u>	<u>\$ 232,030</u>

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, 2008

	Budgeted Amounts		Actual	Variance with
Revenues	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Property taxes	\$ 2,821,005	\$ 2,821,005	\$ 2,783,987	\$ (37,018)
Investment earnings	108,700	108,700	157,618	48,918
Intergovernmental revenue	681,600	1,085,505	847,810	(237,695)
Charges for services	1,231,965	1,231,965	1,183,102	(48,863)
Miscellaneous	271,616	307,840	17,291	(290,549)
Total revenues	5,114,886	5,555,015	4,989,808	(565,207)
 Expenditures				
Current:				
Salaries and employee benefits	2,195,364	2,231,588	1,666,773	564,815
Services and supplies	3,706,206	4,110,111	3,093,150	1,016,961
Other charges	12,000	12,000	12,000	0
Debt service:				
Principal	35,100	35,100	21,863	13,237
Interest	6,500	6,500	8,394	(1,894)
Capital outlay	178,061	208,061	256,032	(47,971)
Total expenditures	6,133,231	6,603,360	5,058,212	1,545,148
Excess (deficiency) of revenues over (under) expenditures	(1,018,345)	(1,048,345)	(68,404)	979,941
 Other financing sources (uses)				
Capital lease proceeds			2,200	2,200
Operating transfers in	1,161,274	1,161,274	873,773	(287,501)
Operating transfers out	(1,158,777)	(1,158,777)	(824,981)	333,796
Total other financing sources (uses)	2,497	2,497	50,992	48,495
Net change in fund balance, budgetary basis	\$ (1,015,848)	\$ (1,045,848)	(17,412)	\$ 1,028,436
 Budgetary Adjustments:				
Basis adjustments:				
Encumbrances			92,095	
Net change in fund balance, GAAP Basis			\$ 74,683	

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, 2008

	Budgeted Amounts		Actual	Variance with
Revenues	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Property taxes	\$ 2,605,405	\$ 2,605,405	\$ 2,563,197	\$ (42,208)
Investment earnings	70,000	70,000	116,740	46,740
Intergovernmental revenue	681,600	1,085,505	847,810	(237,695)
Charges for services	1,221,965	1,221,965	1,173,102	(48,863)
Miscellaneous	271,616	307,840	16,241	(291,599)
Total revenues	4,850,586	5,290,715	4,717,090	(573,625)
 Expenditures				
Current:				
Salaries and employee benefits	2,195,364	2,231,588	1,666,773	564,815
Services and supplies	2,337,615	2,741,520	2,240,040	501,480
Capital outlay	178,061	178,061	226,032	(47,971)
Total expenditures	4,711,040	5,151,169	4,132,845	1,018,324
Excess (deficiency) of revenues over (under) expenditures	139,546	139,546	584,245	444,699
 Other financing sources (uses)				
Operating transfers in	313,429	313,429	58,695	(254,734)
Operating transfers out	(664,748)	(664,748)	(631,981)	32,767
Total other financing sources (uses)	(351,319)	(351,319)	(573,286)	(221,967)
Net change in fund balance, budgetary basis	\$ (211,773)	\$ (211,773)	10,959	\$ 222,732
 Budgetary Adjustments:				
Basis adjustments:				
Encumbrances			62,095	
Net change in fund balance, GAAP Basis			\$ 73,054	

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, 2008

	Budgeted Amounts		Actual	Variance with
Revenues	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Investment earnings	\$ 25,000	\$ 25,000	\$ 22,248	\$ (2,752)
Miscellaneous			1,050	1,050
Total revenues	25,000	25,000	23,298	(1,702)
 Expenditures				
Current:				
Services and supplies	1,155,364	1,155,364	697,830	457,534
Capital outlay		30,000	30,000	0
Total expenditures	1,155,364	1,185,364	727,830	457,534
Excess (deficiency) of revenues over (under) expenditures	(1,130,364)	(1,160,364)	(704,532)	455,832
 Other financing sources (uses)				
Operating transfers in	654,845	654,845	622,078	(32,767)
Net change in fund balance, budgetary basis	\$ (475,519)	\$ (505,519)	(82,454)	\$ 423,065
 Budgetary Adjustments:				
Basis adjustments:				
Encumbrances			30,000	
Net change in fund balance, GAAP Basis			\$ (52,454)	

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, 2008

	Budgeted Amounts		Actual	Variance with
Revenues	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Investment earnings	\$ 9,000	\$ 9,000	\$ 8,354	\$ (646)
Total revenues	9,000	9,000	8,354	(646)
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	\$ (3,000)	\$ (3,000)	\$ (3,646)	\$ (646)

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, 2008

	Budgeted Amounts		Actual	Variance with
Revenues	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Property taxes	\$ 106,000	\$ 106,000	\$ 106,806	\$ 806
Charges for services	5,000	5,000	5,000	0
Investment earnings	2,500	2,500	5,629	3,129
Total revenues	113,500	113,500	117,435	3,935
Expenditures				
Current:				
Services and supplies	96,450	96,450	90,762	5,688
Debt service:				
Principal	10,000	10,000		10,000
Total expenditures	106,450	106,450	90,762	15,688
Excess (deficiency) of revenues over (under) expenditures	7,050	7,050	26,673	19,623
Other financing sources (uses)				
Sale of capital asset			2,200	2,200
Operating transfers in	106,000	106,000	106,000	0
Operating transfers out	(106,000)	(106,000)	(106,000)	0
Total other financing sources (uses)	0	0	2,200	2,200
Net change in fund balance	\$ 7,050	\$ 7,050	\$ 28,873	\$ 21,823

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, 2008

	Budgeted Amounts		Actual	Variance with
Revenues	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Property taxes	\$ 87,000	\$ 87,000	\$ 90,122	\$ 3,122
Charges for services	5,000	5,000	5,000	0
Investment earnings	2,000	2,000	3,725	1,725
Total revenues	94,000	94,000	98,847	4,847
Expenditures				
Current:				
Services and supplies	103,961	103,961	56,642	47,319
Debt service:				
Principal	14,100	14,100	13,958	142
Interest	6,500	6,500	6,802	(302)
Total expenditures	124,561	124,561	77,402	47,159
Excess (deficiency) of revenues over (under) expenditures	(30,561)	(30,561)	21,445	52,006
Other financing sources (uses)				
Operating transfers in	87,000	87,000	87,000	0
Operating transfers out	(87,000)	(87,000)	(87,000)	0
Total other financing sources (uses)	0	0	0	0
Net change in fund balance	\$ (30,561)	\$ (30,561)	\$ 21,445	\$ 52,006

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, 2008

	Budgeted Amounts		Actual	Variance with
Revenues	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Property taxes	\$ 22,600	\$ 22,600	\$ 23,862	\$ 1,262
Investment earnings	200	200	922	722
Total revenues	22,800	22,800	24,784	1,984
Expenditures				
Current:				
Services and supplies	12,816	12,816	7,876	4,940
Debt service:				
Principal	11,000	11,000	7,905	3,095
Interest			1,592	(1,592)
Total expenditures	23,816	23,816	17,373	6,443
Net change in fund balance	\$ (1,016)	\$ (1,016)	\$ 7,411	\$ 8,427

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 Year Ended June 30, 2008

	Balance Beginning <u>of Year</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers & Adjustments</u>	<u>Ending Balance</u>
Capital assets, being depreciated:					
Equipment	\$ 569,212	\$ 226,032	\$	\$	\$ 795,244
Less accumulated depreciation for					
Equipment	<u>(276,059)</u>	<u>(49,010)</u>	<u> </u>	<u> </u>	<u>(325,069)</u>
Capital assets, net	<u>\$ 293,153</u>	<u>\$ 177,022</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 470,175</u>

SEA RANCH - COUNTY SERVICE AREA NO. 40
Summary of Changes in Capital Assets
For the Fiscal Year Ended June 30, 2008

	<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	\$ 855,204	\$	\$	\$	\$ 855,204
Less accumulated depreciation for					
Equipment	<u>(555,871)</u>	<u>(24,426)</u>	<u></u>	<u></u>	<u>(580,297)</u>
Capital assets, net	<u>\$ 299,333</u>	<u>\$ (24,426)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 274,907</u>

DRY CREEK - COUNTY SERVICE AREA NO. 40
Summary of Changes in Capital Assets
For the Fiscal Year Ended June 30, 2008

	Balance Beginning <u>of Year</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers & Adjustments</u>	<u>Ending Balance</u>
Capital assets, being depreciated:					
Equipment	\$ 83,033	\$	\$ (10,000)	\$	\$ 73,033
Less accumulated depreciation for					
Equipment	<u>(17,718)</u>	<u>(4,921)</u>	<u>4,000</u>	<u> </u>	<u>(18,639)</u>
Capital assets, net	<u>\$ 65,315</u>	<u>\$ (4,921)</u>	<u>\$ (6,000)</u>	<u>\$ 0</u>	<u>\$ 54,394</u>

WILMAR - COUNTY SERVICE AREA NO. 40
Summary of Changes in Capital Assets
For the Fiscal Year Ended June 30, 2008

	Balance Beginning of Year	Additions	Retirements	Transfers & Adjustments	Ending Balance
Capital assets, being depreciated:					
Equipment	\$ 415,690	\$	\$	\$	\$ 415,690
Less accumulated depreciation for					
Equipment	(51,000)	(16,628)	_____	_____	(67,628)
Capital assets, net	\$ 364,690	\$ (16,628)	\$ 0	\$ 0	\$ 348,062

MAYACAMA - COUNTY SERVICE AREA NO. 40
Summary of Changes in Capital Assets
For the Fiscal Year Ended June 30, 2008

	Balance Beginning of Year	Additions	Retirements	Transfers & Adjustments	Ending Balance
Capital assets, being depreciated:					
Equipment	\$ 117,379	\$	\$	\$	\$ 117,379
Less accumulated depreciation for					
Equipment	(18,781)	(4,695)	_____	_____	(23,476)
Capital assets, net	<u>\$ 98,598</u>	<u>\$ (4,695)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 93,903</u>

COUNTY SERVICE AREA NO. 40 – FIRE SERVICES
Notes to Required Supplementary Information
June 30, 2008

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 \$92,095 for the fiscal year ending June 30, 2008. 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 8, 2009 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 2013
Mike Kerns		January 2011
Shirlee Zane.....		January 2013
Efren Carrillo		January 2013