

**County Service Area No. 40 – Fire Services**

**Annual Report  
For the Fiscal Year Ended  
June 30, 2010**



**DONNA DUNK**  
SONOMA COUNTY  
INTERIM AUDITOR-CONTROLLER  
TREASURER-TAX COLLECTOR

**County Service Area No. 40 – Fire Services  
Annual Report  
For the Fiscal Year Ended  
June 30, 2010**

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**JONATHAN KADLEC**  
ASSISTANT  
TREASURER

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, 2010, 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, 2010 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, 2010, 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.

*Sonoma County Auditor-Controller*

May 17, 2011

## Management's Discussion and Analysis

As management of County Service Area No. 40 – Fire Services (CSA No. 40), we offer readers of CSA No. 40's financial statements this narrative overview and analysis of the financial activities of CSA No. 40 for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with CSA No. 40's financial statements and the accompanying notes to the basic financial statements.

### Financial Highlights

- The assets of CSA No. 40 exceeded their liabilities at the close of the most recent fiscal year by \$4,044,737 (net assets). Of this amount, \$2,915,367 (unrestricted net assets) may be used to meet CSA No. 40's ongoing operations.
- CSA No. 40's total net assets decreased by \$255,021 . This decrease is the result of expenses exceeding revenues in the governmental activities.
- As of the close of the current fiscal year, CSA No. 40 reported an ending fund balance of \$3,060,590 , a decrease of \$253,928 , in comparison with the prior year. Approximately 96.6% of this amount is available for spending at CSA No. 40's discretion (unreserved fund balance).
- At the end of the year, unreserved fund balance was \$2,957,386 or 69.4% of the total general fund expenditures of \$4,259,612 .
- CSA No. 40's long-term liabilities decreased by \$10,342 .

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to CSA No. 40's basic financial statements. CSA No. 40's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements:** The government-wide financial statements are designed to provide readers with a broad overview of CSA No. 40's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of CSA No. 40's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of CSA No. 40 is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues

and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected rental revenue and earned but unused vacation leave).

**Fund financial statements:** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. CSA No. 40, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. CSA No. 40's funds are governmental funds.

**Governmental Funds:** Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

CSA No. 40 uses governmental funds to account for its activities, which include fire protection services in CSA No. 40 boundaries. CSA No. 40 adopts an annual appropriated budget for its funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**Notes to the basic financial statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### **Government-Wide Financial Analysis**

CSA No. 40 applied Governmental Accounting Standards Board (GASB) Statement No. 34 in this report.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of CSA No. 40, assets exceeded liabilities by \$4,044,737 at the close of the most recent fiscal year.

A large portion of CSA No. 40's net assets (27.7%) reflects its investment in capital assets (e.g. equipment). CSA No. 40 uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

**Net Assets**  
**June 30, 2010**

	<u>2010</u>	<u>2009</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Current and other assets	\$ 3,580,500	\$ 4,363,139	\$ (782,639)	-17.9%
Capital assets	1,420,859	1,432,699	(11,840)	-0.8%
Total assets	<u>5,001,359</u>	<u>5,795,838</u>	<u>(794,479)</u>	<u>-13.7%</u>
Long-term liabilities outstanding	392,625	410,854	(18,229)	-4.4%
Other liabilities	563,997	1,085,226	(521,229)	-48.0%
Total liabilities	<u>956,622</u>	<u>1,496,080</u>	<u>(539,458)</u>	<u>-36.1%</u>
Net assets:				
Invested in capital assets, net of related debt	1,119,370	1,091,579	27,791	2.5%
Restricted	10,000	10,000	0	0.0%
Unrestricted	2,915,367	3,198,179	(282,812)	-8.8%
Total net assets	<u>\$ 4,044,737</u>	<u>\$ 4,299,758</u>	<u>\$ (255,021)</u>	<u>-5.9%</u>

The balance of unrestricted net assets (\$2,915,367 ) may be used to meet CSA No. 40's ongoing obligations to citizens and vendors.

At the end of the current fiscal year, CSA No. 40 is able to report positive balances in both categories of net assets. The same held true for the prior fiscal year.

**Governmental Activities:** Governmental activities decreased CSA No. 40's net assets by \$255,021 . This increase is the result of revenues exceeding expenses in the governmental activities.

The Net Asset balance at July 1, 2009 has been restated as the result of the addition of asset set up fees incurred during fiscal year 2008-09, an asset purchased in fiscal year 2007-08, and replacement funds not previously reported. The net effect of this correction is a \$143,168 increase in net assets.

**Changes in Net Assets  
For the Fiscal Year Ended June 30, 2010**

	<u>2010</u>	<u>2009</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Revenues:				
Program Revenues:				
Public safety - fire protection	\$ 1,012,234	\$ 1,361,580	\$ (349,346)	-25.7%
Operating Grants and Contributions				
FEMA grants	5,521	163,051	(157,530)	-96.6%
General Revenues:				
Property taxes	2,953,605	2,896,734	56,871	2.0%
Investment income and other	22,693	95,662	(72,969)	-76.3%
Miscellaneous	11,631	12,832	(1,201)	-9.4%
Total revenues	<u>4,005,684</u>	<u>4,529,859</u>	<u>(524,175)</u>	<u>-11.6%</u>
Expenses:				
Program Expenses:				
Public safety - fire protection	4,107,716	4,060,962	46,754	1.2%
General Expenses:				
Debt service - interest and other	152,989	123,669	29,320	23.7%
Total expenses	<u>4,260,705</u>	<u>4,184,631</u>	<u>76,074</u>	<u>1.8%</u>
Other financing sources (uses)				
Loss on sale of capital asset		(4,864)	4,864	-100.0%
Operating transfers		(5,843)	5,843	-100.0%
Total other financing sources (uses)	<u>0</u>	<u>(10,707)</u>	<u>10,707</u>	<u>-100.0%</u>
Change in Net Assets	(255,021)	334,521	(589,542)	-176.2%
Net assets-beginning of the year, as restated	<u>4,299,758</u>	<u>3,965,237</u>	<u>334,521</u>	<u>8.4%</u>
Net assets - end of the year	<u>\$ 4,044,737</u>	<u>\$ 4,299,758</u>	<u>\$ (255,021)</u>	<u>-5.9%</u>

**Financial Analysis of the Government's Funds**

CSA No. 40 uses fund accounting to ensure and demonstrate compliance with legal and governmental accounting requirements.

**Governmental funds:** The focus of CSA No. 40's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing CSA No. 40's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, CSA No. 40's governmental fund reported ending fund balance of \$3,060,590 , a decrease of \$253,928 in comparison with the prior year. Approximately 96.6% of the total amount constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is designated for encumbrances, vehicle and computer replacement and capital projects. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 69.4% of total general fund expenditures.

### **General Fund Budgetary Highlights**

Differences between the original and the final amended budgets were to recognize additional costs due to the purchase of capital assets and the related long term liability.

### **Capital Asset and Debt Administration**

**Capital Assets:** CSA No. 40's investment in capital assets, as of June 30, 2010, amounts to \$1,420,859 (net of accumulated depreciation). This investment in capital assets represents equipment. The total increase in CSA No. 40's investment in capital assets for the current fiscal year was \$123,866 .

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

- |   |              |
|---|--------------|
| • Depreciation of the capital assets      | (\$135,706 ) |
| • Purchased two new 2010 Ford F150 trucks | 71,141       |
| • Purchased Fire House software           | 41,800       |
| • Purchased used 1997 Ford F350 truck     | \$ 10,925    |

Additional information on CSA No. 40's capital assets can be found in note II.B

**Debt administration:** At the end of the fiscal year CSA No. 40 had total long-term obligations of \$434,342 . This amount is comprised of \$132,853 of compensated absences and \$301,489 of notes payable. During the current fiscal year, CSA No. 40's long-term debt decreased by \$10,342 .

### **Economic Factors and Next Year's Budgets and Rates**

- Reduction in property and supplemental tax revenue due to declining property values
- Increased costs related to Salaries and Benefits
- Reduction in fees for service due to the downturn in development

All of these factors were considered in preparing CSA No. 40's budget for the fiscal year ending June 30, 2011.

### **Request for Additional Information**

This financial report is designed to provide a general overview of CSA No. 40's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Fire and Emergency Services Department, 2300 County Center Drive #221A, Santa Rosa, CA 95403.

**County Service Area No. 40 - Fire Services**  
**Statement of Net Assets**  
**June 30, 2010**

**Assets**

Cash and investments	\$ 3,445,460
Accounts receivable	31,090
Due from other governments	22,186
Flat charges receivable	8,145
Prepaid expenses	11,164
Reserved cash - Vehicle Replacement	53,220
Reserved cash - Computer Replacement	9,235
Capital assets (net of accumulated depreciation)	
Equipment	<u>1,420,859</u>
Total assets	<u>5,001,359</u>

**Liabilities**

Accounts payable	182,579
Capital leases payable - Due within one year	41,717
Accrued interest payable	2,370
Deferred revenue	337,331
Non-current liabilities:	
Compensated absences	132,853
Capital leases payable - Due in more than one year	<u>259,772</u>
Total liabilities	<u>956,622</u>

**Net Assets**

Invested in capital assets, net of related debt	1,119,370
Restricted	10,000
Unrestricted	<u>2,915,367</u>
Total net assets	<u>\$ 4,044,737</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, 2010**

**Program Expenses**

Public safety - fire prevention	
Salaries and employee benefits	\$ 1,736,738
Services and supplies	2,358,978
Depreciation	135,706
Debt service - interest	17,283
Other charges	12,000
Total program expenses	4,260,705

**Program Revenues**

Charges for services	
Intergovernmental revenue	80,022
Charges for services	932,212
Total charges for services	1,012,234

Operating Grants and Contributions

Grant revenue	5,521
Total program revenues	1,017,755
Net program revenues (expenses)	(3,242,950)

**General Revenues**

Property taxes	2,953,605
Investment earnings	22,693
Miscellaneous	11,631
Total general revenues	2,987,929

Change in net assets	(255,021)
Net assets, beginning balance, as restated	4,299,758
Net assets, end of year	\$ 4,044,737

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, 2010**

**Assets**

Cash and investments	\$ 3,445,460
Accounts receivable	31,090
Due from other governments	22,186
Flat charges receivable	8,145
Prepaid expenditures	11,164
Reserved cash - Vehicle replacement	53,220
Reserved cash - Computer replacement	9,235
Total assets	\$ 3,580,500

**Liabilities and Fund Balance**

Liabilities:	
Accounts payable	\$ 182,579
Deferred revenue	337,331
Total liabilities	519,910

Fund balance:

Reserved for encumbrances	30,749
Reserved for equipment	10,000
Reserved for vehicle replacement	53,220
Reserved for computer replacement	9,235
Unreserved:	2,957,386
Total fund balances	3,060,590
Total liabilities and fund balance	\$ 3,580,500

**Reconciliation of Balance Sheet to Statement of Net Assets**

Fund balance - total government funds	\$ 3,060,590
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	1,420,859
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Compensated absences	(132,853)
Accrued interest payable	(2,370)
Capital leases payable	(301,489)
Net assets of governmental activities	\$ 4,044,737

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

**County Service Area No. 40 - Fire Services  
 Combined Statement of Revenues, Expenditures and  
 Changes in Fund Balance - All Funds  
 Governmental Fund  
 For the Fiscal Year Ended June 30, 2010**

**Revenues**

Property taxes	\$ 2,953,605
Investment earnings	22,693
Intergovernmental revenue	84,880
Charges for services	932,212
Fines and penalties	663
Miscellaneous	11,631
Total revenues	4,005,684

**Expenditures**

Current:	
Salaries and employee benefits	1,707,449
Services and supplies	2,358,978
Other charges	12,000
Debt service	
Principal	39,631
Interest	17,688
Capital outlay	123,866
Total expenditures	4,259,612

Net change in fund balance	(253,928)
Fund balance, beginning of year, as restated	3,314,518
Fund balance, end of year	\$ 3,060,590

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, 2010**

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

Net change in fund balance - total governmental fund	\$ (253,928)
<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	123,866
Current year depreciation	(135,706)
<p>Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Activities. While repayment of lease principal is an expenditure in the governmental funds, it reduces long-term liabilities in the Statement of Activities.</p>	
Principal payments	39,631
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.</p>	
Change in accrued interest payable	405
<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>(29,289)</u>
Change in net assets of governmental activities	\$ <u><u>(255,021)</u></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, 2010**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive
	<u>Original</u>	<u>Final</u>		(Negative)
<b>Revenues</b>				
Property taxes	\$ 2,884,554	\$ 2,884,554	\$ 2,953,605	\$ 69,051
Investment earnings	123,218	123,218	22,693	(100,525)
Intergovernmental revenue	97,450	102,971	84,880	(18,091)
Charges for services	1,213,864	1,213,864	932,212	(281,652)
Fines and penalties	0	0	663	663
Miscellaneous	201,886	201,886	11,631	(190,255)
Total revenues	<u>4,520,972</u>	<u>4,526,493</u>	<u>4,005,684</u>	<u>(520,809)</u>
<b>Expenditures</b>				
Current:				
Salaries and employee benefits	2,128,042	2,050,042	1,707,449	342,593
Services and supplies	2,557,298	2,632,209	2,373,339	258,870
Other charges	12,000	12,000	12,000	0
Debt service:				
Principal	51,237	51,937	39,631	12,306
Interest	5,148	5,408	17,688	(12,280)
Capital outlay	42,867	60,817	141,793	(80,976)
Total expenditures	<u>4,796,592</u>	<u>4,812,413</u>	<u>4,291,900</u>	<u>520,513</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(275,620)</u>	<u>(285,920)</u>	<u>(286,216)</u>	<u>(296)</u>
<b>Other financing sources (uses)</b>				
Operating transfers in	922,287	922,287	847,100	(75,187)
Operating transfers out	(912,581)	(912,581)	(847,100)	65,481
Total other financing sources (uses)	<u>9,706</u>	<u>9,706</u>	<u>0</u>	<u>(9,706)</u>
Net change in fund balance, budgetary basis	<u>\$ (265,914)</u>	<u>\$ (276,214)</u>	<u>(286,216)</u>	<u>\$ (10,002)</u>
<b>Budgetary Adjustments:</b>				
Basis adjustments:				
Encumbrances			32,288	
Net change in fund balance, GAAP Basis			<u>\$ (253,928)</u>	

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

**County Service Area No. 40 – Fire Services**  
**Notes to the Basic Financial Statements**  
**June 30, 2010**

**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 Fire and 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 are levied. Grants and similar items are recognized as revenue as soon as all eligibility

**County Service Area No. 40 – Fire Services**  
**Notes to the Basic Financial Statements**  
**June 30, 2010**

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, 2010**

Since the passage of California’s Proposition 13, beginning with fiscal year 1978/1979, general property taxes are based either on a flat 1% rate applied to the 1975/1976 full value, or on 1% of the sales price of the property on sales transactions and construction after the 1975/1976 valuation. Taxable values on properties (exclusive of increases related to sales and construction) can rise at a maximum of 2% per year.

Included within the property tax revenue is \$215,761 in Benefit Assessments collected. Benefit Assessments are a type of flat charge applied to each parcel of property with in the District, exclusive of the property value. Flat taxes are currently being assessed within the Wilmar, Dry Creek and Mayacama jurisdictions.

On June 30, 1993, the Board of Supervisors adopted the “Teeter” Method of property tax allocation. This method allocates property taxes based on the total property tax billed. At year-end the County advances cash to each taxing jurisdiction equal to its current year delinquent property taxes. In exchange, the County receives the penalties and interest on delinquent taxes when collected. The penalties and interest are used to pay the interest cost of borrowing the cash used for the advances.

**b. Restricted Cash**

Restricted cash represents cash and investments which are restricted for the purpose of vehicle and computer equipment replacement.

**c. Due from Other Governments**

Due from other governments are receivables for services provided to other governmental entities.

**d. Accrued Interest Payable**

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

**e. 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.

**County Service Area No. 40 – Fire Services**  
**Notes to the Basic Financial Statements**  
**June 30, 2010**

**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:

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.

**County Service Area No. 40 – Fire Services**  
**Notes to the Basic Financial Statements**  
**June 30, 2010**

- 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.

**7. Estimates**

The preparation of the financial statements requires management to make estimates and assumptions that affect the reports amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

**II. Detailed Notes**

**A. Cash and Investments**

Investment in the Sonoma County Treasurer's Investment Pool

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

**County Service Area No. 40 – Fire Services**  
**Notes to the Basic Financial Statements**  
**June 30, 2010**

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, 2010, approximately 65 percent of the securities in the Treasury Pool had maturities of one year or less. Of the remainder, only 6 percent had a maturity of more than five years.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Treasury Pool does not have a rating provided by a nationally recognized statistical rating organization.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be

**County Service Area No. 40 – Fire Services**  
**Notes to the Basic Financial Statements**  
**June 30, 2010**

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 2010 Sonoma County CAFR.

**County Service Area No. 40 – Fire Services**  
**Notes to the Basic Financial Statements**  
**June 30, 2010**

**B. Capital assets**

The capital assets balance at July 1, 2009 has been restated to add an asset and set up purchased but not recorded during fiscal year 2008-09. The equipment balance has been increased by \$33,019 and accumulated depreciation has been increased by \$3,402. The net effect of this correction is a \$29,617 increase in capital assets.

Capital asset activity for the year ending June 30, 2010 was as follows:

	Balance Beginning of Year <u>(as restated)</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers &amp; Adjustments</u>	<u>Ending Balance</u>
Capital assets, being depreciated:					
Equipment	\$ 2,514,144	\$ 123,866	\$	\$	\$ 2,638,010
Less accumulated depreciation for					
Equipment	<u>(1,081,445)</u>	<u>(135,706)</u>	<u>                    </u>	<u>                    </u>	<u>(1,217,151)</u>
Capital assets, net	<u>\$ 1,432,699</u>	<u>\$ (11,840)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,420,859</u>

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

Governmental activities:

    Public safety - fire services \$ 135,706

**County Service Area No. 40 – Fire Services**  
**Notes to the Basic Financial Statements**  
**June 30, 2010**

**C. Long-Term Debt**

Changes in long-term debt

Long-term liability activity for the year ended June 30, 2010, 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	\$ 103,564	\$ 29,289	\$	\$ 132,853	\$ 0
Capital lease	341,120		(39,631)	301,489	41,717
Total long-term liabilities	<u>\$ 444,684</u>	<u>\$ 29,289</u>	<u>\$ (39,631)</u>	<u>\$ 434,342</u>	<u>\$ 41,717</u>

**D. Capital Leases Payable**

<u>Type of Indebtedness (Purpose)</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding as of June 30, 2010</u>
Ford F-650 Fire Pumper	7/5/2012	5.33%	\$6,537 - 10,431	\$ 83,500	\$ 32,930
2006 Westates Custom Pumper	5/4/2016	4.59%	\$6,594 - \$10,148	165,000	107,813
2009 Pierce Navistar	6/1/2018	5.58%	\$15,537 - \$24,643	200,000	160,746
Total					<u>\$ 301,489</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 41,717	\$ 15,603
2012	43,913	13,407
2013	46,226	11,145
2014	41,151	8,713
2015	39,669	6,664
2016-2018	88,813	8,664
Total	<u>\$ 301,489</u>	<u>\$ 64,196</u>

**County Service Area No. 40 – Fire Services**  
**Notes to the Basic Financial Statements**  
**June 30, 2010**

**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, 2010 a transfer of \$659,009 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.

**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**  
**Notes to the Basic Financial Statements**  
**June 30, 2010**

**D. Proposition 1A Borrowing by the State of California**

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the County Service Area No. 40 – Fire Services was \$216,710.

Authorized with the 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority (“California Communities”), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the Proposition 1A receivables and issued bonds (“Prop 1A Bonds”) to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The County Service Area No. 40 – Fire Services participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.

**County Service Area No. 40 – Fire Services  
Notes to the Basic Financial Statements  
June 30, 2010**

**E. Restatement of Fund Balance and Net Assets**

Fund Balance

Governmental fund balance at July 1, 2009 has been restated to reflect capital asset set up costs of \$5,801 which were incurred during fiscal year 2008-09 but not recorded until fiscal year 2009-10 and previously unreported funds held for the replacement of emergency vehicles (\$100,380) and computers (\$18,972.)

Fund balance, CSA No. 40	
June 30, 2009, as previously reported	3,200,967
Restatement:	
Set up costs not recorded in fiscal year 2008-09	(5,801)
Vehicle replacement funds not previously reported	100,380
Computer replacement funds not previously reported	18,972
Fund balance, CSA No. 40 as of July 1, 2009, as restated	<u><u>3,314,518</u></u>

Fund balance, Fire Services fund	
June 30, 2009, as previously reported	2,331,209
Restatement:	
Set up costs not recorded in fiscal year 2008-09	(5,801)
Vehicle replacement funds not previously reported	100,380
Computer replacement funds not previously reported	18,972
Fund balance, Fire Services fund as of July 1, 2009, as restated	<u><u>2,444,760</u></u>

**County Service Area No. 40 – Fire Services**  
**Notes to the Basic Financial Statements**  
**June 30, 2010**

Net Assets

Net assets balance at July 1, 2009 has been restated to add the net effect of a vehicle purchased during fiscal year 2007-08 but not recorded and to recognize previously unreported funds held for the replacement of emergency vehicles (\$100,380) and computers (\$18,972.)

Net assets,	
June 30, 2009 as previously reported	4,156,590
Restatements:	
Capital asset not previous reported	23,816
Vehicle replacement funds not previously reported	100,380
Computer replacement funds not previously reported	18,972
Net assets as of July 1, 2009, as restated	\$ <u><u>4,299,758</u></u>

**Required Supplementary Information**  
**County Service Area No. 40 - Fire Services**  
**Combining Balance Sheet - All Funds**  
**Governmental Fund**  
**June 30, 2010**

	Fire Services	Sea Ranch Fire	Fitch Mountain Fire	Dry Creek Fire	Wilmar Fire	Mayacamas Fire	Total Governmental Funds
<b>Assets</b>							
Cash and investments	\$ 2,628,852	\$ 345,191	\$ 177,926	\$ 139,001	\$ 114,309	\$ 40,181	\$ 3,445,460
Accounts receivable	31,090						31,090
Due from other governments	22,186						22,186
Flat charges receivable				2,336	4,522	1,287	8,145
Prepaid expenditures	11,164						11,164
Restricted cash - Vehicle replacement	53,220						53,220
Restricted cash - Computer replacement	9,235						9,235
Total assets	<u>\$ 2,755,747</u>	<u>\$ 345,191</u>	<u>\$ 177,926</u>	<u>\$ 141,337</u>	<u>\$ 118,831</u>	<u>\$ 41,468</u>	<u>\$ 3,580,500</u>
<b>Liabilities and Fund Balance</b>							
Liabilities:							
Accounts payable	\$ 153,357	\$ 19,950	\$	\$	\$ 9,070	\$ 202	\$ 182,579
Deferred revenue	337,331						337,331
Total liabilities	<u>490,688</u>	<u>19,950</u>	<u>0</u>	<u>0</u>	<u>9,070</u>	<u>202</u>	<u>519,910</u>
Fund balance:							
Reserved for encumbrances	30,749						30,749
Reserved for equipment	10,000						10,000
Reserved for vehicle replacement	53,220						53,220
Reserved for computer replacement	9,235						9,235
Unreserved:	<u>2,161,855</u>	<u>325,241</u>	<u>177,926</u>	<u>141,337</u>	<u>109,761</u>	<u>41,266</u>	<u>2,957,386</u>
Total fund balances	<u>2,265,059</u>	<u>325,241</u>	<u>177,926</u>	<u>141,337</u>	<u>109,761</u>	<u>41,266</u>	<u>3,060,590</u>
Total liabilities and fund balance	<u>\$ 2,755,747</u>	<u>\$ 345,191</u>	<u>\$ 177,926</u>	<u>\$ 141,337</u>	<u>\$ 118,831</u>	<u>\$ 41,468</u>	<u>\$ 3,580,500</u>

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

**Required Supplementary Information**  
**County Service Area No. 40 - Fire Services**  
**Reconciliation of the Combining Balance Sheet - All Funds**  
**To the Statement of Net Assets**  
**Governmental Fund**  
**June 30, 2010**

	Fire Services	Sea Ranch Fire	Fitch Mountain Fire	Dry Creek Fire	Wilmar Fire	Mayacamas Fire	Total Governmental Funds
<b>Reconciliation of Balance Sheet to Statement of Net Assets</b>							
Fund balance - total government funds	\$ 2,265,059	\$ 325,241	\$ 177,926	\$ 141,337	\$ 109,761	\$ 41,266	\$ 3,060,590
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.	501,035	458,983		70,761	305,567	84,513	1,420,859
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.							
Compensated absences	(132,853)						(132,853)
Accrued interest payable		(747)			(773)	(850)	(2,370)
Capital leases payable		(160,746)			(107,813)	(32,930)	(301,489)
Net assets of governmental activities	\$ 2,633,241	\$ 622,731	\$ 177,926	\$ 212,098	\$ 306,742	\$ 91,999	\$ 4,044,737

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

**Required Supplementary Information**  
**County Service Area No. 40 - Fire Services**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - All Funds**  
**Governmental Fund**  
**For the Fiscal Year Ended June 30, 2010**

	Fire Services	Sea Ranch Fire	Fitch Mountain Fire	Dry Creek Fire	Wilmar Fire	Mayacamas Fire	Total Governmental Funds
<b>Revenues</b>							
Property taxes	\$ 2,737,844	\$	\$	\$ 105,989	\$ 87,858	\$ 21,914	\$ 2,953,605
Investment earnings	19,835	(150)	1,251	841	710	206	22,693
Intergovernmental revenue	84,880						84,880
Charges for services	927,212				5,000		932,212
Fines and penalties	663						663
Miscellaneous	11,598				33		11,631
Total revenues	<u>3,782,032</u>	<u>(150)</u>	<u>1,251</u>	<u>106,830</u>	<u>93,601</u>	<u>22,120</u>	<u>4,005,684</u>
<b>Expenditures</b>							
Current:							
Salaries and employee benefits	1,707,449						1,707,449
Services and supplies	1,471,409	711,430		101,158	69,269	5,712	2,358,978
Other charges			12,000				12,000
Debt service							
Principal		15,536			15,284	8,811	39,631
Interest		10,035			5,477	2,176	17,688
Capital outlay	123,866						123,866
Total expenditures	<u>3,302,724</u>	<u>737,001</u>	<u>12,000</u>	<u>101,158</u>	<u>90,030</u>	<u>16,699</u>	<u>4,259,612</u>
Excess (deficiency) of revenues over (under) expenditures	<u>479,308</u>	<u>(737,151)</u>	<u>(10,749)</u>	<u>5,672</u>	<u>3,571</u>	<u>5,421</u>	<u>(253,928)</u>
<b>Other financing sources (uses)</b>							
Operating transfers in		659,009		102,934	85,157		847,100
Operating transfers out	(659,009)			(102,934)	(85,157)		(847,100)
Total other financing sources (uses)	<u>(659,009)</u>	<u>659,009</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance	(179,701)	(78,142)	(10,749)	5,672	3,571	5,421	(253,928)
Fund balance, beginning of year, as restated	2,444,760	403,383	188,675	135,665	106,190	35,845	3,314,518
Fund balance, end of year	<u>\$ 2,265,059</u>	<u>\$ 325,241</u>	<u>\$ 177,926</u>	<u>\$ 141,337</u>	<u>\$ 109,761</u>	<u>\$ 41,266</u>	<u>\$ 3,060,590</u>

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

**Required Supplementary Information**  
**County Service Area No. 40 - Fire Services**  
**Combining 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, 2010**

	Fire Services	Sea Ranch Fire	Fitch Mountain Fire	Dry Creek Fire	Wilmar Fire	Mayacamas Fire	Total Governmental Funds
<b>Amounts reported for governmental activities in the statement of activities are different because:</b>							
Net change in fund balance - total governmental fund	\$ (179,701)	\$ (78,142)	\$ (10,749)	\$ 5,672	\$ 3,571	\$ 5,421	\$ (253,928)
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	123,866						123,866
Current year depreciation	(75,701)	(34,133)		(5,390)	(15,787)	(4,695)	(135,706)
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Activities. While repayment of lease principal is an expenditure in the governmental funds, it reduces long-term liabilities in the Statement of Activities.							
Principal payments		15,536			15,284	8,811	39,631
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.							
Change in accrued interest payable		73			109	223	405
Change in compensated absences reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds.							
Change in net assets of governmental activities	<u>(29,289)</u>	<u>(96,666)</u>	<u>(10,749)</u>	<u>282</u>	<u>3,177</u>	<u>9,760</u>	<u>(29,289)</u>
	<u>\$ (160,825)</u>	<u>\$ (96,666)</u>	<u>\$ (10,749)</u>	<u>\$ 282</u>	<u>\$ 3,177</u>	<u>\$ 9,760</u>	<u>\$ (255,021)</u>

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

**Required Supplementary Information**  
**Fire Services - County Service Area No. 40**  
**Combining Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budgets and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 2,668,954	\$ 2,668,954	\$ 2,737,844	\$ 68,890
Investment earnings	75,000	75,000	19,835	(55,165)
Intergovernmental revenue	97,450	102,971	84,880	(18,091)
Charges for services	1,203,864	1,203,864	927,212	(276,652)
Fines and penalties	0	0	663	663
Miscellaneous	201,886	201,886	11,598	(190,288)
Total revenues	4,247,154	4,252,675	3,782,032	(470,643)
<b>Expenditures</b>				
Current:				
Salaries and employee benefits	2,128,042	2,050,042	1,707,449	342,593
Services and supplies	1,623,238	1,699,984	1,485,770	214,214
Capital outlay	42,867	49,642	130,629	(80,987)
Total expenditures	3,794,147	3,799,668	3,323,848	475,820
Excess (deficiency) of revenues over (under) expenditures	453,007	453,007	458,184	5,177
<b>Other financing sources (uses)</b>				
Operating transfers in	17,700	17,700	0	(17,700)
Operating transfers out	(719,581)	(719,581)	(659,009)	60,572
Total other financing sources (uses)	(701,881)	(701,881)	(659,009)	42,872
Net change in fund balance, budgetary basis	\$ (248,874)	\$ (248,874)	(200,825)	\$ 48,049
<b>Budgetary Adjustments:</b>				
Basis adjustments:				
Encumbrances			21,124	
Net change in fund balance, GAAP Basis			\$ (179,701)	

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

**Required Supplementary Information**  
**Sea Ranch - County Service Area No. 40**  
**Combining Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budgets and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>	Original	Final	Amounts	(Negative)
Investment earnings	\$ 30,000	\$ 30,000	\$ (150)	\$ (30,150)
 <b>Expenditures</b>				
Current:				
Services and supplies	731,247	730,547	711,430	19,117
Debt service:				
Principal	24,880	25,580	15,536	10,044
Interest	0	0	10,035	(10,035)
Total expenditures	756,127	756,127	737,001	19,126
Excess (deficiency) of revenues over (under) expenditures	(726,127)	(726,127)	(737,151)	(11,024)
 <b>Other financing sources (uses)</b>				
Operating transfers in	711,587	711,587	659,009	(52,578)
Total other financing sources (uses)	711,587	711,587	659,009	(52,578)
Net change in fund balance, budgetary basis	\$ (14,540)	\$ (14,540)	\$ (78,142)	\$ (63,602)

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

**Required Supplementary Information**  
**Fitch Mountain - County Service Area No. 40**  
**Combining Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budgets and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2010**

	Budgeted Amounts		Actual	Variance with
<b>Revenues</b>	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Investment earnings	\$ 9,500	\$ 9,500	\$ 1,251	\$ (8,249)
Total revenues	9,500	9,500	1,251	(8,249)
 <b>Expenditures</b>				
Current:				
Other charges	12,000	12,000	12,000	0
Total expenditures	12,000	12,000	12,000	0
Net change in fund balance	\$ (2,500)	\$ (2,500)	\$ (10,749)	\$ (8,249)

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

**Required Supplementary Information**  
**Dry Creek - County Service Area No. 40**  
**Combining Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budgets and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Final Budget - Positive (Negative)
<b>Revenues</b>				
Property taxes	\$ 106,000	\$ 106,000	\$ 105,989	\$ (11)
Charges for services	5,000	5,000	0	(5,000)
Investment earnings	5,000	5,000	841	(4,159)
Total revenues	<u>116,000</u>	<u>116,000</u>	<u>106,830</u>	<u>(9,170)</u>
<b>Expenditures</b>				
Current:				
Services and supplies	<u>116,000</u>	<u>116,000</u>	<u>101,158</u>	<u>14,842</u>
Total expenditures	<u>116,000</u>	<u>116,000</u>	<u>101,158</u>	<u>14,842</u>
Excess (deficiency) of revenues over (under) expenditures	<u>0</u>	<u>0</u>	<u>5,672</u>	<u>5,672</u>
<b>Other financing sources (uses)</b>				
Operating transfers in	106,000	106,000	102,934	(3,066)
Operating transfers out	<u>(106,000)</u>	<u>(106,000)</u>	<u>(102,934)</u>	<u>3,066</u>
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,672</u>	<u>\$ 5,672</u>

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

**Required Supplementary Information**  
**Wilmar - County Service Area No. 40**  
**Combining Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budgets and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 87,000	\$ 87,000	\$ 87,858	\$ 858
Charges for services	5,000	5,000	5,000	0
Investment earnings	3,518	3,518	710	(2,808)
Miscellaneous	0	0	33	33
Total revenues	95,518	95,518	93,601	(1,917)
<b>Expenditures</b>				
Current:				
Services and supplies	75,013	74,753	69,269	5,484
Debt service:				
Principal	15,357	15,357	15,284	73
Interest	5,148	5,408	5,477	(69)
Total expenditures	95,518	95,518	90,030	5,488
Excess (deficiency) of revenues over (under) expenditures	0	0	3,571	3,571
<b>Other financing sources (uses)</b>				
Operating transfers in	87,000	87,000	85,157	(1,843)
Operating transfers out	(87,000)	(87,000)	(85,157)	1,843
Total other financing sources (uses)	0	0	0	0
Net change in fund balance	\$ 0	\$ 0	\$ 3,571	\$ 3,571

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

**Required Supplementary Information**  
**Mayacamas - County Service Area No. 40**  
**Combining Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budgets and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u></u>
<b>Revenues</b>				
Property taxes	\$ 22,600	\$ 22,600	\$ 21,914	\$ (686)
Investment earnings	200	200	206	6
Total revenues	<u>22,800</u>	<u>22,800</u>	<u>22,120</u>	<u>(680)</u>
<b>Expenditures</b>				
Current:				
Services and supplies	11,800	10,925	5,712	5,213
Debt service:				
Principal	11,000	11,000	8,811	2,189
Interest	0	0	2,176	(2,176)
Capital outlay	0	11,175	11,164	11
Total expenditures	<u>22,800</u>	<u>33,100</u>	<u>27,863</u>	<u>5,237</u>
 Net change in fund balance	 \$ <u>0</u>	 \$ <u>(10,300)</u>	 \$ (5,743)	 \$ <u>4,557</u>
 <b>Budgetary Adjustments:</b>				
Basis adjustments:				
Encumbrances			<u>11,164</u>	
Net change in fund balance, GAAP Basis			<u>\$ 5,421</u>	

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

**Required Supplementary Information**  
**Fire Services - County Service Area No. 40**  
**Summary of Changes in Capital Assets**  
**For the Fiscal Year Ended June 30, 2010**

	Balance Beginning of Year <u>(as restated)</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers &amp; Adjustments</u>	<u>Ending Balance</u>
Capital assets, being depreciated:					
Equipment	\$ 819,079	\$ 123,866	\$	\$	\$ 942,945
Less accumulated depreciation for					
Equipment	<u>(366,209)</u>	<u>(75,701)</u>	<u>                    </u>	<u>                    </u>	<u>(441,910)</u>
Capital assets, net	<u>\$ 452,870</u>	<u>\$ 48,165</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 501,035</u>

**Required Supplementary Information  
Sea Ranch - County Service Area No. 40  
Summary of Changes in Capital Assets  
For the Fiscal Year Ended June 30, 2010**

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers &amp; Adjustments</u>	<u>Ending Balance</u>
Capital assets, being depreciated:					
Equipment	\$ 1,085,285	\$	\$	\$	\$ 1,085,285
Less accumulated depreciation for					
Equipment	<u>(592,169)</u>	<u>(34,133)</u>	<u>                    </u>	<u>                    </u>	<u>(626,302)</u>
Capital assets, net	<u>\$ 493,116</u>	<u>\$ (34,133)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 458,983</u>

**Required Supplementary Information  
 Dry Creek - County Service Area No. 40  
 Summary of Changes in Capital Assets  
 For the Fiscal Year Ended June 30, 2010**

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers &amp; Adjustments</u>	<u>Ending Balance</u>
Capital assets, being depreciated:					
Equipment	\$ 97,711	\$	\$	\$	\$ 97,711
Less accumulated depreciation for					
Equipment	<u>(21,560)</u>	<u>(5,390)</u>	<u>          </u>	<u>          </u>	<u>(26,950)</u>
Capital assets, net	<u>\$ 76,151</u>	<u>\$ (5,390)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 70,761</u>

**Required Supplementary Information  
 Wilmar - County Service Area No. 40  
 Summary of Changes in Capital Assets  
 For the Fiscal Year Ended June 30, 2010**

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers &amp; Adjustments</u>	<u>Ending Balance</u>
Capital assets, being depreciated:					
Equipment	\$ 394,690	\$	\$	\$	\$ 394,690
Less accumulated depreciation for					
Equipment	<u>(73,336)</u>	<u>(15,787)</u>	<u>                    </u>	<u>                    </u>	<u>(89,123)</u>
Capital assets, net	<u>\$ 321,354</u>	<u>\$ (15,787)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 305,567</u>

**Required Supplementary Information**  
**Mayacamas - County Service Area No. 40**  
**Summary of Changes in Capital Assets**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Balance</u> <u>Beginning</u> <u>of Year</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers &amp;</u> <u>Adjustments</u>	<u>Ending</u> <u>Balance</u>
Capital assets, being depreciated:					
Equipment	\$ 117,379	\$	\$	\$	\$ 117,379
Less accumulated depreciation for					
Equipment	<u>(28,171)</u>	<u>(4,695)</u>	<u>                    </u>	<u>                    </u>	<u>(32,866)</u>
Capital assets, net	<u>\$ 89,208</u>	<u>\$ (4,695)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 84,513</u>

**County Service Area No. 40 – Fire Services  
Notes to Required Supplementary Information  
June 30, 2010**

**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 \$32,288 for the fiscal year ending June 30, 2010. 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 May 17, 2011 CSA No. 40 Board consisted of the following members:

<u>Directors</u>	<u>Office</u>	<u>Term Expires</u>
Efren Carrillo .....	Chairman .....	January 2013
Shirlee Zane .....	Vice Chairwoman.....	January 2013
Valarie Brown .....		January 2013
David Rabbitt .....		January 2015
Mike McGuire.....		January 2015