

**SONOMA COUNTY FIRE  
DISTRICT**

FINANCIAL STATEMENTS  
And  
INDEPENDENT AUDITOR'S REPORT

FOR THE PERIOD APRIL 05, 2019 THROUGH JUNE 30, 2019

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# SONOMA COUNTY FIRE DISTRICT

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# SONOMA COUNTY FIRE DISTRICT

## Roster of Board Members

As of December 1, 2019, the District Board consisted of the following members:

<u>Directors:</u>	<u>Office</u>	<u>Term Expires</u>
John Nelson	President	December 2020
Steve Klick	Vice-President	December 2022
Bob Briare	Director	December 2022
John Hamann	Director	December 2020
Frank Treanor	Director	December 2020
Arnie Tognozzi	Director	December 2020
Gary So	Director	December 2022

### Clerk of the Board:

Kathy Washington                      Executive Assistant

### Regular Meetings:

The regular meeting of the Board of Directors is held at 5:00 P.M. on the third Thursday of each month. For the meeting location, you can contact the District office at (707) 838-1170.



Blomberg & Griffin Accountancy Corporation  
Certified Public Accountant

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
**Sonoma County Fire District**  
Windsor, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Sonoma County Fire District as of and for the period April 05, 2019 through June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Sonoma County Fire District, as of June 30, 2019 and the respective changes in financial position, and, where applicable, cash flows thereof for the period then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of a Matters

As discussed in Note XIII to the financial statements, effective April 05, 2019, the Rincon Valley Fire District, the Bennett Valley Fire District, and the IRP areas of CSA 40 was consolidated with the Windsor Fire District to form the Sonoma County Fire District. Our opinion is not modified with respect to this matter.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (omitted), changes in fund balance (page 10), and Schedule of Changes in Net Pension Liability and Related Ratios and Schedule of Contributions to the Pension Plan (omitted) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The District has omitted management discussion and analysis and Schedule of Changes in Net Pension Liability and Related Ratios and Schedule of Contributions to the Pension Plan that accounting principles generally accepted in the United States has determined to supplement, although, not required to be part of, the basic financial statements. In addition, for the changes in fund balance and pension related schedule presentation, we have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Blomberg & Griffin A.C.  
Stockton, CA  
December 04, 2019

**SONOMA COUNTY FIRE DISTRICT**

**STATEMENT OF NET POSITION  
AS OF JUNE 30, 2019**

	<u>As of June 30, 2019</u>
<b>Assets</b>	
<b>Current Assets:</b>	
Cash and Investments	\$ 875,051
Cash with Fiscal Agent	189,030
Restricted Cash	8,712,186
Accounts Receivable, government agency	<u>1,044,520</u>
Total Current Assets	<u>10,820,787</u>
<b>Capital Assets (Net of Accumulated Depreciation):</b>	
Land	1,547,778
Building and Improvements	6,845,160
Equipment	<u>3,322,825</u>
Total Capital Asset	<u>11,715,763</u>
Total Assets	<u>22,536,550</u>
Deferred Outflows of Resources	3,087,948
<b>Liabilities</b>	
<b>Current Liabilities:</b>	
Accounts payable and accrued expenses	305,501
Interest Payable	8,731
Loan Payable - Current Portion	<u>28,161</u>
Total Current Liabilities	<u>342,393</u>
<b>Non-Current Liabilities:</b>	
Compensated Absences	955,670
Loan Payable - Non-current	261,337
Net OPEB	1,898,551
Net Pension Liability (Note V)	<u>8,450,077</u>
Total Non-Current Liabilities	<u>11,565,635</u>
Deferred Inflows of Resources - Pension	399,532
<b>Net Position</b>	
Net Investment in Capital Assets	11,426,265
Restricted	9,001,684
Unrestricted (Deficit)	<u>(7,111,011)</u>
Total Net Position	<u>\$ 13,316,938</u>

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

# SONOMA COUNTY FIRE DISTRICT

## STATEMENT OF ACTIVITIES FOR THE PERIOD APRIL 05, 2019 THROUGH JUNE 30, 2019

	<u>04/05/2019-</u> <u>06/30/2019</u>
<b>Program Expenses</b>	
Public Safety - Fire Prevention	
Salaries and Employee Benefits	\$ 2,688,218
Services and Supplies	708,216
Depreciation	<u>120,987</u>
Total Program Expenses	<u>3,517,421</u>
<b>Program Revenues</b>	
Intergovernmental Revenue	1,431,466
Rent Income	6,315
Other Charges for Services	<u>4,437</u>
Total Program Revenues	<u>1,442,218</u>
Net Program Revenues (Expenses)	(2,075,203)
<b>General Revenues</b>	
Property Taxes	2,739,512
Interest Income	18,506
Interest Expense	(2,381)
Donations and Reimbursements	<u>206,720</u>
Total General Revenues	<u>2,962,357</u>
Change in Net Position	887,154
Net Position, Beginning of Period	<u>12,429,784</u>
Net Position, End of Period	<u><u>\$ 13,316,938</u></u>

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

**SONOMA COUNTY FIRE DISTRICT**

**STATEMENT OF CASH FLOW  
FOR THE PERIOD APRIL 05, 2019 THROUGH JUNE 30, 2019**

	<u>04/05/2019- 06/30/2019</u>
<b>Cash Flows From Operating Activities</b>	
Cash received from government, grants, program revenue	\$ 3,373,149
Cash paid to vendors and employees	<u>(3,810,814)</u>
Net Cash Provided By (Used) for operations	<u>(437,665)</u>
<b>Cash Flows From Non-Capital Financing Activities</b>	
Cash Received from Property Taxes	2,739,512
Miscellaneous, Non Operating Income	<u>206,720</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>2,946,232</u>
<b>Cash Flows from Financing Activities</b>	
Purchase of plant, property and equipment	(84,562)
Interest Expense on Long-Term Loans	<u>(2,381)</u>
Net cash (used) provided by investing activities	<u>(86,943)</u>
<b>Cash Flows From Investing Activities</b>	
Interest Income	<u>18,506</u>
Net Cash Provided (Used) from Investing Activities	<u>18,506</u>
Net Increase (Decrease) In Cash	2,440,130
Cash and Investments - April 05, 2019	<u>7,336,137</u>
<b>Cash and Investments - June 30, 2019</b>	<u><u>\$ 9,776,267</u></u>
<b>Reconciliation of Net Program Revenues</b>	
<b>Cash Provided by Operating Activities</b>	
Net Program Revenues	\$ (2,075,203)
<b>Adjustments to Reconcile Change in Net Asset to Cash from Operations:</b>	
Depreciation and amortization	120,987
(Increase) decrease in:	
Prepaid Expenses	47,791
Accounts Receivable	1,883,140
Increase (decrease) in:	
Accounts Payable and Accrued Expenses	(504,060)
Compensated Absences	<u>89,680</u>
Net Cash Provided by (used for) Operating Activities	<u><u>\$ (437,665)</u></u>

The accompanying notes are an integral part of these financial statements



**SONOMA COUNTY FIRE DISTRICT**

**BALANCE SHEET  
GOVERNMENTAL FUND  
AS OF JUNE 30, 2019**

<b>Assets</b>	<b>General</b>	<b>Total Governmental Funds</b>
	<u>          </u>	<u>          </u>
Cash and Investments	\$ 875,051	\$ 875,051
Cash with Fiscal Agent	189,030	189,030
Restricted Cash	8,712,186	8,712,186
Accounts Receivable	<u>1,044,520</u>	<u>1,044,520</u>
 Total Assets	 <u>\$ 10,820,787</u>	 <u>\$ 10,820,787</u>
 <b>Liabilities and Fund Balance</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Expenses	\$ 305,501	\$ 305,501
Interest Payable	<u>8,731</u>	<u>8,731</u>
 Total Liabilities	 <u>314,232</u>	 <u>314,232</u>
 <b>Fund balance:</b>		
Assigned for Capital Improvements	4,212,098	4,212,098
Restricted for Unemployment	68,030	68,030
Mitigation Fund - Restricted	275,993	275,993
Unassigned Fund Balance	<u>5,950,434</u>	<u>5,950,434</u>
 Total Fund Balance	 <u>10,506,555</u>	 <u>10,506,555</u>
 Total Liabilities and Fund Balance	 <u>\$ 10,820,787</u>	 <u>\$ 10,820,787</u>

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

**SONOMA COUNTY FIRE DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
AS OF JUNE 30, 2019**

<b>Reconciliation of Balance Sheet to Statement of Net Position</b>	<b>As of June 30, 2019</b>
Fund balance - total government funds	\$ 10,506,555
Amount reported for governmental activities in the statement of net position is different because:	
Capital assets, net of accumulated depreciation used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	11,715,763
Deferred pension charges not reported in funds balance sheet	3,087,948
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Compensated Absences	(955,670)
Note Payable	(289,498)
Net OPEB Obligation	(1,898,551)
Deferred pension credits not reported in funds balance sheet	(399,532)
Net Pension liability not reported in funds balance sheet	<u>(8,450,077)</u>
Net Position of Governmental Activities	<u>\$ 13,316,938</u>

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

# SONOMA COUNTY FIRE DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS FOR THE PERIOD APRIL 05, 2019 THROUGH JUNE 30, 2019

	<u>04/05/2019-</u> <u>06/30/2019</u>
<b>Revenues</b>	
Property Taxes	\$ 2,739,512
Investment Earnings	18,506
Intergovernmental Revenue	1,431,466
Rent Income	6,315
Donations	206,720
Charges for Service and Miscellaneous	<u>4,437</u>
Total Revenues	<u>4,406,956</u>
<b>Expenditures</b>	
Current:	
Salaries and Employee Benefits	2,598,538
Services and Supplies	708,216
Interest Expense	2,381
Purchase of Capital Assets	<u>84,562</u>
Total Expenditures	<u>3,393,697</u>
Net Change in Fund Balance	1,013,259
Fund Balance, April 05, 2019	<u>9,493,296</u>
Fund Balance, June 30, 2019	<u>\$ 10,506,555</u>

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

SONOMA COUNTY FIRE DISTRICT

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO  
STATEMENT OF THE ACTIVITIES

FOR THE PERIOD APRIL 05, 2019 THROUGH JUNE 30, 2019

	<u>04/05/2019-</u> <u>06/30/2019</u>
<b>Amounts reported for governmental activities in the statement of activities are different because:</b>	
Net change in fund balance - total governmental fund	\$ 1,013,259
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Current year depreciation	(120,987)
Current period capital additions	84,562
Pension expense adjustment for deferred items	-
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>(89,680)</u>
Change in Net Position of Governmental Activities	<u>\$ 887,154</u>

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

# SONOMA COUNTY FIRE DISTRICT

Notes to the Basic Financial Statements  
June 30, 2019

## NOTE I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Reporting Entity

Effective April 05, 2019, the Rincon Valley Fire Protection District, the Bennett Valley Fire Protection District, and the IRP areas of CSA 40 was consolidated with the Windsor Fire Protection District to form the Sonoma County Fire District. The Sonoma County Fire District (the District) is a California special district governed by a seven-member board of directors. The District serves 75,000 taxpayers and residents in the Town of Windsor, Larkfield, Wikiup, Mark West, Mountain, Middle Rincon, Bennett Valley, Bellevue, Graton Casino, Fulton, and the surrounding unincorporated areas.

### B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or section and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

# SONOMA COUNTY FIRE DISTRICT

Notes to the Basic Financial Statements  
June 30, 2019

## NOTE I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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 they are both measurable and available. Taxes, interest, and charges for services are considered to be available when receipt occurs within 365 days of the end of the accounting period so as to be both measurable and available. Licenses, permits, fines, forfeitures, and other revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Property taxes are considered to be available 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 claim 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 Position or Fund Balance

#### 1. Cash and Investments

The District reports certain investments at fair value on 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. Flat Charges Receivable

Flat charges collected are apportioned to the District to supplement property taxes collected for operating costs. Not all of the assessments are collected as of June 30, 2019; therefore, the remainder of the uncollected assessments is considered flat charges receivable.

# SONOMA COUNTY FIRE DISTRICT

Notes to the Basic Financial Statements  
June 30, 2019

## NOTE I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2. Receivables and Payables (Continued)

#### b. 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.

Since the passage of California's Proposition 13, beginning with the 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 \$835,709 in Benefit Assessments collected. Benefit Assessments are types of flat charges applied to each parcel of property within the District for a specific dollar amount and for a specific purpose.

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.

### 3. Capital Assets

Capital assets, which include land, buildings and improvements, and equipment, are reported in the applicable governmental activity's columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. 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.

# SONOMA COUNTY FIRE DISTRICT

Notes to the Basic Financial Statements  
June 30, 2019

## NOTE I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3. Capital Asset (Continued)

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. Buildings and improvements and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and Improvements	10-30
Equipment	10-20

### 4. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Only twenty five percent of unused sick leave for administrative personnel and thirty percent for safety personnel is included in the accrual calculation. All vacation pay is accrued when incurred in the government-wide financial statements. A liability of these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignation and for retirement.

### 5. Net Position

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

- Invested in capital assets, net of related debt – This component of net position consists of capital assets, net accumulated depreciation and net of related debt if any.
- Unrestricted net position — This component of net position consists of net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”
- Restricted for capital fund – This component of net position consists of restricted funds that can only be spent for specific capital related purposes stipulated by external funder.



# SONOMA COUNTY FIRE DISTRICT

Notes to the Basic Financial Statements  
June 30, 2019

## NOTE I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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.

## NOTE II STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### 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 year. All budgets are adopted on a non-GAAP basis. The District's budgetary information was amended during the year.

## NOTE III DETAILED NOTES

### Cash and Investments

The District has payroll fund deposited with a federally insured account at Exchange Bank and operating account at Summit State Bank.

The amount of cash at June 30, is as follows:

	<u>2019</u>
Restricted Cash	\$ 8,712,186
Cash in Exchange Bank	189,030
Cash in Summit State Bank	<u>875,051</u>
Total	<u>\$ 9,776,267</u>

# SONOMA COUNTY FIRE DISTRICT

Notes to the Basic Financial Statements  
June 30, 2019

## NOTE III DETAILED NOTES (Continued)

### Investments Policy

Authorized investment shall match the general categories established by the California Government Code section 53601 et. Seq. and 53635, et. Seq., as applicable. In accordance with Government Code sections 53684 and 16429.1, authorized investments shall also include the Sonoma County Pooled investment fund and the Local Agency Investment Fund (LAIF), subject to the respective rules and regulations of each. No investment shall be made in any security with a maturity greater than five years, unless the Board has granted express authority to make that investment. As the California Government Code is amended, this policy shall likewise become amended without necessity of specific Board action.

### 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 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.

# SONOMA COUNTY FIRE DISTRICT

Notes to the Basic Financial Statements  
June 30, 2019

## NOTE III DETAILED NOTES (Continued)

### 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.

### 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 state 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.

### 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 2019 Sonoma County CAFR.

# SONOMA COUNTY FIRE DISTRICT

Notes to the Basic Financial Statements  
June 30, 2019

## NOTE III DETAILED NOTES (Continued)

### B. Capital Assets

Capital asset activity for the period ended June 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassification</u>	<u>Ending Balance</u>
Capital Assets, not Being Depreciated:				
Land	\$ 1,547,778	\$ -	\$ -	\$ 1,547,778
Capital assets, Being Depreciated:				
Buildings and Improvements	19,164,557	-	-	19,164,557
Equipment	<u>8,720,697</u>	<u>86,988</u>	<u>-</u>	<u>8,807,685</u>
Total Capital Assets, Being Depreciated	<u>27,885,254</u>	<u>86,988</u>	<u>-</u>	<u>27,972,242</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(12,076,203)	(243,194)	-	(12,319,397)
Equipment	<u>(5,748,952)</u>	<u>(72,903)</u>	<u>336,995</u>	<u>(5,484,860)</u>
Total Accumulated Depreciation	<u>(17,825,155)</u>	<u>(316,097)</u>	<u>336,995</u>	<u>(17,804,257)</u>
Total Capital Assets, Being Depreciation, Net	<u>10,060,099</u>	<u>(229,109)</u>	<u>336,995</u>	<u>10,167,985</u>
Capital Assets, Net	<u>\$ 11,607,877</u>	<u>\$ (229,109)</u>	<u>\$ 336,995</u>	<u>\$ 11,715,763</u>

Depreciation expense is charged to functions/programs of the Sonoma County Fire District government as follows:

Governmental activities:	
Public safety - fire protection	\$120,987

The beginning balances of the Sonoma County Fire District assets were forwarded from consolidated District's ending balance on April 04, 2019.

### C. Long-term Debt

#### Changes in long-term debt

Long-term liability activity for the period ended June 30, 2019, 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:					
Note Payable - Current	\$ 289,498	\$ -	\$ -	\$ 289,498	\$ 28,161
Compensated absences	<u>855,990</u>	<u>89,680</u>	<u>-</u>	<u>945,670</u>	<u>-</u>
Total long-term liabilities	<u>\$ 1,145,488</u>	<u>\$ 89,680</u>	<u>\$ -</u>	<u>\$ 1,235,168</u>	<u>\$ 28,161</u>

# SONOMA COUNTY FIRE DISTRICT

Notes to the Basic Financial Statements  
June 30, 2019

## NOTE IV RISK MANAGEMENT

The District receives automobile and general liability coverage from FAIRA. The District is also a member of the Fire Districts Association of California-Fire Association Self Insurance System (FDAC-FASIS) through which it receives workers' compensation coverage.

As a member of a public entity risk pool, the District is responsible for appointing an employee as a liaison between the District and the system, implementing all policies of the system, promptly paying all contributions, and cooperating with the system and any insurer of the system. The system is responsible for providing insurance coverage as agreed upon, assisting the District with implementation, providing claims adjusting and defense of any civil action brought against an officer of the system.

## NOTE V DISTRICT EMPLOYEE RETIREMENT PLAN

### Employee Retirement Plan

The District enrolled in the California Public Employees Retirement System (PERS) cost-sharing multiple-employer Defined Benefit Pension Plan. In cost-sharing multiple-employer plans the benefit obligations are pooled. A single actuarial valuation is performed covering all participants, all employers contribute at the same rate, and all plan assets are available to pay plan benefits pertaining to the employee and retirees of any employer.

### Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS website under Forms and Publications.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2017
Measurement Date (MD)	June 30, 2018
Measurement Period (MP)	July 1, 2017 to June 30, 2018

# SONOMA COUNTY FIRE DISTRICT

Notes to the Basic Financial Statements  
June 30, 2019

## NOTE V DISTRICT EMPLOYEE RETIREMENT PLAN (Continued)

### Plan Description, Benefits Provided and Employees Covered

The plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees; Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2017 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2017 actuarial valuation report. This report is a publically available valuation report that can be obtained at CalPERS' website under Forms and Publications.

### Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and contribution rate of employees. For the measurement period ended June 30, 2018 (the measurement date), the active employee contribution rate is 7.952 percent of annual pay. The employer's contribution rate is 11.569 percent and UAL contribution are 4.926 percent for miscellaneous plan. For the Safety Plan, the active employee contribution rate is 8.984 percent, the employer's contribution rate is 18.677 percent and UAL contribution are 4.926 percent. Employer contributions rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

# SONOMA COUNTY FIRE DISTRICT

Notes to the Basic Financial Statements  
June 30, 2019

## NOTE V DISTRICT EMPLOYEE RETIREMENT PLAN (Continued)

### Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2018 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2017 total pension liability. Both the June 30, 2017 total pension liability and the June 30, 2018 total pension liability were based on the following actuarial methods and assumptions.

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Delivered using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter.

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016.

In determining the long-term expected rate of return, CalPERS considered both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

### Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely results in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

**SONOMA COUNTY FIRE DISTRICT**

Notes to the Basic Financial Statements  
June 30, 2019

**NOTE V DISTRICT EMPLOYEE RETIREMENT PLAN (Continued)**

Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. The difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan. However, employers may determine the impact at the plan level for their own financial reporting purposes.

Actuarial Assumptions and Methods

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2018-19 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology. The long-term expected rate of return on pension plan investment was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10</u>	<u>Real Return Years 11 +</u>
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00	1.00	2.62
Inflation Sensitive	-	0.77	1.81
Private Equity	8.00	6.30	7.23
Real Estate	13.00	3.75	4.92
Infrastructure & Forestland	-	-	-
Liquidity	1.00	-	(0.92)



# SONOMA COUNTY FIRE DISTRICT

Notes to the Basic Financial Statements  
June 30, 2019

## NOTE V DISTRICT EMPLOYEE RETIREMENT PLAN (Continued)

The following table shows the Plan's proportionate share of the risk pool collective net pension liability over the measurement period.

	<b>Plan Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Plan Net Pension Liability/(Asset) (c) = (a) - (b)</b>
Balance at : 6/30/2017 (MD)	\$ 33,767,378	\$ 25,426,176	\$ 8,341,202
Balance at : 6/30/2018 (MD)	\$ 37,439,173	\$ 28,989,096	\$ 8,450,077
Net Changes during 2017-18	\$ (3,671,795)	\$ (3,562,920)	\$ (108,875)

The following presents the net pension liability/(assets) of the Plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	<b>Discount Rate - 1% (6.15%)</b>	<b>Current Discount Rate (7.15%)</b>	<b>Discount Rate + 1% (8.15%)</b>
Plan's Net Pension Liability/(Asset)- Safety Plan	\$ 13,918,335	\$ 8,283,699	\$ 4,203,197
Plan's Net Pension Liability/(Asset)- Miscellaneous Plan	\$ 343,869	\$ 166,378	\$ 19,862

### Pension Expense, Deferred Outflows and Deferred Inflows

For the period ended June 30, 2019 pension expense recognized is as follows:

	<b>Safety Plan</b>	<b>Miscellaneous Plan</b>	<b>Total</b>
Service Cost	\$ 617,226	\$ 17,971	\$ 635,197
Changes of Benefits Terms	-	29	29
Interest Cost	2,105,600	50,227	2,155,827
Projected Earnings on PPI	(1,515,741)	(38,065)	(1,553,806)
Employee Contributions	(222,086)	(7,806)	(229,892)
Net Plan to Plan Resource Movement	1,400	(5,189)	(3,789)
Administrative Expense	33,062	819	33,881
Other Miscellaneous Income	62,785	1,556	64,341
Earnings on Plan Investment	(67,299)	(1,632)	(68,931)
Recognized Changes of Assumptions	315,377	6,629	322,006
Recognized Difference between Expected and Actual Experience	52,632	1,282	53,914
<b>Pension Expense</b>	<b>\$ 1,382,956</b>	<b>\$ 25,821</b>	<b>\$ 1,408,777</b>

**SONOMA COUNTY FIRE DISTRICT**

Notes to the Basic Financial Statements  
June 30, 2019

**NOTE V DISTRICT EMPLOYEE RETIREMENT PLAN (Continued)**

Of the amounts reported as deferred outflows or resources, the amount resulting from contributions made to the trust subsequent to the measurement date will be recognized as a reduction of the net pension liability in the period ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources will be recognized in future periods as shown below.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	\$ 831,742	\$ 114,307
Difference Between Expected and Actual Experience	184,372	2,848
Difference Between Projected and Actual Earnings on Investments	56,908	-
Changes in Employer's Proportion	1,011,966	211,926
Differences Between Employer's Contribution and Proportionate Share of Contributions	144,974	70,451
Contributions Made Subsequent to the Measurement Date	<u>857,986</u>	<u>-</u>
Total	<u>\$ 3,087,948</u>	<u>\$ 399,532</u>

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

<u>Measurement Period Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2020	1,405,396
2021	1,112,166
2022	107,159
2023	63,695
2024	-
Thereafter	-

**Pension Plan Fiduciary Net Position**

The plan fiduciary net position disclosed in your GASB 68 accounting valuation report may differ from the plan assets reported in your funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included fiduciary net position. These amounts are excluded for rate setting purposes in your funding actuarial valuation. In addition, differences may result from early CAFR closing and final reconciled reserves.

# SONOMA COUNTY FIRE DISTRICT

Notes to the Basic Financial Statements  
June 30, 2019

## NOTE VI OTHER POSTEMPLOYMENT HEALTH BENEFITS (OPEB)

### Plan Description

The Rincon Valley Fire Protection District defined benefit Postemployment Healthcare Plan (RVFPDHP) provides medical benefits to eligible retired district employees and their beneficiaries. The authority to amend this plan resides with the District's Board of Directors. The RVFPDHP contracts with the California Employer's Retiree Benefit Trust (CERBT), an agent multiple-employer postemployment benefit trust administered by CalPERS for the purpose of prefunding postemployment benefits. CALPERS issued a publically available financial report that includes financial statements and required supplemental information CERBT. Copies of CERBT's annual financial report may be obtained by writing the plan: California PERS, CERBT (OPEB), and P.O. Box 942709, Sacramento, CA 94229-2709.

### Funding Policy

The District contributes up to a maximum of \$1,261 per month towards retiree and spouse premiums of a district sponsored health plan. The District is required to recognize the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that if paid on a ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

### Funded Status and Funding Progress of the OPEB Plan

As of July 1, 2017, based on the District's most recent actuarial report from Bickmore Risk Services and Consulting (BRS), the Postemployment Healthcare Plan was 29 percent funded. The actuarial liability benefit was \$5,059,217, and the actuarial value asset was \$1,806,184, resulting in an unfunded liability of \$3,253,033. The covered payroll (annual payroll of active employees covered by the plan) was \$1,309,529, and the ratio of the unfunded liability of covered payroll was 40 percent.

### Actuarial Assumptions and Methods

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

## NOTE VII SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 04, 2019, the date the financial statements were available to be issued.

# **SONOMA COUNTY FIRE DISTRICT**

Notes to the Basic Financial Statements  
June 30, 2019

## **NOTE VIII CONSOLIDATION/REORGANIZATION**

Effective April 05, 2019, the Rincon Valley Fire Protection District, the Bennett Valley Fire Protection District, and portions of the IRP areas of CSA 40 was consolidated with the Windsor Fire Protection District to form the Sonoma County Fire District.

## SONOMA COUNTY FIRE DISTRICT

### STATEMENT OF REVENUES EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET TO ACTUAL GENERAL FUND (Included Restricted Funds) FOR THE PERIOD APRIL 05, 2019 THROUGH JUNE 30, 2019

Revenues	Budgeted Amounts (1)		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Property Taxes	\$ 4,682,000	\$ 4,682,000	\$ 2,739,512	\$ (1,942,488)
Investment Earnings	300	300	18,506	18,206
Intergovernmental Revenue	205,100	205,100	1,431,466	1,226,366
Donations	343,400	343,400	206,720	(136,680)
Rent Income	6,550	6,550	6,315	(235)
Charges for Service and Miscellaneous	8,700	8,700	4,437	(4,263)
<b>Total Revenues</b>	<b>5,246,050</b>	<b>5,246,050</b>	<b>4,406,956</b>	<b>(839,094)</b>
<b>Expenditures</b>				
<b>Current:</b>				
Salaries and Employee Benefits	3,339,416	3,339,416	2,598,538	740,878
Services and Supplies	366,050	366,050	708,216	(342,166)
Long-term Debt - Principal	39,000	39,000	-	39,000
Long-term Debt - Interest	1,600	1,600	2,381	(781)
<b>Capital Outlay</b>	<b>693,768</b>	<b>693,768</b>	<b>84,562</b>	<b>609,206</b>
<b>Total Expenditures</b>	<b>4,439,834</b>	<b>4,439,834</b>	<b>3,393,697</b>	<b>1,046,137</b>
<b>Excess (Deficiency of Revenues Over (Under) Expenditures</b>	<b>806,216</b>	<b>806,216</b>	<b>1,013,259</b>	<b>207,043</b>
<b>Fund Balance, April 05, 2019</b>	<b>6,078,167</b>	<b>7,341,283</b>	<b>9,493,296</b>	<b>(2,152,013)</b>
<b>Fund Balance, June 30, 2019</b>	<b>\$ 6,884,383</b>	<b>\$ 8,147,499</b>	<b>\$ 10,506,555</b>	<b>\$ 2,359,056</b>

(1) Budget and actual revenue and expenses amounts are presented only for the period April 05, 2019 through June 30, 2019 operation.

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

# SONOMA COUNTY FIRE DISTRICT

## Note to the Required Supplementary Information June 30, 2019

### Budget and Budgetary Accounting

Formal budgetary accounting is employed by the District as a management control for the General Fund. The governing board adopts an annual budget each fiscal year. The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgetary control is exercised at the fund level. All amendments to the budget are reflected in the financial statements and require the approval of the government board. All unencumbered annual appropriations lapse at the end of each fiscal year; there are no encumbrances outstanding at year-end.