

# NORTH SONOMA COAST FIRE PROTECTION DISTRICT

FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED

JUNE 30, 2017

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# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
North Sonoma Coast Fire Protection District  
The Sea Ranch, California

We have audited the accompanying financial statements of the governmental activities of North Sonoma Coast Fire Protection District (a special purpose government) as of and for the fifteen months ended June 30, 2017, 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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditor's Responsibility**

Our responsibility is to express 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. 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 control 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 control. 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.



**Goranson and Associates, Inc.**

717 College Avenue, First Floor, Santa Rosa, CA 95404 Phone: 707/542-1256 Fax 707/978-3090

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of North Sonoma Coast Fire Protection District as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the fifteen months then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-11 and 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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.

*Goranson and Associates, Inc.*

December 11, 2017

Santa Rosa, CA

NORTH SONOMA COAST FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017

As management of the North Sonoma Coast Fire Protection District (District) we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fifteen months ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the District's financial statements (pages 15-19) and the accompanying notes to the basic financial statements (pages 20-27).

### Financial Highlights

- The fifteen months ended June 30, 2017 is the first fiscal period of the District.
- The assets of the District exceeded its liabilities at the close of the fifteen months ended June 30, 2017 by \$971,426 (net position). Of this amount \$621,801 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the fifteen months ending June 30, 2017, the District's governmental funds reported an ending fund balance of \$621,801.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes 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 the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and unpaid vendor invoices for services previously provided).

The government-wide financial statements can be found on pages 12-14 of this report.

NORTH SONOMA COAST FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017

**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. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's funds are governmental funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows 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. Noncurrent assets, capital assets and longer term liabilities are not included in governmental funds.

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.

The District uses governmental funds to account for its activities, which include fire protection services in the district boundaries. The district adopts an annual budget for its funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 15-19 of this report.

**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. The notes to the basic financial statements can be found on pages 20-27 of this report.

NORTH SONOMA COAST FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$971,426 at June 30, 2017.

A large portion of the district's net position (36 percent) reflects its investment in capital assets (e.g. buildings and improvements and equipment). The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

**NET POSITION**

Current and other assets	\$	660,399
Capital assets		349,625
Total assets	\$	<u>1,010,024</u>
Liabilities due within one year	\$	38,598
Total liabilities	\$	<u>38,598</u>
Net position:		
Invested in capital assets, net of related debt	\$	349,625
Unassigned		621,801
Total net position	\$	<u>971,426</u>

The balance of the unrestricted net position (\$621,801 for June 30, 2017) may be used to meet the District's ongoing obligations to citizens and vendors.

At the end of the current fiscal year, the District is able to report positive balances in all categories of net position.

NORTH SONOMA COAST FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017

**Government-wide activities.** Government-wide activities increased the Districts net position by \$319,776 for the fifteen months ended June 30, 2017. This increase is a result of net income in the governmental activities.

**CHANGES IN NET POSITION**

Revenues:		
Program revenues:		
Public safety - fire protection	\$	96,338
General revenues:		
Property taxes		1,558,671
Investment income and other		<u>3,307</u>
Total revenues		1,658,316
Expenses:		
Public safety - fire protection		<u>1,338,540</u>
Change in net position		<u>319,776</u>
Net position - beginning of the fifteen months		-
Transfer of assets		<u>651,650</u>
Net position - end of the fifteen months	\$	<u><u>971,426</u></u>

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

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

**Governmental Funds**

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the fifteen months ended June 30, 2017, the District's governmental funds reported ending fund balances of \$621,801.

NORTH SONOMA COAST FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017

The government fund is the chief operating fund of the District. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 48 percent of total government fund expenditures which were \$1,291,165 for June 30, 2017.

### **General Fund Budgetary Highlights**

Material differences between the original budget and the actual results can be briefly summarized as follows:

- The actual District tax revenue for FY 2016-2017 went up slightly.
- As this is the District's initial operating period, insufficient historical information was available to permit more accurate budgeting.

### **Capital Assets**

**Capital assets** - The District's investment in capital assets, as of June 30, 2017, amounts to \$349,625 (net of accumulated depreciation). This investment in capital assets is principally fire fighting vehicles and equipment.

Additional information on the District's capital assets can be found on Note 1 on page 23 of this report.

### **Debt Administration**

The District has a capital lease that was paid off before June 30, 2017.

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

The budget for Fiscal Year 2016-2017 was the first budget for the new district.

- The District wanted to budget conservatively – estimate expenses a bit on the high side to make sure of no shortfall and still end up with a slight excess of revenue versus expense (some dollars for its reserve funds). The District did not (could not) budget probable income that was not committed at the time of budget approval.
- The District wanted to maintain its contract with CAL FIRE for 24/7 coverage – no diminishment in service.

NORTH SONOMA COAST FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017

**Economic Factors and Next Year's Budgets and Rates, continued**

- The District wanted to provide funds for negotiating or litigating relief from the District's disproportionate ERAF (Educational Revenue Augmentation Fund), a transfer of property tax dollars to education shift of 46-47% that is currently being taken from the District's tax revenue.
- The District wanted to provide funds for a "fire district experienced" legal counsel for the district in order to avoid serious and potentially expensive mistakes, especially with so many new and not well-understood requirements.
- The District ended up with expenses below revenue, which allows the District to increase District reserve funds. Income from tax revenue was a bit better than projected, and the District received unexpected non-tax revenue from the county.
- The District maintained its contract with CAL FIRE.
- The District continued to pursue ERAF relief, and when there was no hope of a negotiated arrangement we went on to litigation.
- With the help of District legal counsel the District met the new district compliance requirements and more.

**District Operations**

The new district covers the areas previously served by The Sea Ranch and Annapolis Volunteer Fire Departments, with the continued support of CAL FIRE. Services provided by CAL FIRE, in addition to responding to emergency calls, are administration, training, and management of day-to-day operations, maintenance and service for all District vehicles, business life & safety inspections, vehicle fuel, community education, and fire investigations. The CAL FIRE contract provides a minimum of two permanent staff 24x7, year-round. In addition, while not part of the District's contract for permanent staff, CAL FIRE staffs one wildland firefighting engine with 3 or 4 personnel during fire season. CAL FIRE staff and District volunteers respond together as one department, North Sonoma Coast Fire (NSC Fire).

All CAL FIRE personnel are quartered at the Sea Ranch CAL FIRE station on Annapolis Road. Several of the NSC vehicles are also at the Sea Ranch CAL FIRE station and are used by both CAL FIRE contracted staff and NSC Fire volunteers to respond to incidents.

NORTH SONOMA COAST FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017

**District Operations, continued**

NSC Fire uses two other fire stations which are unstaffed but which house District vehicles and equipment. The Sea Ranch North Fire Station on Highway 1 is owned by the District's 501(c)(3) fundraising arm, and is maintained for the use by NSC Fire. The Annapolis Station, on Annapolis Road is owned by Sonoma County but is provided, by license, for use by the NSC Fire.

The NSC Volunteer firefighting crew currently consists of 15 active firefighters, including one Fire Chief, one Assistant Fire Chief, and one Fire Captain. In addition, there are 4 support members. Volunteers attend one scheduled training every two weeks, with occasional additional training events added in as needed. Volunteer firefighters receive no compensation. The average age of the volunteer firefighters is 60.

The apparatus fleet of NSC Fire consists of four fire engines, four rescue trucks, one pickup truck, one chief's vehicle, and one water tender.

NORTH SONOMA COAST FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017

**District Operations, continued**

The charts below show the call types and locations for calendar year 2016:

Totals by Month and Call Type

	January	February	March	April	May	June	July	August	September	October	November	December	Grand Total	
Fire	1	0	0	2	1	0	3	1	6	1	1	1	17	6%
Medical Aid	18	11	14	9	12	17	16	13	14	9	15	11	159	53%
Vehicle Accident	1	2	4	1	5	5	5	1	2	3	3	3	35	12%
Rescue	0	0	2	0	0	1	3	0	1	0	1	0	8	3%
Public Assist	0	1	0	0	0	1	6	0	1	2	1	3	15	5%
Agency Assist	2	0	1	0	0	1	0	1	1	0	1	0	7	2%
Alarm Sounding	2	0	1	0	0	0	0	2	0	4	3	4	16	5%
Smoke Check	0	2	2	0	0	0	2	0	2	2	0	2	12	4%
Haz-Conditions	9	0	14	0	1	1	1	0	1	1	0	0	28	9%
Haz-Mat	0	0	0	0	0	0	0	0	0	0	0	0	0	0%
Search and Rescue	0	0	0	0	0	0	0	0	0	0	0	0	0	0%
Other	0	0	1	0	0	1	0	0	0	0	0	0	2	1%
<b>Total</b>	<b>33</b>	<b>16</b>	<b>39</b>	<b>12</b>	<b>19</b>	<b>27</b>	<b>36</b>	<b>18</b>	<b>28</b>	<b>22</b>	<b>25</b>	<b>24</b>	<b>299</b>	

Totals by Month and Location

	January	February	March	April	May	June	July	August	September	October	November	December	Grand Total	
The Sea Ranch	22	12	29	8	9	17	23	13	20	16	21	18	208	70%
Annapolis	3	0	4	3	5	7	7	3	3	2	2	3	42	14%
Timber Cove	3	0	4	0	3	3	5	0	2	1	1	0	22	7%
Mendocino County	1	1	1	0	0	0	1	0	0	1	0	2	7	2%
Kashia	4	3	1	1	1	0	0	0	3	1	1	1	16	5%
Other	0	0	0	0	1	0	0	2	0	1	0	0	4	1%
<b>Total</b>	<b>33</b>	<b>16</b>	<b>39</b>	<b>12</b>	<b>19</b>	<b>27</b>	<b>36</b>	<b>18</b>	<b>28</b>	<b>22</b>	<b>25</b>	<b>24</b>	<b>299</b>	

NORTH SONOMA COAST FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017

**District Operations, continued**

In addition to routine tasks associated with responding to calls, training, and running day-to-day operations, volunteer staff continue to work on additional projects related to setup of the new district in order to insure continued support for future firefighters and District boards. These projects include long-term replacement plans for apparatus and capital equipment, creation of robust policy and procedure documents using the "Lexipol" system, applications for state and local grant funds, and documentation of the district's nuts-and-bolts of operations. NSC Fire also works on public outreach and information programs in order to keep the community informed and educated about the District and fire safety. Information is made available by occasional articles in local newspapers, one or two public meetings each year, participating in a bi-annual community safety fair, information in an annual holiday news and fundraising mailer, and publication of a website, <http://nscfpd.org>.

**Request for Information**

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the North Sonoma Coast Fire Protection District, Post Office Box 386, The Sea Ranch, California 95497.

NORTH SONOMA COAST FIRE PROTECTION DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2017

**ASSETS**

Cash and investments	\$ 513,927
Accounts receivable, government agency	146,472
Total current assets	660,399
Capital assets (net of accumulated depreciation):	
Equipment	349,625
Total assets	\$ 1,010,024

**LIABILITIES**

Current liabilities	
Accounts payable and accrued expenses	\$ 38,598
Total liabilities	38,598

**NET POSITION**

Net investment in capital assets	349,625
Unassigned	621,801
Total net position	971,426
Total liabilities and net position	\$ 1,010,024

The accompanying notes are integral part of these financial statements

NORTH SONOMA COAST FIRE PROTECTION DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FIFTEEN MONTHS ENDED JUNE 30, 2017

**Program Expenses**

Public safety - fire protection	
Services and supplies	\$ 1,291,165
Depreciation	<u>47,375</u>
Total program expenses	<u>1,338,540</u>

**Program Revenues**

Intergovernmental revenue	<u>96,338</u>
Total program revenues	<u>96,338</u>
Net program revenues (expenses)	<u>(1,242,202)</u>

**General revenues**

Property taxes	1,558,671
Investment earnings	<u>3,307</u>
Total general revenues	<u>1,561,978</u>

Change in net position	<u>319,776</u>
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Net position, beginning of the fifteen months	-
Capital equipment transferred	397,000
Cash transferred	305,275
Less capital equipment debt transferred	<u>(50,625)</u>

Net position, end of the fifteen months	<u>\$ 971,426</u>
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The accompanying notes are integral part of these financial statements

NORTH SONOMA COAST FIRE PROTECTION DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE FIFTEEN MONTHS ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from government, grants, program revenue	\$ 1,508,537
Cash paid to vendors and employees	(1,252,567)
Investment income received	3,307
Net cash provided by operations	<u>259,277</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Acquisition of equipment from transfer	<u>(397,000)</u>
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CASH FLOWS FROM TRANSFER OF ASSETS:

Cash and capital assets transferred	305,275
Less debt assumed	(50,625)
Net assets transferred	<u>254,650</u>

NET CHANGE IN CASH 513,927

CASH, beginning of period -

CASH, end of period \$ 513,927

RECONCILIATION OF OPERATING INCOME TO

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Change in net position	\$ 319,776
Adjustments to reconcile change in net assets to cash from operations	
Depreciation and amortization	47,375
(Increase) decrease in:	
Receivables	(146,472)
Increase (decrease) in:	
Accounts payable and accrued expenses	<u>38,598</u>
Total cash provided by operations	<u><u>\$ 259,277</u></u>

The accompanying notes are integral part of these financial statements

NORTH SONOMA COAST FIRE PROTECTION DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017

**ASSETS**

Cash and investments	\$ 513,927
Accounts receivable	146,472
Total assets	<u>\$ 660,399</u>

**LIABILITIES and FUND BALANCE**

**Liabilities**

Accounts payable and accrued expenses	<u>\$ 38,598</u>
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**Fund balance**

Unreserved	<u>621,801</u>
Total fund balance	<u>621,801</u>
Total liabilities and fund balances	<u>\$ 660,399</u>

The accompanying notes are integral part of these financial statements

NORTH SONOMA COAST FIRE PROTECTION DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENTS OF NET POSITION  
JUNE 30, 2017

Fund balances - total government funds	\$ 621,801
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.	<u>349,625</u>
Net position of governmental activities	<u>\$ 971,426</u>

The accompanying notes are integral part of these financial statements

NORTH SONOMA COAST FIRE PROTECTION DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE FIFTEEN MONTHS ENDED JUNE 30, 2017

**Revenues:**

Property taxes	\$ 1,558,670
Investment earnings	3,308
Intergovernmental revenue	96,338
Total revenues	<u>1,658,316</u>

**Expenditures:**

Current:	
Services and supplies	<u>1,291,165</u>
Total expenditures	<u>1,291,165</u>

Net change in fund balances 367,151

Fund balance, beginning of the fifteen months -

Transfer of assets 254,650

Fund balance, end of the fifteen months \$ 621,801

The accompanying notes are integral part of these financial statements

NORTH SONOMA COAST FIRE PROTECTION DISTRICT  
 RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO  
 STATEMENTS OF ACTIVITIES  
 FOR THE FIFTEEN MONTHS ENDED JUNE 30, 2017

**Amount reported for governmental activities in the statement of activities  
 is different because:**

Net change in fund balance - governmental funds	\$ 367,151
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	<u>(47,376)</u>
Change in net position of governmental activities	<u><u>\$ 319,776</u></u>

The accompanying notes are integral part of these financial statements

NORTH SONOMA COAST FIRE PROTECTION DISTRICT  
STATEMENT OF REVENUE, EXPENDITURE AND CHANGES IN FUND BALANCE  
BUDGET TO ACTUAL  
GOVERNMENTAL FUND  
FOR THE FIFTEEN MONTHS ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance
	Preliminary	Final		Positive (Negative)
<b>Revenues</b>				
Property taxes	\$ 1,171,375	\$ 1,035,255	\$ 1,558,670	\$ 523,415
Investment earnings	-	-	3,307	3,307
Intergovernmental revenue	-	45,100	96,338	51,238
Total revenues	<u>1,171,375</u>	<u>1,080,355</u>	<u>1,658,315</u>	<u>577,960</u>
<b>Expenditures</b>				
Current:				
Services and supplies	1,259,505	1,326,655	1,291,165	35,490
Total expenditures	<u>1,259,505</u>	<u>1,326,655</u>	<u>1,291,165</u>	<u>35,490</u>
Net change in fund balance	(88,130)	(246,300)	367,150	613,450
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ (88,130)</u>	<u>\$ (246,300)</u>	<u>\$ 367,150</u>	<u>\$ 613,450</u>

The accompanying notes are integral part of these financial statements

NORTH SONOMA COAST FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1        SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**REPORTING ENTITY**

The North Sonoma Coast Fire Protection District (the District or NSCFPD) became a special district government on April 1, 2016. This new fire district has been made possible by years of effort by many dedicated people.

Previously, fire protection in the Sea Ranch / Annapolis / Stewarts Point area was provided by The Sea Ranch Volunteer Fire Department (TSRVFD), the Annapolis Volunteer Fire Department (AVFD) and CAL FIRE. All funds supporting these operations were from property taxes, which were transferred to Sonoma County Service Area #40 (CSA40). CSA40 in turn contracted with TSRVFD, AVFD, and CAL FIRE to provide fire protection.

Surrounded by solvent and efficiently run independent fire districts in Timber Cove, Gualala and Point Arena, the area stood out as the only north coast community not in control of their own destiny (and money).

An independent district has its own publicly elected governing board. A dependent district (CSA 40 is a dependent district) is governed by the county Board of Supervisors.

Forming an independent Fire Protection District (FPD), and separating from Sonoma County Fire Service Area (CSA 40), allowed the District to keep all of the tax dollars allocated for fire protection (except what is lost to Educational Revenue. Augmentation Fund, a transfer of property tax dollars to education-ERAF) here, to be managed by the District and eliminated the loss of funds to CSA 40 administrative overhead. It put management of funds, and fire department operations in local hands.

Now, those same property tax funds, including those that used to go to pay for administrative overhead at the county level, go directly to NSCFPD, which in turn funds a contract with CAL FIRE for 24x7 coverage, and the operations of the NSCFPD.

NORTH SONOMA COAST FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The service provided by the District's volunteer and career firefighters has and continues to be excellent, but the funding mechanism that was in place was not sustainable. For some years, the amount returned from the county (after subtracting their costs) was less than the costs to contract with CAL FIRE, fund the operations of the volunteer fire departments and maintain minimal reserves. Something had to change: higher taxes, or changed service. We wanted to prevent that problem before it occurred.

The new district covers the areas previously served by The Sea Ranch and Annapolis Volunteer Fire Departments, with the continued support of CAL FIRE.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The District is a legally separate and independent entity that is not a component unit of the County of Sonoma. Further, the District has no component unit organizations under its control. Therefore, this comprehensive annual financial report and the financial statements contained within represent solely the activities, transactions and status of the District.

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities and Changes in Net Position) report information on all of the activities of the District. The effect of interfund activity has been removed from these statements. All activities are categorized governmental activities as they are attributable to services for structural and wild land fire suppression, response to hazardous materials incidents, search and rescue, vehicle extrication and other emergency services supported largely by property taxes.

The statement of activities and changes in net position demonstrates the degree to which the expenses are offset by program revenues principally amounts received from other governmental units for services provided. Other items not properly included among program revenues are reported as general revenues.

When both restricted and unrestricted resources are available for use, it is the district's policy to use restricted resources first for designated purposes, then unrestricted resources as they are needed.

NORTH SONOMA COAST FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1        SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

**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 related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting.

**Assets, Liabilities, and Net Position or Equity**

Cash and Investments – The District 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.

Receivables and Payables

*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 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.

NORTH SONOMA COAST FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1        SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

**Assets, Liabilities, and Net Position or Equity, continued**

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 one percent 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 two percent per year.

On June 30, 1993, the Sonoma County 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 based on the total property tax billed. 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.

**Capital Assets**

Capital assets, which include land, buildings and improvements (none at this time), and equipment, are reported 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 at least five years. Such assets are recorded at historical cost of 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.

All capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Equipment	5-20

NORTH SONOMA COAST FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1        SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

**Notes payable**

The District had a note payable for a vehicle transferred from Sonoma County, which was paid in full before June 30, 2017.

**Net Position**

Net Position is classified into two components – net investment in capital assets and unrestricted funds. These classifications are defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets, net of 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 "Net investment in capital assets".

**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. At June 30, 2017, the District had not designated any reserved or restricted funds.

NOTE 2        STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

**Budgetary Information**

A preliminary budget is prepared prior to the start of each fiscal year, and updated to a final budget within the first quarter of that year, in both cases, approved by the District's Board of Directors. Revenue and expense budgets are prepared on an estimated cash basis (non-GAAP), with a separate capital expenditure budget for planned purchases.

NORTH SONOMA COAST FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 3      CASH AND INVESTMENTS

The District hold funds in an Insured Cash Sweep account and other funds that are all federally insured at local financial institutions.

The amount of cash at June 30, 2017 is as follows:

Cash and cash equivalents	\$     513,927
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NOTE 4      ACCOUNTS RECEIVABLE

Accounts Receivable represents amounts due from Sonoma County and other governmental units for balances collected on behalf of the District, principally property tax revenue. Management believes receivables at June 30, 2017 will be fully collected. Accordingly, no allowance for doubtful receivables is recorded. The balance of accounts receivable at June 30, 2017 is \$146,472.



NORTH SONOMA COAST FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 5            DETAILED NOTES, continued

**Leases**

The district occupies three stations. One station is owned by Sonoma County and licensed for use by the District. There is no rent payment. A second station that is owned by The Sea Ranch Volunteer Fire Department, Inc. (a 501(c)(3) corporation) is used by the District under the terms of a Memorandum of Understanding; no rent is paid. The third station is owned by CAL FIRE and is where the full-time CAL FIRE staff are housed, as well as some District apparatus. The District does pay rent on this station, but the rent is embedded in the CAL FIRE contract and is not paid separately.

NOTE 6            OTHER INFORMATION

**Risk Management**

The District is a member of the Fire Districts Association of California Fire Association Self Insurance System (FDAC-FASIS) through which it receives worker's 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 7            SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 11, 2017, the date the financial statements were available to be issued. In July 2017, the District acquired a new rescue vehicle with a total cost of \$178,910 and a new loan of \$178,910. The loan is for ten years at 3.5 percent annual interest, with annual payments of \$21,512, first payment due in July 2018. No other events occurred that would have a material impact on the District's results of operations or financial position.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH SONOMA COAST FIRE PROTECTION DISTRICT  
ROSTER OF BOARD MEMBERS  
JUNE 30, 2017

Directors:

Leigh Mueller	Chair
Mike Scott	Vice Chair
Bob Pounds	Secretary
Bonnie Plakos (Fire Chief)	Treasurer
Stacy Aitchison	Member
Don McMahan	Member

Clerk of the Board:

Bob Pounds