

# NORTH SONOMA COAST FIRE PROTECTION DISTRICT

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

JUNE 30, 2018 and 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, the business-type activities, each major fund, and the aggregate remaining fund information of North Sonoma Coast Fire Protection District (a special purpose government) as of and for the years ended June 30, 2018 and 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, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year 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 3-13 and 21 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.*

January 21, 2019  
Santa Rosa, CA

NORTH SONOMA COAST FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018 and 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 years ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the District's financial statements (pages 14-21) and the accompanying notes to the basic financial statements (pages 22-31).

**Financial Highlights**

- The year ended June 30, 2018 is the second fiscal period of the District.
- The assets of the District exceeded its liabilities at the close of the year ended June 30, 2018 by \$1,145,455 (net position). Of this amount, \$767,053 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. The assets of the District exceeded its liabilities at the close of the year 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. Further detail can be found on page 14.
- As of the close of the years ending June 30, 2018 and 2017, the District's governmental funds reported an ending fund balance of \$767,053 and \$621,801, respectively. Further detail can be found on page 17.

**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 the 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 14-16 of this report.

NORTH SONOMA COAST FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018 and 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 District's near-term financing requirements. Noncurrent assets, capital assets and long-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 District's near-term financing decisions. Both the governmental fund balance sheets and the governmental fund statements 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 17-21 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 22-31 of this report.

NORTH SONOMA COAST FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018 and 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 \$1,145,455 and \$971,426 at June 30, 2018 and 2017, respectively. Further detail can be found below and on page 14.

A large portion of the district's net position (33 percent for 2018 and 36 percent for 2017) 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**

	2018	2017
Current and other assets	\$ 776,476	\$ 660,399
Capital assets	557,313	349,625
Total assets	\$ 1,333,789	\$ 1,010,024
Long-term liabilities outstanding	\$ 157,399	\$ -
Liabilities due within one year	30,935	38,598
Total liabilities	\$ 188,334	\$ 38,598
Net position:		
Invested in capital assets, net of related debt	\$ 378,402	\$ 349,625
Unassigned	767,053	621,801
Total net position	\$ 1,145,455	\$ 971,426

The balance of the unrestricted net position (\$767,053 and \$621,801 for June 30, 2018 and 2017, respectively) may be used to meet the District's ongoing obligations to citizens and vendors. Further detail can be found on page 14.

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, 2018 and 2017

**Government-wide activities.** Government-wide activities increased the District's net position by \$174,029 and \$292,271 for the years ended June 30, 2018 and 2017. This increase is a result of net incomes in the governmental activities. Further information can be found below and on page 15.

**CHANGES IN NET POSITION**

	<u>2018</u>	<u>2017</u>
Revenues:		
Program revenues:		
Public safety - fire protection	\$ 105,747	\$ 96,338
General revenues:		
Property taxes	1,285,230	1,256,944
Gain(loss) on sale of an asset	(517)	-
Investment income and other	<u>1,065</u>	<u>2,623</u>
Total revenues	1,391,525	1,355,905
Expenses:		
Public safety - fire protection	<u>1,217,496</u>	<u>1,063,634</u>
Change in net position	174,029	292,271
Net position - beginning of year	<u>971,426</u>	<u>679,155</u>
Net position - end of year	<u>\$ 1,145,455</u>	<u>\$ 971,426</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 years ended June 30, 2018 and 2017, the District's governmental funds reported ending fund balances of \$767,053 and \$621,801, respectively.

NORTH SONOMA COAST FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018 and 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 balances to total fund expenditures. Unreserved fund balance represents 62 percent for 2018 and 61 percent for 2017 of total government fund expenditures which were \$1,246,273 and \$1,016,259 for June 30, 2018 and 2017, respectively. See page 19 for further detail.

**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 2017-2018 went up slightly, and non-tax revenue increased significantly due to CAL FIRE rental of our engines.
- This is the District's second operating period, which allowed budgeting to be somewhat more precise based on the previous fiscal year experience

**Capital Assets**

The District's investment in capital assets, as of June 30, 2018 and 2017, amounts to \$557,313 and \$349,625 (net of accumulated depreciation), respectively. 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 25 and Note 5 on pages 28-29 of this report.

**Debt Administration**

The District has a capital lease that was paid off before June 30, 2018. The District acquired a note payable to purchase equipment before the year ended June 30, 2018. The payments begin July 2018. See Note 5 on page 29 for further detail.

**Economic Factors and Budgeting**

Our first budget, FY 2016-2017:

We budgeted conservatively and covered our operational requirements. We ended with a small addition to our reserves.

Our second budget, FY 2017-2018:

This fiscal year is the subject of this audit.

NORTH SONOMA COAST FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018 and 2017

**Economic Factors and Budgeting, continued**

We continued to budget conservatively and were able to project a small surplus that would somewhat increase our reserves.

In the end we were able to put a somewhat larger amount into our reserves. This increase was due to a significant increase in non-tax revenues: vehicle rentals, a contribution from the Volunteer Firefighters Association, a small grant, and some funds from Sonoma County.

To some degree this pattern is inevitable. We cannot budget non-tax revenue where there is no firm commitment of those funds on the part of the agency providing the funds. Not declaring "probable" income as a part of our budget is a required bit of conservatism.

The effect of the pattern is that we have to be very cautious in our funding beyond strictly operational expenses (insurance, minor equipment, CAL FIRE contract, etc.). We do, however, need to look somewhat beyond operational expenses in our budgeting and consider the major funding requirement for capital equipment, essentially the replacement of our fleet of aging vehicles.

It should be noted here that the contract with CAL FIRE is about 80 percent of our budget and is considered absolutely critical to the effectiveness of our fire department. See further comments on this in the District Operations section of this report.

In the course of this last fiscal year we developed a vehicle replacement plan. The plan provides for the regular and constant replacement of the three main fire engines over time. This appears to be manageable within the bounds of our current tax revenue. The rest of the vehicles are prioritized in order of replacement and will be dealt with "opportunistically" as needed and as possible revenue becomes available. Much of the opportunistic replacement will be dealt with year by year as we see how well we do in receiving non-tax revenues such as donations and vehicle rental income.

As an example of the above approach, we acquired a new emergency rescue vehicle on a ten-year payoff. The Volunteer Firefighters Association continues to support these payments! Further, we "opportunistically" acquired a "new" used "tactical water tender" (water hauler with a pump and hose that allows it to haul water and to fight a small fire). This replaced an old and troublesome tender that could only haul water. We also obtained a "new" used Type 6 small firefighting engine that is able to fight fires and to navigate the smaller roads and drives of our more rural areas.

NORTH SONOMA COAST FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018 and 2017

**Economic Factors and Budgeting, continued**

Both of these "opportunistically" acquired vehicles were for use in the Annapolis and backcountry areas beyond Annapolis. This was a key operational objective to enhance quick responses with effective firefighting equipment. We were able to seize these opportunities because of the non-tax revenues. We could not budget for them, but when the extra funding became available we could then act.

Our current level of tax revenue now allows us to fund basic operational needs and mostly cover the costs of replacing our 3 main engines. The non-tax revenues are allowing us to opportunistically replace other vehicles in our fleet on a year-to-year basis.

What our current funding levels do not cover is the buildup of significant reserves to provide major reserves for dealing with major new needs such as enlarging the north fire station, increasing the CAL FIRE coverage, or staff funding.

Because of the above, the District continues to pursue litigation with Sonoma County to get a reduction in our ERAF (Educational Revenue Augmentation Fund) shift of funds by the state from our fire protection taxes to education. The district loses about 45 percent of potential tax revenue to this shift. In turn, the money shifted from NSCFPD to education is about 45 percent of the entire ERAF shift for all of the county's many special districts. This is clearly a disproportionate and unfair burden for one small fire district.

It is also clear that a reduction in this shift of our tax revenues would significantly improve our capacity to provide long-term major funding for future needs.

Our new budget for FY 2018-2019:

The new budget for the current fiscal year, FY 2018-2019, is, of necessity, another conservative budget. We know that significant equipment rental income (non-tax revenue) is so probable that it is almost certain, but we have no commitment (an official acknowledgment) and cannot budget to spend this probable revenue. We are projecting again a small addition to reserves based on known revenue.

We are in the process of writing specifications for a new main fire engine to replace engine 4483, acquired in 1990! We expect the new engine to cost about \$410,000 to be paid over 7 years. This is not in our budget, because we do not anticipate taking possession of this until the FY 2019-2020 fiscal year, which is because of the almost year-long build time.

NORTH SONOMA COAST FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018 and 2017

**Economic Factors and Budgeting, continued**

The actual reserve contribution for FY 2018/2019 may go up or vary depending on how the year progresses. If there is substantive non-tax revenue we might use that as a down payment on the purchase of the new main engine, or we could "opportunistically" consider acquisition of another vehicle, or both.

This pattern is likely to continue for the next several years due to the increasing fire season needs statewide. Because of this we are being careful to spec our engines to meet CAL FIRE standards for vehicle rental. This gives us appropriate engines for our district and for mutual support assistance in current and future fire seasons and may help us with continued non-property tax revenue in the form of vehicle rental income.

With regard to our reserves:

By board policy we "designate" a dollar amount equal to one-fourth of our year's budget as set aside for operational/budget contingencies that might arise due to a severe economic downturn or some other expensive event.

The balance of our reserves (somewhat more than half of total reserves) are "designated" as contingency money for covering annual payments on vehicles being purchased over 7 or 10 years. The intent is to be able to cover three or more years of such payments in the event of a major economic downturn.

These designated reserves are not legally restricted reserves but are set aside by policy to provide prudent contingency reserves. Changes to these reserves or alternative uses of these reserves only can be affected by a vote of approval by the NSCFPD board of directors.

**District Operations**

The District covers 172 square miles in the northwest corner of Sonoma County. Emergency services are provided by North Sonoma Coast Volunteer Firefighters, 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 24 hours a day, 7 days a week. 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).

NORTH SONOMA COAST FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018 and 2017

**District Operations, continued**

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.

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 6 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 58.

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, 2018 and 2017

**District Operations, continued**

The charts below show the call types and locations for calendar year 2017:

**Totals by Month and Call Type**

	January	February	March	April	May	June	July	August	September	October	November	December	Total	
Fire	0	0	4	0	1	1	0	0	0	3	0	0	9	3%
Medical Aid	17	10	9	13	14	16	15	14	12	14	9	11	154	50%
Vehicle Accident	0	1	3	0	1	3	3	3	2	4	4	1	25	8%
Rescue	1	1	0	1	3	1	0	2	1	1	0	0	11	4%
Public Assist	1	0	2	0	0	0	1	3	1	0	1	0	9	3%
Agency Assist	1	1	0	0	0	0	0	0	1	0	0	0	3	1%
Alarm Sounding	6	0	1	2	3	2	3	3	0	0	0	3	23	7%
Smoke Check	0	2	0	1	1	1	0	2	1	2	0	1	11	4%
Haz-Conditions	26	12	5	8	2	3	0	1	3	1	2	0	63	20%
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	1	0	1	0%
Other	0	0	0	1	0	0	0	0	0	1	0	0	2	1%
Total	52	27	24	26	25	27	22	28	21	26	17	16	311	

**Totals by Month and Location**

	January	February	March	April	May	June	July	August	September	October	November	December	Total	
The Sea Ranch	35	19	19	18	19	17	20	16	15	20	12	11	221	71%
Annapolis	14	2	3	5	1	3	1	6	3	0	2	3	43	14%
Timber Cove	1	4	0	0	4	1	0	0	1	2	3	1	17	5%
Mendocino County	0	0	2	0	0	1	0	0	0	0	0	0	3	1%
Kashia	1	2	0	0	1	5	0	3	1	3	0	1	17	5%
Other	1	0	0	3	0	0	1	3	1	1	0	0	10	3%
Total	52	27	24	26	25	27	22	28	21	26	17	16	311	

NORTH SONOMA COAST FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018 and 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 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  
STATEMENTS OF NET POSITION  
JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash and investments	\$ 673,201	\$ 513,927
Accounts receivable, government agency	81,763	146,472
Prepaid expenses	21,512	-
Total current assets	<u>776,476</u>	<u>660,399</u>
Capital assets (net of accumulated depreciation):		
Equipment	<u>557,313</u>	<u>349,625</u>
Total assets	<u>\$ 1,333,789</u>	<u>\$ 1,010,024</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 9,423	\$ 38,598
Current portion of note payable	21,512	-
Total current liabilities	<u>30,935</u>	<u>38,598</u>
Long term liabilities:		
Note payable	<u>157,399</u>	<u>-</u>
Total liabilities	<u>188,334</u>	<u>38,598</u>
<b>NET POSITION</b>		
Net investment in capital assets	378,402	349,625
Unassigned	<u>767,053</u>	<u>621,801</u>
Total net position	<u>1,145,455</u>	<u>971,426</u>
Total liabilities and net position	<u>\$ 1,333,789</u>	<u>1,010,024</u>

The accompanying notes are integral part of these financial statements

NORTH SONOMA COAST FIRE PROTECTION DISTRICT  
 STATEMENTS OF ACTIVITIES  
 FOR THE THE YEARS ENDED JUNE 30, 2018 AND 2017

<b>Program Expenses</b>	<u>2018</u>	<u>2017</u>
Public safety - fire protection		
Services and supplies	\$ 1,161,725	1,016,259
Depreciation	<u>55,771</u>	<u>47,375</u>
Total program expenses	<u>1,217,496</u>	<u>1,063,634</u>
<b>Program Revenues</b>		
Intergovernmental revenue	83,235	96,338
Donations	<u>22,512</u>	<u>-</u>
Total program revenues	<u>105,747</u>	<u>96,338</u>
Net program revenues (expenses)	<u>(1,111,749)</u>	<u>(967,296)</u>
<b>General revenues</b>		
Property taxes	1,285,230	1,256,944
Gain(loss) on sale of an asset	(517)	-
Investment earnings	<u>1,065</u>	<u>2,623</u>
Total general revenues	<u>1,285,778</u>	<u>1,259,567</u>
Change in net position	<u>174,029</u>	<u>292,271</u>
Net position, beginning of year	<u>971,426</u>	<u>679,155</u>
Net position, end of year	<u>\$ 1,145,455</u>	<u>\$ 971,426</u>

The accompanying notes are integral part of these financial statements

NORTH SONOMA COAST FIRE PROTECTION DISTRICT  
STATEMENTS OF CASH FLOWS  
FOR THE THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from government, grants, program revenue	\$ 1,455,169	\$ 1,206,810
Cash paid to vendors and employees	(1,212,412)	(977,661)
Investment income received	1,065	2,623
Net cash provided by operations	<u>243,822</u>	<u>231,772</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of equipment	<u>(263,459)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Prinicpal funding of note payable	<u>178,911</u>	<u>-</u>
NET CHANGE IN CASH	159,274	231,792
CASH, beginning of period	<u>513,927</u>	<u>282,135</u>
CASH, end of period	<u>\$ 673,201</u>	<u>\$ 513,927</u>
RECONCILIATION OF OPERATING INCOME TO		
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Change in net position	\$ 174,029	\$ 292,271
Adjustments to reconcile change in net		
assets to cash from operations		
Depreciation and amortization	55,771	47,375
(Increase) decrease in:		
Receivables	64,709	(146,472)
Increase (decrease) in:		
Accounts payable and accrued expenses	<u>(29,175)</u>	<u>38,598</u>
Total cash provided by operations	<u>\$ 243,822</u>	<u>\$ 231,772</u>

The accompanying notes are integral part of these financial statements

NORTH SONOMA COAST FIRE PROTECTION DISTRICT  
BALANCE SHEETS  
GOVERNMENTAL FUNDS  
JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash and investments	\$ 673,201	\$ 513,927
Accounts receivable	81,763	146,472
Prepaid expenses	21,512	-
Total assets	<u>\$ 776,476</u>	<u>660,399</u>
 <b>LIABILITIES and FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	<u>\$ 9,423</u>	<u>\$ 38,598</u>
 <b>Fund balance</b>		
Unreserved	<u>767,053</u>	<u>621,801</u>
Total fund balance	<u>767,053</u>	<u>621,801</u>
Total liabilities and fund balances	<u>\$ 776,476</u>	<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 SHEETS  
TO THE STATEMENTS OF NET POSITION  
JUNE 30, 2018 AND 2017

	2018	2017
Fund balances - total government funds	\$ 767,053	\$ 621,801
<p>Amount reported for governmental activities in the statement of net assets is different because:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	557,313	349,625
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
Notes and interest payable	(178,911)	-
Net position of governmental activities	\$ 1,145,455	\$ 971,426

The accompanying notes are integral part of these financial statements

NORTH SONOMA COAST FIRE PROTECTION DISTRICT  
 STATEMENTS OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 GOVERNMENTAL FUNDS  
 FOR THE THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
<b>Revenues:</b>		
Property taxes	\$ 1,285,230	\$ 1,256,944
Investment earnings	1,065	2,623
Intergovernmental revenue	83,235	96,338
Gain(loss) on sale of an asset	(517)	-
Donations	22,512	-
Total revenues	1,391,525	1,355,905
<b>Expenditures:</b>		
Current:		
Services and supplies	1,161,725	1,016,259
Capital outlay	84,548	-
Total expenditures	1,246,273	1,016,259
Net change in fund balances	145,252	339,646
Fund balance, beginning of year	621,801	282,155
Fund balance, end of year	\$ 767,053	\$ 621,801

The accompanying notes are integral part of these financial statements

NORTH SONOMA COAST FIRE PROTECTION DISTRICT  
RECONCILIATION OF STATEMENTS OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO  
STATEMENTS OF ACTIVITIES  
FOR THE THE YEARS ENDED JUNE 30, 2018 AND 2017

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

	2018	2017
Net change in fund balance - governmental funds	\$ 145,252	\$ 339,646
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	(55,772)	(47,375)
Capital asset expenditures	84,548	-
Change in net position of governmental activities	\$ 174,029	\$ 292,271

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 THE YEARS ENDED JUNE 30, 2018 AND 2017

	<b>2018</b>			Variance Positive (Negative)
	Budgeted Amounts		Actual	
	Preliminary	Final		
<b>Revenues</b>				
Property taxes	\$ 1,249,752	\$ 1,275,118	\$ 1,285,229	\$ 10,111
Investment earnings	-	-	1,065	1,065
Intergovernmental revenue	10,454	19,000	83,235	64,235
Donations	21,512	21,512	22,512	1,000
Miscellaneous revenue	2,000	4,000	(517)	(4,517)
Total revenues	<u>1,283,718</u>	<u>1,319,630</u>	<u>1,391,524</u>	<u>71,894</u>
<b>Expenditures</b>				
Current:				
Services and supplies	1,190,841	1,193,651	1,161,725	31,926
Total expenditures	<u>1,254,353</u>	<u>1,265,163</u>	<u>1,246,273</u>	<u>18,890</u>
Net change in fund balance	29,365	54,467	145,251	90,784
Fund balance, beginning of year	<u>621,801</u>	<u>621,801</u>	<u>621,801</u>	<u>-</u>
Fund balance, end of year	<u>\$ 651,166</u>	<u>\$ 676,268</u>	<u>\$ 767,052</u>	<u>\$ 90,784</u>
	<b>2017</b>			
	Budgeted Amounts		Actual	Variance Positive (Negative)
	Preliminary	Final		
	<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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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, 2018 and 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, 2018 and 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, 2018 and 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, 2018 and 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, 2018 and 2017

NOTE 1        SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

**Notes payable**

The District had a note payable that was acquired in April 2017. The note was funded in July 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. The District has, by formal board policy, committed reserves of 3 months worth of budgeted expenses as a contingency fund (stabilization fund) to provide a cushion against unknown economic shocks and revenue declines.

The balance of reserves has been designated (earmarked) to provide funds to make vehicle payments to cover about 3 years worth of payments.

The District currently uses reserve funds from the designated reserve for “dry spell funding” during the period from July to December when we receive our first tax revenue funds for the fiscal year.

Changes in reserve use or a new use of reserves requires board approval.

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, 2018 and 2017

NOTE 3      CASH AND INVESTMENTS

The District holds 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 is as follows:

	2018	2017
Cash and cash equivalents	\$     673,201	\$     513,927

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, 2018 and 2017 will be fully collected. Accordingly, no allowance for doubtful receivables is recorded. The balance of accounts receivable at June 30 is as follows:

	2018	2017
Property tax receivable	\$     81,763	\$     146,472

NORTH SONOMA COAST FIRE PROTECTION DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018 and 2017

NOTE 5      DETAILED NOTES

**Capital Assets**

Capital asset activity for the years ended June 30 is as follows:

	<b>2018</b>		
	Beginning Balance	Net additions and deletions	Ending Balance
Capital assets, being depreciated:			
Equipment	\$ 397,000	\$ 252,176	\$ 649,176
Total capital assets, being depreciated	397,000	252,176	649,176
Less accumulated depreciation for:	(36,092)	(54,971)	(91,063)
Total capital assets, being depreciated, net	360,908	197,205	558,113
Capital assets, net	\$ 360,908	\$ 197,205	\$ 558,113

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

Governmental activities:	
Public safety - fire protection	\$ 54,971

NORTH SONOMA COAST FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 and 2017

NOTE 5      DETAILED NOTES, continued

	<b>2017</b>		
	<u>Beginning Balance</u>	<u>Net additions and deletions</u>	<u>Ending Balance</u>
Capital assets, being depreciated:			
Buildings and improvements			
Equipment	\$ 397,000	\$ -	\$ 397,000
Total capital assets, being depreciated	<u>397,000</u>	<u>-</u>	<u>397,000</u>
Less accumulated depreciation for:			
Equipment	-	(47,375)	(47,375)
Total accumulated depreciation	<u>-</u>	<u>(47,375)</u>	<u>(47,375)</u>
Total capital assets, being depreciated, net	<u>397,000</u>	<u>(47,375)</u>	<u>349,625</u>
Capital assets, net	<u>\$ 397,000</u>	<u>\$ (47,375)</u>	<u>\$ 349,625</u>

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

Governmental activities:	
Public safety - fire protection	<u>\$ 47,375</u>

Additions during the period represent the estimated value of fire equipment transferred from Sonoma County to the District upon its formation.

**Long-term Liabilities**

Long-term liabilities for the year ended June 30, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes payable	\$ -	\$ 178,911	\$ -	\$ 178,911	\$ 21,512
Total long-term liabilities	<u>\$ -</u>	<u>\$ 178,911</u>	<u>\$ -</u>	<u>\$ 178,911</u>	<u>\$ 21,512</u>

The District had no long-term liabilities at June 30, 2017.

NORTH SONOMA COAST FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 and 2017

NOTE 5        DETAILED NOTES, continued

**Note Payable**

The District has a note payable dated April 2017 and funded July 2017. The loan is for \$178,911, has an interest rate of 3.5 percent and matures July 2027. The balance due at June 30, 2018 is 178,911. Payments at June 30 are as follows:

2019	\$ 21,512
2020	21,512
2021	21,512
2022	21,512
2023	21,512
Thereafter	71,351

**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.

NORTH SONOMA COAST FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 and 2017

NOTE 7      SUBSEQUENT EVENTS

The District has evaluated subsequent events through January 21, 2019, the date the financial statements were available to be issued. No 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, 2018

Directors:

Leigh Mueller	Chair
Mike Scott	Vice Chair
Bob Pounds	Secretary
Stacy Aitchison	Member
Don McMahan	Member

Clerk of the Board:

Bob Pounds

Treasurer of the District:

Bonnie Plakos (Fire Chief)