

**SONOMA COUNTY FIRE
DISTRICT**

FINANCIAL STATEMENTS
And
INDEPENDENT AUDITOR'S REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(with comparative amounts for fiscal year ended June 30, 2022)

SONOMA COUNTY FIRE DISTRICT

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Blomberg & Griffin Accountancy Corporation
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sonoma County Fire District
Windsor, California

Opinions

We have audited the accompanying financial statements of the and for the years ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Sonoma County Fire District, basic financial statements as listed in the table of contents.

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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the minimum audit requirements of the State Controllers. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Sonoma County Fire District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Sonoma County Fire District ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Sonoma County Fire District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Sonoma County Fire District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 – Budget to Actual (pages 32-33), and Schedule of Changes in Net Pension Liability and Related Ratios and Schedule of Contributions to the Pension Plan (omitted), Schedule of Changes in OPEB and Related Ratios and Schedule of OPEB Contributions (34) 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.

Report on Summarized Comparative Information

We audited the financial statements of Sonoma County Fire District for the fiscal year ended June 30, 2022. Our report dated March 14, 2023, expressed an unmodified opinion on the audited financial statements. The prior year's amount was used solely for comparison purposes. The summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent in all material respect.



Blomberg & Griffin A.C.
Stockton, CA

December 12, 2023

SONOMA COUNTY FIRE DISTRICT

**STATEMENT OF NET POSITION
AS OF JUNE 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets:		
Cash in bank - Operating (Note III)	\$ 206,866	\$ 143,011
Cash in bank - Payroll (Note III)	110,407	13,924
Cash - Fire Impact Fees	1,785,141	-
Investments - Certificates of Deposit (Note III)	15,831,286	15,025,630
Prepaid Expenses	69,615	58,433
Accounts Receivable, government agency	<u>2,703,131</u>	<u>2,417,102</u>
Total Current Assets	<u>20,706,446</u>	<u>17,658,100</u>
Capital Assets (Net of Accumulated Depreciation): (Note IV)		
Land	1,752,506	1,575,838
Building and Improvements	10,063,011	9,189,709
Equipment	<u>7,752,847</u>	<u>7,366,222</u>
Total Capital Asset	<u>19,568,364</u>	<u>18,131,769</u>
Total Assets	<u>40,274,810</u>	<u>35,789,869</u>
Deferred Outflows of Resources		
Finance Cost - Note VI	158,250	158,250
Pension (Note VII)	22,543,609	23,950,694
OPEB (Note VIII)	<u>1,265,342</u>	<u>1,123,240</u>
Total Assets and Deferred Outflows	<u>64,242,011</u>	<u>61,022,053</u>
Liabilities		
Current Liabilities:		
Accounts payable and accrued expenses	1,034,140	686,483
Interest Payable	60,817	64,981
Deferred Revenue	69,500	87,700
Loan Payable - Current Portion (Note VI)	<u>914,923</u>	<u>809,025</u>
Total Current Liabilities	<u>2,079,380</u>	<u>1,648,189</u>
Non-Current Liabilities:		
Compensated Absences (Note V)	2,458,482	1,853,535
Loan Payable - Non-current (Note VI)	15,188,465	15,399,388
Deferred Revenue	171,238	222,538
Net OPEB (Note VIII)	2,367,439	1,823,540
Net Pension Liability (Note VII)	<u>10,223,168</u>	<u>13,395,790</u>
Total Non-Current Liabilities	<u>30,408,792</u>	<u>32,694,791</u>
Deferred Inflows of Resources		
Pension (Note VII)	12,279,437	8,318,486
OPEB (Note VIII)	<u>337,101</u>	<u>938,883</u>
Total Liabilities and Deferred Inflows	<u>45,104,710</u>	<u>43,600,349</u>
Net Position		
Net Investment in Capital Assets	17,974,976	16,923,356
Restricted	-	344,023
Unrestricted	<u>1,162,325</u>	<u>154,325</u>
Total Net Position	<u>\$ 19,137,301</u>	<u>\$ 17,421,704</u>

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

SONOMA COUNTY FIRE DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023 and 2022**

Program Expenses	2023	2022
Public Safety - Fire Prevention		
Salaries and Employee Benefits	\$ 23,589,850	\$ 23,280,857
Services and Supplies	7,231,500	3,851,830
Depreciation	1,136,999	841,125
	31,958,349	27,973,812
Program Revenues		
Intergovernmental Revenue	6,901,738	6,399,816
Rent Income	98,220	62,693
Other Charges for Services	5,382,755	1,819,348
	12,382,713	8,281,857
Net Program Revenues (Expenses)	(19,575,636)	(19,691,955)
General Revenues		
Property Taxes	19,796,990	17,983,920
Interest Income	73,293	31,884
Interest Expense	(674,011)	(77,469)
Donations, Reimbursements, and others	1,694,949	1,497,232
	20,891,221	19,435,567
Change in Net Position	1,315,585	(256,388)
Net Position, Beginning of the Year	17,421,704	15,368,565
Change in Net Position from Consolidation - Note I	400,012	2,309,527
Net Position, End of the Year	\$ 19,137,301	\$ 17,421,704

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

SONOMA COUNTY FIRE DISTRICT

STATEMENT OF CASH FLOW FOR THE FISCAL YEAR ENDED JUNE 30, 2023 and 2022

Cash Flows From Operating Activities	<u>2023</u>	<u>2022</u>
Cash received from government, grants, program revenue	\$ 12,258,185	\$ 7,398,832
Cash paid to vendors and employees	<u>(30,080,247)</u>	<u>(37,192,989)</u>
Net Cash Provided By (Used) for Operations	<u>(17,822,062)</u>	<u>(29,794,157)</u>
Cash Flows From Non-Capital Financing Activities		
Cash Received from Property Taxes	19,796,990	17,983,920
Miscellaneous, Non Operating Income	<u>1,694,949</u>	<u>1,497,232</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>21,491,939</u>	<u>19,481,152</u>
Cash Flows from Financing Activities		
Purchase of plant, property and equipment	(792,585)	(2,165,111)
Interest Expense on Long-Term Loans	(678,175)	(27,298)
Principal paid on Long-Term Debt	(873,025)	(313,334)
Proceeds from Long-Term Debt	<u>-</u>	<u>15,000,000</u>
Net Cash (used) Provided by Investing Activities	<u>(2,343,785)</u>	<u>12,494,257</u>
Cash Flows From Investing Activities		
Interest Income	<u>73,293</u>	<u>31,884</u>
Net Cash Provided (Used) from Investing Activities	<u>73,293</u>	<u>31,884</u>
Net Increase (Decrease) In Cash	1,399,385	2,213,136
Cash and Investments - Beginning Balance	<u>15,182,565</u>	<u>12,154,312</u>
Net Change due to Consolidation	<u>1,351,750</u>	<u>815,117</u>
Cash and Investments - Ending Balance	<u><u>\$ 17,933,700</u></u>	<u><u>\$ 15,182,565</u></u>
Reconciliation of Net Program Revenues		
Cash Provided by Operating Activities		
Net Program Revenues (Expenses)	\$ (19,575,636)	\$ (19,691,955)
Adjustments to Reconcile Change in Net Asset to Cash from Operations:		
Depreciation and amortization	1,136,999	841,125
(Increase) decrease in:		
Accounts Receivable	(124,528)	(883,025)
Prepaid Expense	(11,182)	(58,433)
Deferred Cost	-	(158,250)
Increase (decrease) in:		
Accounts Payable and Accrued Expenses	274,019	240,439
Compensated Absences	373,480	190,940
Deferred Revenue	(69,500)	240,738
Net Pension, OPEB and related deferred items	<u>174,286</u>	<u>(10,515,736)</u>
Net Cash Provided by (used for) Operating Activities	<u><u>\$ (17,822,062)</u></u>	<u><u>\$ (29,794,157)</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, 2023 and 2022**

Assets	As of June 30,	
	2023	2022
Cash in Bank - Operating	\$ 206,866	\$ 143,011
Cash in Bank - Payroll	110,407	13,924
Cash - Fire Impact Fees	1,785,141	-
Investments - Certificates of Deposit	15,831,286	15,025,630
Prepaid Expenses	69,615	58,433
Accounts Receivable	2,703,131	2,417,102
Total Assets	\$ 20,706,446	\$ 17,658,100
Liabilities and Fund Balance		
Liabilities:		
Accounts Payable and Accrued Expenses	\$ 1,034,140	\$ 686,483
Interest Payable	60,817	64,981
Deferred Revenue	69,500	87,700
Total Liabilities	1,164,457	839,164
Fund balance:		
Assigned for Apparatus, Equipment, Facilities	1,646,000	6,446,838
Assigned for Emergency Funds	2,000,000	68,030
Assigned for Emergency Medical Services Fund	7,000,000	-
Mitigation Funds - Restricted	-	275,993
Unassigned Fund Balance	8,895,989	10,028,075
Total Fund Balance	19,541,989	16,818,936
Total Liabilities and Fund Balance	\$ 20,706,446	\$ 17,658,100

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, 2023 and 2022**

Reconciliation of Balance Sheet to Statement of Net Position	<u>2023</u>	<u>2022</u>
Fund balance - total government funds	\$ 19,541,989	\$ 16,818,936
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.	19,568,364	18,131,769
Deferred charges not reported in funds balance sheet		
Finance Cost	158,250	158,250
Pension	22,543,609	23,950,694
OPEB	1,265,342	1,123,240
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Compensated Absences	(2,458,482)	(1,853,535)
Notes Payable	(16,103,388)	(16,208,413)
Deferred Revenue	(171,238)	(222,538)
Net OPEB Obligation	(2,367,439)	(1,823,540)
Net Pension Liability	(10,223,168)	(13,395,790)
Deferred credits not reported in funds balance sheet		
Pension	(12,279,437)	(8,318,486)
OPEB	(337,101)	(938,883)
Net Position of Governmental Activities	<u>\$ 19,137,301</u>	<u>\$ 17,421,704</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 FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2023 and 2022

	2023	2022
Revenues		
Property Taxes	\$ 19,796,990	\$ 17,983,920
Investment Earnings	73,293	31,884
Intergovernmental Revenue	6,901,738	6,399,816
Rent Income	98,220	62,693
Donations and Reimbursements	1,694,949	1,497,232
Charges for Service and Miscellaneous	5,397,119	1,819,348
Total Revenues	33,962,309	27,794,893
Expenditures		
Current:		
Salaries and Employee Benefits	22,970,971	20,054,446
Services and Supplies	7,231,500	3,851,830
Interest Expense	674,011	77,469
Debt Principal payment	873,025	313,334
Purchase of Capital Assets	792,585	2,165,111
Total Expenditures	32,542,092	26,462,190
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,420,217	1,332,703
Other Financing Sources (Uses)		
Deferred Finance Cost	-	158,250
Proceeds from Loan	-	15,000,000
Pay off the unfunded pension liability	-	(14,568,599)
Total Other Financing Sources (Uses)	-	589,651
Net Change in Fund Balance	1,420,217	1,922,354
Fund Balance, Beginning Balance	16,818,936	13,158,035
Net Change in Fund Balance from Consolidation - Note I	1,302,836	1,738,547
Fund Balance, Ending Balance	\$ 19,541,989	\$ 16,818,936

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 FUND TO
STATEMENT OF ACTIVITIES**

FOR THE FISCAL YEAR ENDED JUNE 30, 2023 and 2022

Amounts reported for governmental activities in the statement of activities are different because:	<u>2023</u>	<u>2022</u>
Net change in fund balance - total governmental fund	\$ 1,420,217	\$ 1,922,354
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	(1,136,999)	(841,125)
Current Capital Assets Additions	792,585	2,165,111
Loss on Capital Assets Disposals	(14,365)	-
Proceeds from the note's payable is a source in the governmental funds, but, the loan increases long-term liabilities in the statement of net position	-	(15,000,000)
Deferred Cost	-	(158,250)
Pension expense adjustment for deferred items	(245,398)	11,533,128
Debt Principal Payment	873,025	313,334
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>(373,480)</u>	<u>(190,940)</u>
Change in Net Position of Governmental Activities	<u>\$ 1,315,585</u>	<u>\$ (256,388)</u>

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

SONOMA COUNTY FIRE DISTRICT

Notes to Basic Financial Statements

June 30, 2023 and 2022

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, Russian River, and the surrounding unincorporated areas. The Russian River Fire Protection District was consolidated with the District effective July 01, 2020. The Forestville Fire Protection District is consolidated with the District effective July 01, 2021. The Bodega Bay Fire Protection District was consolidated with the District effective July 01, 2022.

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 Basic Financial Statements

June 30, 2023 and 2022

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, 2023; therefore, the remainder of the uncollected assessments is considered flat charges receivable.

SONOMA COUNTY FIRE DISTRICT

Notes to Basic Financial Statements

June 30, 2023 and 2022

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 \$7,685,607 and \$6,974,911 for the fiscal year ended June 30, 2023, and 2022, respectively, 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's 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 building improvements, and equipment, are reported in the applicable governmental activity 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 above 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 Basic Financial Statements

June 30, 2023 and 2022

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 the asset's life are not capitalized. Buildings and building 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 positions 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 Basic Financial Statements

June 30, 2023 and 2022

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 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 GAAP basis. The District's budgetary information was amended during the year.

NOTE III CASH AND INVESTMENTS

Cash and Investments

The District has operating payroll and certificates of deposit accounts at Summit State Bank. Investments consist of certificates of deposit in various banks. All accounts are fully insured by the FDIC.

The amount of cash in the bank as of June 30, is as follows:

	<u>2023</u>	<u>2022</u>
Cash in Bank - Operating	\$ 206,866	\$ 143,011
Cash in Bank - Payroll	110,407	13,924
Cash - Fire Impact Fees	1,785,141	-
Investments - Certificates of Deposits	<u>15,831,286</u>	<u>15,025,630</u>
Total	<u>\$ 17,933,700</u>	<u>\$15,182,565</u>

SONOMA COUNTY FIRE DISTRICT

Notes to Basic Financial Statements

June 30, 2023 and 2022

NOTE III CASH AND INVESTMENTS (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 the 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 Basic Financial Statements

June 30, 2023 and 2022

NOTE III CASH AND INVESTMENTS (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 deposit made by state or local governmental units by pledging securities in an undivided collateral pool held by a 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 2023 Sonoma County CAFR.

SONOMA COUNTY FIRE DISTRICT

Notes to Basic Financial Statements

June 30, 2023 and 2022

NOTE IV CAPITAL ASSETS

Capital asset activity for the period ended June 30, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirement/ Reclassification</u>	<u>Ending Balance</u>
Capital Assets, not being depreciated				
Land	\$ 1,575,838	\$ -	\$ 176,668	\$ 1,752,506
Capital Assets, being depreciated	<u>1,575,838</u>	<u>-</u>	<u>176,668</u>	<u>1,752,506</u>
Building and Improvements	23,297,708	378,551	2,065,657	25,741,916
Equipment	<u>15,207,768</u>	<u>414,034</u>	<u>1,447,836</u>	<u>17,069,638</u>
Total Capital Assets, being depreciated	<u>38,505,476</u>	<u>792,585</u>	<u>3,513,493</u>	<u>42,811,554</u>
Less Accumulated Depreciation for:				
Building and Improvements	(14,107,998)	(549,030)	(1,021,877)	(15,678,905)
Equipment	<u>(7,841,547)</u>	<u>(587,969)</u>	<u>(887,275)</u>	<u>(9,316,791)</u>
Total Accumulated Depreciation	<u>(21,949,545)</u>	<u>(1,136,999)</u>	<u>(1,909,152)</u>	<u>(24,995,696)</u>
Total Capital Assets, being Depreciated, Net	<u>16,555,931</u>	<u>(344,414)</u>	<u>1,604,341</u>	<u>17,815,858</u>
Capital Assets, net	<u>\$ 18,131,769</u>	<u>\$ (344,414)</u>	<u>\$ 1,781,009</u>	<u>\$ 19,568,364</u>

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

Governmental activities:	
Public safety - fire protection	\$1,136,999

SONOMA COUNTY FIRE DISTRICT

Notes to Basic Financial Statements

June 30, 2023 and 2022

NOTE IV CAPITAL ASSETS (continued)

Capital asset activity for the period ended June 30, 2022, was as follows:

	Beginning Balance	Additions	Retirements/ Reclassification	Ending Balance
Capital Assets, not Being Depreciated:				
Land	\$ 1,569,838	\$ -	\$ 6,000	\$ 1,575,838
Capital assets, Being Depreciated:				
Buildings and Improvements	21,960,203	624,896	712,609	23,297,708
Equipment	<u>11,523,071</u>	<u>1,540,215</u>	<u>2,144,482</u>	<u>15,207,768</u>
Total Capital Assets, Being Depreciated	<u>33,483,274</u>	<u>2,165,111</u>	<u>2,857,091</u>	<u>38,505,476</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(13,443,845)	(436,466)	(227,687)	(14,107,998)
Equipment	<u>(6,295,893)</u>	<u>(404,659)</u>	<u>(1,140,995)</u>	<u>(7,841,547)</u>
Total Accumulated Depreciation	<u>(19,739,738)</u>	<u>(841,125)</u>	<u>(1,368,682)</u>	<u>(21,949,545)</u>
Total Capital Assets, Being Depreciation, Net	<u>13,743,536</u>	<u>1,323,986</u>	<u>1,488,409</u>	<u>16,555,931</u>
Capital Assets, Net	<u>\$ 15,313,374</u>	<u>\$ 1,323,986</u>	<u>\$ 1,494,409</u>	<u>\$ 18,131,769</u>

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

Governmental activities:	
Public safety - fire protection	\$841,125

NOTE V COMPENSATED ABSENCES

The following is a summary of changes in accrued compensated absences for the fiscal year ended June 30, 2023, and 2022:

June 30, 2023	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	\$ 1,853,535	\$ 604,947	\$ -	\$ 2,458,482	\$ -
Total	<u>\$ 1,853,535</u>	<u>\$ 604,947</u>	<u>\$ -</u>	<u>\$ 2,458,482</u>	<u>\$ -</u>
June 30, 2022	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	\$ 1,662,595	\$ 190,940	\$ -	\$ 1,853,535	\$ -
Total	<u>\$ 1,662,595</u>	<u>\$ 190,940</u>	<u>\$ -</u>	<u>\$ 1,853,535</u>	<u>\$ -</u>

SONOMA COUNTY FIRE DISTRICT

Notes to Basic Financial Statements

June 30, 2023 and 2022

NOTE VI LONG-TERM DEBT

Changes in long-term debt

Long-term liability activity for the period ended June 30, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Note Payable - BV	\$ 207,517	\$ -	\$ 31,033	\$ 176,484	\$ 32,054
Note Payable - RR	63,675	-	24,669	39,006	39,006
Note Payable - BA	937,221	-	263,323	673,898	266,863
Note Payable - BB	-	768,000	64,000	704,000	68,000
Note Payable - Sonoma	15,000,000	-	490,000	14,510,000	509,000
Total long-term liabilities	\$ 16,208,413	\$ 768,000	\$ 873,025	\$ 16,103,388	\$ 914,923

The District entered into a lease-purchase agreement dated as of December 27, 2017, with the Municipal Finance Corporation. The agreement is for ten years, which requires the District to make an annual payment of \$37,685.92 including interest. The agreement will mature on August 01, 2027.

The District entered into a lease-purchase agreement dated as of February 21, 2019, for \$206,151.06 with Wells Fargo Bank. The agreement is for five years, which requires the District to make an annual payment of \$27,948.24, including interest.

The District entered into a lease-purchase agreement dated August 05, 2020, in the amount of \$1,325,913 with Bank of America Leasing Capital, LLC. The agreement is for five years, which requires the District to make semi-annual payments of about between \$137,000 - \$138,000, including interest. The agreement will mature on February 01, 2026.

The District entered into a debt service agreement period starting December 01, 2022, in the amount of \$15,000,00. The debt was acquired to pay off the District's unfunded pension liability. The agreement is for twenty years, which requires the District to make semi-annual payments of about between \$559,000 - \$561,000, including interest. The agreement will mature on June 01, 2042.

The debt acquired in the merger, City National Bank loan for the new fire station, principal payments of \$68,000 to \$90,000 annually with semi-annual interest payments on October 01 and April 01, matures 10/1/2030.

Below is the summary of long-term debt:

<u>(Purpose)</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding as of 06/30/2023</u>
Fire Station	10/1/2030	3.9%	\$68,000-\$90,000	\$ 1,196,000	\$ 704,000
Type III Engine	8/1/2027	3.3%	\$ 37,686	\$ 320,822	\$ 176,484
Engine	3/21/2025	5.2%	\$ 27,947	\$ 206,151	\$ 39,006
Engine	8/1/2025	1.3%	\$ 274,000	\$ 1,325,913	\$ 673,898
Pension UAL	6/1/2042	4.3%	\$1,100,000-\$1,200,000	\$ 15,000,000	\$ 14,510,000
Total					\$ 16,103,388

SONOMA COUNTY FIRE DISTRICT

Notes to Basic Financial Statements

June 30, 2023 and 2022

NOTE VI LONG-TERM DEBT

Future maturities of the long-term debt payable on June 30, 2023, were as follows:

<u>Payments Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Installment Payments</u>
FY2024	\$ 914,923	\$ 650,542	\$ 1,565,465
FY2025	906,560	619,310	1,525,870
FY2026	800,782	587,468	1,388,250
FY2027-2042	13,481,123	5,124,674	18,605,797

Related deferred finance costs are amortized over the 20-year loan term.

NOTE VII 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, 2021
Measurement Date (MD)	June 30, 2022
Measurement Period (MP)	July 1, 2021 to June 30, 2022

SONOMA COUNTY FIRE DISTRICT

Notes to Basic Financial Statements

June 30, 2023 and 2022

NOTE VII 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, 2021 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2021 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.

	<u>Employer Contribution</u>	<u>Employee Contribution</u>	<u>Unfunded Contribution</u>
PEPRA Safety Plan - Bodega Bay	12.78%	13.00%	\$ 4,268
Safety Plan - Bodega Bay	18.17%	8.95%	\$ 133,387
PEPRA Misc. Plan - Bodega Bay	8.63%	6.93%	\$ 4,521
Miscellaneous Plan - Bodega Bay	7.47%	6.75%	\$ 190
Miscellaneous Plan - Sonoma	13.35%	7.96%	\$ 21,268
PEPRA Misc. Plan - Sonoma	7.47%	6.75%	\$ 1,263
PEPRA Safety Plan - Sonoma	12.78%	13.00%	\$ 8,547
Safety Plan - Sonoma	21.84%	8.99%	\$ 903,771

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2021 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2020, total pension liability. Both the June 30, 2020, total pension liability and the June 30, 2021, total pension liability were based on the following actuarial methods and assumptions.

SONOMA COUNTY FIRE DISTRICT

Notes to Basic Financial Statements

June 30, 2023 and 2022

NOTE VII DISTRICT EMPLOYEE RETIREMENT PLAN (Continued)

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	6.90%
Inflation	2.30%
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 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 80% of scale MP 2020.

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 6.90 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 result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans ran out of assets. Therefore, the current 6.90 percent discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 6.90 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" which can be obtained at CalPERS' website under the GASB 68 section.

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 financial reporting purposes.

SONOMA COUNTY FIRE DISTRICT

Notes to Basic Financial Statements

June 30, 2023 and 2022

NOTE VII DISTRICT EMPLOYEE RETIREMENT PLAN (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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 considered 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+ 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>
Global Equity- cap-weighted	30.0%	4.45%
Global Equity- non-cap-weighted	12.00	3.84
Private Equity	13.00	7.28
Treasury	5.00	0.27
Mortgage-backed Securities	5.00	0.50
Investment Grade Corporates	10.00	1.56
High Yield	5.00	2.27
Emerging Market Debt	5.00	2.48
Private Debt	5.00	3.57
Real Assets	15.00	3.21
Leverage	-5.00	-0.59

SONOMA COUNTY FIRE DISTRICT

Notes to Basic Financial Statements

June 30, 2023 and 2022

NOTE VII 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.

	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at : 6/30/2021 (MD)	\$ 52,446,164	\$ 39,050,374	\$ 13,395,790
Balance at : 6/30/2022 (MD)	\$ 73,627,449	\$ 63,404,281	\$ 10,223,168
Net Changes during 2021-22	\$ (21,181,285)	\$ (24,353,907)	\$ 3,172,622

The following presents the net pension liability/(assets) of the Plan as of the measurement date, calculated using the discount rate of 6.90 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 (5.90 percent) or 1 percentage-point higher (7.90 percent) than the current rate:

	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
Plan's Net Pension Liability/(Asset) - Safety	\$ 19,786,208	\$ 9,996,690	\$ 1,995,971
Plan's Net Pension Liability/(Asset) - Miscellaneous	\$ 599,918	\$ 226,478	\$ (80,771)

SONOMA COUNTY FIRE DISTRICT

Notes to Basic Financial Statements

June 30, 2023 and 2022

NOTE VII DISTRICT EMPLOYEE RETIREMENT PLAN (Continued)

Of the amounts reported as deferred outflows or resources, the amount resulting from contributions made to the trust after the measurement date will be recognized as a reduction of the net pension liability in the period ending June 30, 2023. 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	\$ 1,031,176	\$ -
Difference Between Expected and Actual Experience	418,275	111,602
Difference Between Projected and Actual Earnings on Investments	1,620,102	-
Changes in Employer's Proportion	2,322,310	11,750,883
Differences Between Employer's Contribution and Proportionate Share of Contributions	105,096	416,953
Contributions Made Subsequent to the Measurement Date	<u>17,046,650</u>	<u>-</u>
Total	<u>\$22,543,609</u>	<u>\$12,279,438</u>

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

<u>Measurement Period Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2024	1,346,438
2025	462,424
2026	648,299
2027	4,397,680
2028	3,409,330
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 for several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance, and OPEB expense including 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 Basic Financial Statements

June 30, 2023 and 2022

NOTE VIII OTHER POSTEMPLOYMENT HEALTH BENEFITS (OPEB)

The District implemented GASB Statement No. 75, Financial Reporting for Postemployment Benefits Plan (OPEB) other than Pension Account and Financial Reporting by Employers for Postemployment Benefits other than Pension Plan for the fiscal year ending June 30, 2021. The District provides certain health care benefits which are recognized as an expenditure of health care premiums paid.

OPEB Obligations of the District

The District provides continuation of medical coverage to a closed group of retiring employees. This coverage may create one or more of the following types of OPEB liabilities:

Explicit Subsidy Liabilities: An “explicit subsidy” exists when the employer contributes directly toward the cost of retiree healthcare. In this program, the District pays a portion of the medical premium for a qualifying closed group of members.

Implicit Subsidy Liabilities: An “implicit subsidy” exists when the premiums charged for retiree coverage are lower than the expected retiree claims for that coverage. In the District’s program, the claims experience of active employees and pre-Medicare retirees is co-mingled in setting premium rates for the plans in which District employees and retirees participate.

OPEB Funding Policy

The District’s OPEB funding policy affects the calculation of liabilities by impacting the discount rate that is used to develop the plan liability and expense. “Prefunding” is the term used when an agency consistently contributes an amount based on an actuarially determined contribution (ADC) each year. GASB 75 allows prefunded plans to use a discount rate that reflects the expected earnings on trust assets. Pay-as-you-go, or “PAYGO”, is the term used when an agency only contributes the required retiree benefits when due. When an agency finances retiree benefits on a pay-as-you-go basis, GASB requires the use of a discount rate equal to a 20-year high-grade municipal rate.

The District has been and continues to pre-fund its OPEB liability, contributing 100% or more of the Actuarially Determined Contribution each year. With the District’s approval, the assumed annual trust returns, and discount rate applied for accounting purposes in this report is 6.85%, reflecting the District’s expectation as of the measurement date.

Important Dates for GASB 75

GASB 75 allows reporting liabilities as of any fiscal year-end based on (1) a valuation date no more than 30 months plus 1 day before the close of the fiscal year-end; and (2) a measurement date up to one year before the close of the fiscal year. The following dates were used for this report:

Fiscal Year End	June 30, 2023
Measurement Date	June 30, 2022
Measurement Period	June 30, 2021 to June 30, 2022
Valuation Date	June 30, 2022

SONOMA COUNTY FIRE DISTRICT

Notes to Basic Financial Statements

June 30, 2023 and 2022

NOTE VIII OTHER POSTEMPLOYMENT HEALTH BENEFITS (OPEB) (continued)

Impact on Statement of Net Position and OPEB Expense for Fiscal Year Ending 2023

The plan's impact on Net Position will be the sum of the difference between assets and liabilities as of the measurement date plus the unrecognized net outflows and inflows of resources. Different recognition periods apply to deferred resources depending on their origin. The plan's impact on Net Position on the measurement date can be summarized as follows:

	For Reporting at Fiscal Year Ending June 30, 2023
Total OPEB Liability	\$ 5,862,377
Fiduciary Net Position	<u>(3,494,939)</u>
Net OPEB Liability (Assets)	2,367,438
Deferred (Outflows) Inflows of Resources Due to:	
Assumption Changes	(430,661)
Plan Experience	242,567
Investment Experience	(311,856)
Deferred Contributions	<u>(428,291)</u>
Net Deferred (Outflows) inflows of Resources	<u>\$ (928,241)</u>
 Impact on Statement of Net Position, FYE 6/30/2023	 <u>\$ 1,439,197</u>
 Items Impacting OPEB Expense:	
Service Cost	\$ 92,367
Cost of Plan Changes	-
Interest Cost	341,733
Expected Earnings on Assets	(238,062)
Administrative Expenses	979
Recognized Deferred Resource items:	
Assumption Changes	117,352
Plan Experience	(149,204)
Investment Experience	<u>63,139</u>
 OPEB Expense, FYE 06/30/2023	 <u>\$ 228,304</u>

SONOMA COUNTY FIRE DISTRICT

Notes to Basic Financial Statements

June 30, 2023 and 2022

NOTE VIII OTHER POSTEMPLOYMENT HEALTH BENEFITS (OPEB) (continued)

Expected Long-term Return on Trust Assets

In March 2022, CalPERS updated the projected future investment returns for CERBT Strategy 1. CalPERS determined its return using a building-block method and best-estimate ranges of expected future real rates of return for each major asset class (expected returns, net of OPEB plan investment expense and inflation). The target allocation and best estimates of geometric real rates of return published by CalPERS for each major class are split for years 1-5 and years 6-20.

CERBT Strategy 1		Years 1-05			Years 6-20		
Major Asset Classification	Target Allocation	General Inflation Rate Assumption	1-05 Year Expected Real Rate of Return	Counpound Return Yrs 1-05	General Inflation Rate Assumption	6-20 Years Expected Real Rate of Return	Counpound Return Yrs 6-20
Global Equity	49%	2.40%	4.80%	6.80%	2.30%	4.50%	6.80%
Fixed Income	23%	2.40%	-1.00%	1.40%	2.30%	2.20%	4.50%
Global Real Estate (REITs)	20%	2.40%	3.00%	5.40%	2.30%	3.90%	6.20%
Treasury Inflation Protected Securities	5%	2.40%	-1.80%	0.60%	2.30%	1.30%	3.60%
Commodities	3%	2.40%	0.80%	3.20%	2.30%	1.20%	3.50%
Volatility	12%		weighted	5.10%	weighted	weighted	6.30%

To derive the expected future trust returns specifically for the District, we first adjusted CalPERS' future return expectations to align with the 2.5% general inflation assumption used in this report. We assumed that the returns for years 6 through 20 would continue in later years. Then applying the plan-specific benefit payments to CalPERS' bifurcated return expectations, we determined the single equivalent long-term rates of return to be 6.05%.

Recognition Period of Deferred Resources

Liability changes due to plan experience which differs from what was assumed in the prior measurement period and/or from assumption changes during the period are recognized over the plan's Expected Average Remaining Service Life ("EARSL"). The EARSL of 4.73 years is the period used to recognize such changes in the OPEB liability arising during the current measurement period.

Changes in the Fiduciary Net Position due to investment performance different from the assumed earnings rate are always recognized over five years.

Liability changes attributable to benefit changes occurring during the period are recognized immediately.

SONOMA COUNTY FIRE DISTRICT

Notes to Basic Financial Statements

June 30, 2023 and 2022

NOTE VIII OTHER POSTEMPLOYMENT HEALTH BENEFITS (OPEB) (continued)

Deferred Resources as of Fiscal Year End and Expected Future Recognition

The exhibit below shows deferred resources as of the fiscal year ending June 30, 2023.

Sonoma County Fire District	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 525,195	\$ 94,534
Difference Between Expected and Actual Experience	-	242,567
Net Difference Between Projected and Actual Earnings on Investments	311,856	-
Deferred Contributions	428,291	-
Total	<u>\$ 1,265,342</u>	<u>\$ 337,101</u>

The District will recognize the Deferred Contributions in the next fiscal year. In addition, future recognition of these deferred resources is shown below:

For the Fiscal Year Ending June 30,	Deferred Outflows/(Inflows) of Resources
2024	31,182
2025	164,810
2067	153,448
2027	150,510
2028	-
Thereafter	-

Sensitivity of Liabilities to Changes in the Discount Rate

The discount rate used for the fiscal year-end 2023 is 6.05%. The impact of a 1% increase or decrease in these assumptions is shown in the chart below.

<u>Changes in Discount Rate</u>	<u>Current - 1% 5.05%</u>	<u>Current 6.05%</u>	<u>Current + 1% 7.05%</u>
Net OPEB Liability (Assets)	\$ 3,085,645	\$ 2,367,439	\$ 1,763,689

SONOMA COUNTY FIRE DISTRICT

Notes to Basic Financial Statements

June 30, 2023 and 2022

NOTE IX 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 X SUBSEQUENT EVENTS

The District has evaluated after June 30, 2023, to assess the need for potential recognition or disclosures in the financial statements. Such events were evaluated through February 23, 2024, the date these financial statements were available to be issued.

SONOMA COUNTY FIRE DISTRICT

**STATEMENT OF REVENUES EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL**

GENERAL FUND (Included Restricted Funds)

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Revenues	Budgeted Amounts (1)		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Property Taxes	\$ 19,032,000	\$ 19,547,445	\$ 19,796,990	\$ 249,545
Investment Earnings	20,000	20,000	73,293	53,293
Intergovernmental Revenue	5,588,800	6,474,776	6,901,738	426,962
Donations & Reimbursements	100,000	100,000	645,819	545,819
Rent Income	56,500	56,500	98,220	41,720
Charges for Service and Miscellaneous	6,108,500	6,130,250	6,446,249	315,999
Transfers in from reserves	1,354,000	1,952,675	-	(1,952,675)
Total Revenues	32,259,800	34,281,646	33,962,309	(319,337)
Expenditures				
Current:				
Salaries and Employee Benefits	21,625,000	21,889,228	22,970,971	(1,081,743)
Services and Supplies	7,482,561	7,955,547	7,231,500	724,047
Long-term Debt - Principal	1,483,028	1,503,593	873,025	630,568
Long-term Debt - Interest	47,612	47,612	674,011	(626,399)
Capital Outlay	1,221,600	2,885,666	792,585	2,093,081
Total Expenditures	31,859,801	34,281,646	32,542,092	1,739,554
Excess (Deficiency of Revenues Over (Under) Expenditures	399,999	-	1,420,217	1,420,217
Net Change in Fund Balance			1,420,217	
Fund Balance, June 30, 2022			16,818,936	
Net Change in Fund Balance from Consolidation - Note I			1,302,836	
Fund Balance, June 30, 2023			<u>\$ 19,541,989</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
BUDGET TO ACTUAL
GENERAL FUND (Included Restricted Funds)**

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Revenues	Budgeted Amounts (1)		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Property Taxes	\$ 17,781,409	\$ 17,781,409	\$ 17,983,920	\$ 202,511
Investment Earnings	7,500	7,500	31,884	24,384
Intergovernmental Revenue	6,234,094	6,234,094	6,399,816	165,722
Donations & Reimbursements	1,098,017	1,098,017	62,693	(1,035,324)
Rent Income	48,827	48,827	1,497,232	1,448,405
Charges for Service and Miscellaneous	2,166,600	2,166,600	1,819,348	(347,252)
Transfers in from reserves	2,210,422	2,210,422	-	(2,210,422)
Total Revenues and Transfers	29,546,869	29,546,869	27,794,893	(1,751,976)
Expenditures				
Current:				
Salaries and Employee Benefits	18,536,379	20,626,379	20,054,446	571,933
Services and Supplies	3,494,267	4,369,267	3,851,830	517,437
Long-term Debt - Principal	294,363	294,363	313,334	(18,971)
Long-term Debt - Interest	46,273	46,273	77,469	(31,196)
Capital Outlay	1,254,587	2,754,587	2,165,111	589,476
Total Expenditures	23,625,869	28,090,869	26,462,190	1,628,679
Excess (Deficiency of Revenues Over (Under) Expenditures	5,921,000	1,456,000	1,332,703	(123,297)
Other Financing Sources (Uses)				
Deferred Finance Cost			158,250	
Proceeds from Loan			15,000,000	
Pay off the unfunded pension liability			(14,568,599)	
Total Other Financing Sources (Uses)			589,651	
Net Change in Fund Balance			1,922,354	
Fund Balance, June 30, 2021			13,158,035	
Net Change in Fund Balance from Consolidation - Note I			1,738,547	
Fund Balance, June 30, 2022			\$ 16,818,936	

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

SONOMA COUNTY FIRE DISTRICT

SCHEDULE OF CHANGES IN OPEB AND RELATED RATIOS SCHEDULE OF OPEB CONTRIBUTIONS

June 30,

Schedule of Changes in the District's Net OPEB Liability and Related Ratios

GASB 75 requires presentation of the 10-year history of changes in the Net OPEB Liability. Only results for years since GASB 75 was implemented (short fiscal year 2019 through 2023) are shown in the table.

Fiscal Year Ended	2023	2022	2021	2020	2019
Measurement Date	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Discount Rate on Measurement Date	6.05%	6.05%	6.85%	6.85%	6.75%
Total OPEB liability					
Service Cost	\$ 92,367	\$ 87,960	\$ 85,398	\$ 110,237	\$ 27,324
Interest	341,733	323,289	308,551	353,045	86,852
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	-	(175,600)	-	(589,533)	-
Changes of assumptions	-	909,953	-	(394,642)	-
Benefit payments	(255,666)	(186,500)	(176,219)	(184,123)	(42,982)
Net change in total OPEB liability	178,434	959,102	217,730	(705,016)	71,194
Total OPEB liability - beginning	5,683,943	4,724,841	4,507,111	5,212,127	5,140,933
Total OPEB liability - ending (a)	<u>\$ 5,862,377</u>	<u>\$ 5,683,943</u>	<u>\$ 4,724,841</u>	<u>\$ 4,507,111</u>	<u>\$ 5,212,127</u>
Plan fiduciary net position					
Contributions - employer	\$ 405,666	\$ 536,500	\$ 526,219	\$ 534,123	\$ 130,482
Net investment income	(514,484)	752,906	81,011	115,045	28,128
Benefits payments	(255,666)	(186,500)	(176,219)	(184,123)	(42,982)
Administrative expense	(979)	(1,043)	(1,137)	(399)	(188)
Other expense	-	-	-	-	(465)
Net change in plan fiduciary net position	(365,463)	1,101,863	429,874	464,646	114,975
Plan fiduciary net position - beginning	3,860,402	2,758,539	2,328,665	1,864,019	1,749,044
Plan Fiduciary net position - ending	<u>\$ 3,494,939</u>	<u>\$ 3,860,402</u>	<u>\$ 2,758,539</u>	<u>\$ 2,328,665</u>	<u>\$ 1,864,019</u>
Net OPEB liability - ending (a) - (b)	<u>\$ 2,367,438</u>	<u>\$ 1,823,541</u>	<u>\$ 1,966,302</u>	<u>\$ 2,178,446</u>	<u>\$ 3,348,108</u>
Covered-employee payroll	\$ 2,494,845	\$ 2,891,583	\$ 2,599,706	\$ 1,768,599	\$ 433,099
Net OPEB liability as % of covered-employee payroll	94.89%	63.06%	75.64%	123.17%	773.06%

Schedule of Contributions

Since establishing the OPEB trust, the District has made regular contributions toward funding the Actuarially Determined Contribution (ADC) and confirmed its intention to continue doing so. This chart shows the contributions for the years since GASB 75 was implemented.

Fiscal Year Ending	2023	2022	2021	2020	2019
Actuarially Determined Contribution	\$ 333,933	\$ 274,816	\$ 289,395	\$ 305,936	\$ 108,596
Contributions in relation to the actuarially determined contribution	428,291	405,666	536,500	526,219	133,531
Contribution deficiency (excess)	<u>\$ (94,358)</u>	<u>\$ (130,850)</u>	<u>\$ (247,105)</u>	<u>\$ (220,283)</u>	<u>\$ (24,935)</u>
Covered-employee payroll	\$ 2,272,751	\$ 2,978,330	\$ 2,891,583	\$ 2,599,706	\$ 442,150
Net OPEB liability as % of covered employee payroll	18.84%	13.62%	18.55%	20.24%	30.20%

SONOMA COUNTY FIRE DISTRICT

**Notes to the Required Supplementary Information
June 30, 2023 and 2022**

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; no encumbrances are outstanding at year-end.