

**SONOMA VALLEY
FIRE DISTRICT**

ANNUAL FINANCIAL AUDIT REPORT

JUNE 30, 2022



Chavan & Associates, LLP

Certified Public Accountants

1475 Saratoga Ave, Suite 180

Morgan Hill, CA 95129

Sonoma Valley Fire District

Sonoma County

Table of Contents

TITLE	PAGE
FINANCIAL SECTION:	
Independent Auditor's Report	1
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	15
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	16
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	17
Notes to the Basic Financial Statements	18
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual (GAAP) General Fund.....	46
Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual (GAAP) Sonoma Valley Fire and Rescue Authority Special Revenue Fund.....	47
Schedule of Pension Plan Contributions.....	48
Schedule of Proportionate Share of Net Pension Liability	50
Schedule of Changes in Total OPEB Liability	51
OTHER INDEPENDENT AUDITOR'S REPORTS:	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	53

**FINANCIAL
SECTION**



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sonoma Valley Fire District
Sonoma, California

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the Sonoma Valley Fire District (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's 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 District, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 District and to meet our 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 opinion.

Responsibilities of Management for the Financial Statements

District 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.

In preparing the financial statements management is required to evaluate whether there are conditions or events, considered in the aggregate, that arise substantial doubt about the District's 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 Responsibility 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than from 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement 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 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 of timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of pension contributions, schedule of proportionate share of net pension liability, schedule of contributions for other postemployment benefits, and schedule of changes in total OPEB liability, as listed in the table of contents, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

C & A LLP

May 4, 2023
Morgan Hill, California

Management's Discussion and Analysis

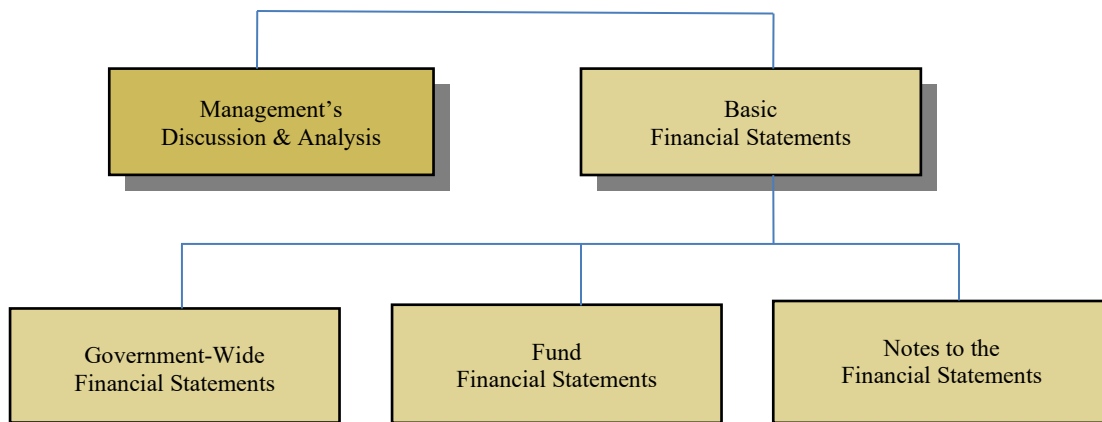
Sonoma Valley Fire District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

INTRODUCTION

The Management's Discussion and Analysis (MD&A) is a required section of the District's annual financial report, as shown in the overview below. The purpose of the MD&A is to present a discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2022. This report will (1) focus on significant financial issues, (2) provide an overview of the District's financial activity, (3) identify changes in the District's financial position, (4) identify any individual fund issues or concerns, and (5) provide descriptions of significant asset and debt activity.

This information, presented in conjunction with the annual Basic Financial Statements, is intended to provide a comprehensive understanding of the District's operations and financial standing.

Required Components of the Annual Financial Report



FINANCIAL HIGHLIGHTS

Fiscal year 2021-22 was the District's second year of operation. The District was formed from the reorganization of the Glen Ellen Fire Protection District, the Valley of the Moon Fire Protection District, and the Mayacamas Volunteer Fire Company.

Key financial highlights for the fiscal year ended June 30, 2022 were as follows:

- Total net position was \$9,434,582 which included an unrestricted net position of \$4,658,645.
- The District recorded deferred outflows of resources of \$16,278,356 and deferred inflows of resources of \$19,722,156 in order to record the different components required by GASB 68 and GASB 75 for benefit plan accounting and reporting. Deferred outflows of resources are technically not assets but increase the Statement of Net Position similar to an asset and deferred inflows of resources are technically not liabilities but decrease the Statement of Net Position similar to liabilities. See Note 1 in the notes to financial statements for a definition.
- General revenues accounted for \$9,542,136 which was 51% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$9,207,528, or 49%, of total revenues of \$18,749,664.
- The District had \$18,030,177 in expenses, which was directly supported by program specific revenues as noted above.
- Total fund balances of governmental funds totaled \$11,713,993.

Sonoma Valley Fire District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

USING THE ANNUAL REPORT

This annual report consists of a series of basic financial statements and notes to those statements. These statements are organized so the reader can understand the District as an entire operating entity. The statements provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities comprise the government-wide financial statements and provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

OVERVIEW OF THE FINANCIAL STATEMENTS

The full annual financial report is a product of three separate parts: the basic financial statements, supplementary information, and this section, the Management's Discussion and Analysis. The three sections together provide a comprehensive financial overview of the District. The basic financials are comprised of two kinds of statements that present financial information from different perspectives, government-wide and fund statements.

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements, focus on reporting the District's operations in more detail. These fund financial statements comprise the remaining statements.
- Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information section provides further explanations and provides additional support for the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS - STATEMENT OF NET POSITION AND THE STATEMENT OF ACTIVITIES

The view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during the fiscal year 2021 - 2022?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting practices used by most private-sector companies. This basis of accounting takes into account all of the current year revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, current property tax laws in California restricting revenue growth, facility conditions and other factors.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where the District's programs and services are reported. The District does not have any business type activities.

Sonoma Valley Fire District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the District's fund financial statements begins on page 14. Fund financial reports provide detailed information about the District's major funds. The District uses two funds to account for a multitude of financial transactions. These fund financial statements focus on each of the District's most significant funds. The District's major governmental funds are the General Fund and the Special Revenue Fund.

Governmental Funds

The General Fund and the Special Revenue Fund are governmental fund types and are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the future to finance fire protection programs. The relationship (or differences) between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

THE DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position as of June 30, 2022:

Table 1 - Summary Statement of Net Position				
	2022	2021	Change	Percentage Change
Assets				
Current Assets	\$ 11,790,489	\$ 12,004,330	\$ (213,841)	-1.81%
Capital Assets	4,868,056	3,762,700	1,105,356	22.71%
Total Assets	\$ 16,658,545	\$ 15,767,030	\$ 891,515	5.35%
Deferred Outflows				
	\$ 16,278,356	\$ 3,747,360	\$ 12,530,996	76.98%
Liabilities				
Current Liabilities	\$ 76,496	\$ 615,838	\$ (539,342)	-705.06%
Noncurrent Liabilities	3,703,667	7,290,939	(3,587,272)	-96.86%
Total Liabilities	\$ 3,780,163	\$ 7,906,777	\$ (4,126,614)	-109.16%
Deferred Inflows				
	\$ 19,722,156	\$ 2,951,130	\$ 16,771,026	85.04%
Net Position				
Net Investment in Capital Assets	\$ 4,775,937	\$ 3,625,540	\$ 1,150,397	24.09%
Unrestricted	4,658,645	5,030,943	(372,298)	-7.99%
Total Net Position	\$ 9,434,582	\$ 8,656,483	\$ 778,099	8.25%

Sonoma Valley Fire District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

Table 2 shows the changes in net position for fiscal year 2022.

Table 2 - Summary of Changes in Statement of Activities				
	2022	2021	Change	Percentage Change
Revenues				
Program revenues	\$ 9,207,528	\$ 10,125,624	\$ (918,096)	-9.97%
General revenues:				
Property taxes	6,844,439	7,010,393	(165,954)	-2.42%
Special taxes	1,770,663	1,455,310	315,353	17.81%
Special assessment	26,000	-	26,000	100.00%
Contributions and donations	6,310	-	6,310	100.00%
Interest and investment earnings	(27,902)	-	(27,902)	100.00%
Miscellaneous	889,769	287,127	602,642	67.73%
Special item - loss on disposal of capital asset	32,857	-	32,857	100.00%
Special item - contributions from merger	-	3,328,719	(3,328,719)	-100.00%
Total Revenues	18,749,664	22,207,173	(3,457,509)	-18.44%
Program Expenses				
Public safety - fire protection	18,030,177	13,550,690	4,479,487	24.84%
Total Expenses	18,030,177	13,550,690	4,479,487	24.84%
Change in Net Position	719,487	8,656,483	(7,936,996)	-1103.15%
Beginning Net Position	8,656,483	-	8,656,483	0.00%
Prior Period Adjustments	58,612	-	58,612	0.00%
Ending Net Position	\$ 9,434,582	\$ 8,656,483	\$ 778,099	8.25%

THE DISTRICT'S FUND BALANCE

Table 3 provides an analysis of the District's fund balances and the total change in fund balance from the prior year.

Table 3 - Summary of Fund Balance				
	2022	2021	Change	Percentage Change
Committed for capital equipment	\$ 2,277,405	\$ 2,661,143	\$ (383,738)	-17%
Committed for buildings and improvements	1,821,301	2,017,570	(196,269)	-11%
Committed for other postemployment benefits	843,900	843,900	-	0%
Committed for compensated absences	941,776	340,458	601,318	64%
Committed for emergency and other contingencies	243,092	905,857	(662,765)	-273%
Assigned for Emergency Funds	602,850	542,634	60,216	10%
Unassigned	4,983,669	3,857,142	1,126,527	23%
Total Fund Balance	\$ 11,713,993	\$ 11,168,704	\$ 545,289	5%

Sonoma Valley Fire District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

GENERAL FUND BUDGETING HIGHLIGHTS

The District's budget is prepared according to California law and in the modified accrual basis of accounting.

The original and final revised budgets for the General Fund are presented as Required Supplementary Information. During the course of the 2021-22 fiscal year, the District's original and final budgeted revenue was \$15,686,225. The District's original and final budgeted expenditures was \$15,686,255. The original budget remained unchanged during the fiscal year.

CAPITAL ASSETS

Table 4 shows June 30, 2022 capital asset balances as compared to June 30, 2021.

Table 4 - Summary of Capital Assets Net of Depreciation				
	2022	2021	Change	Percentage Change
Land	\$ 145,172	\$ 145,172	\$ -	0.00%
Construction-in-Progress	-	15,197	(15,197)	-100.00%
Buildings and Improvements	1,183,868	882,340	301,528	25.47%
Equipment	3,539,016	2,719,991	819,025	23.14%
Total Capital Assets - Net	\$ 4,868,056	\$ 3,762,700	\$ 1,105,356	22.71%

NONCURRENT LIABILITIES

Table 5 summarizes the percent changes in long-term liabilities over the past two years.

Table 5 - Summary of Noncurrent Liabilities				
	2022	2021	Change	Percentage Change
Lease Purchase Agreement	\$ 92,119	\$ 137,160	\$ (45,041)	-48.89%
Total OPEB Liability	5,611,602	5,045,085	566,517	10.10%
Net pension Liabilities	(2,941,830)	1,768,236	(4,710,066)	160.11%
Compensated Absences	941,776	340,458	601,318	63.85%
Total Noncurrent Liabilities	\$ 3,703,667	\$ 7,290,939	\$ (3,587,272)	-96.86%

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District has seen increases in property tax payments including those related to the dissolution of Redevelopment which returns increased property tax to the District. Since a significant portion of the District's revenue is derived from property taxes, projected flat or even declining property tax revenues are challenging as an operational driver. While property values are currently increasing, they are not increasing at the same pace as expenses especially related to long term expenses such as OPEB and healthcare.

The District has completed its first full fiscal year under the newly negotiated Sonoma Valley Fire and Rescue Authority (SVFRA) contract with the City of Sonoma. The final operating results allow for better strategic and future planning as the District addresses the challenges related to property tax revenue as well as increased health and pension costs.

Sonoma Valley Fire District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

The District has taken several active measures to maintain fiscal sustainability into the future:

- The District has collaborated with its employee union and the Sonoma Valley Volunteer Firefighters Association to create opportunities to reduce ongoing operational costs.
- The District continues to be successful with grant acquisition and will continue to pursue grants as a means of improving services and enhancing the safety of its personnel.
- The District and the City of Sonoma have negotiated sharing of costs and revenues for service provided by the District to the City or to City residents.
- The District has developed reserve policies to meet future financial needs such as Capital Replacement and Other Post Employment Benefit (OPEB) costs.
- The District is actively involved in a countywide project to improve Fire Services and has received reimbursements from the County for lost historical revenue and services.
- The District has successfully secured grant funding from the County of Sonoma to help develop a Chipper program in the ongoing efforts to mitigate fire hazards.
- The District worked closely with the County and was successful at implementing Fire Impact Fees which took effect July 1, 2021 and we have been successful at collecting fees to date through the County.
- The District has been able to implement a Fire Inspector position allowing more efficiency and timely service in our Fire Prevention Division for the preservation of safety within our community.
- The District entered into an agreement contract for staffing service with Kenwood Fire Protection District in order to help aid in providing adequate staffing for their constituents.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should now be addressed to the District Treasurer, Sonoma Valley Fire District, 630 Second Street West, Sonoma, California 95476.

Basic Financial Statements

Sonoma Valley Fire District

Statement of Net Position

June 30, 2022

	<u>Governmental Activities</u>
Assets	
Current assets:	
Cash and investments	\$ 9,562,725
Accounts receivable	2,227,764
Total current assets	<u>11,790,489</u>
Noncurrent assets:	
Non-depreciable capital assets	145,172
Capital assets, net of depreciation	4,722,884
Total noncurrent assets	<u>4,868,056</u>
Total Assets	<u><u>\$ 16,658,545</u></u>
 Deferred Outflows of Resources	
Pension adjustments	\$ 15,666,453
OPEB Adjustments	611,903
Total Deferred Outflows of Resources	<u><u>\$ 16,278,356</u></u>
 Liabilities	
Current liabilities:	
Accounts payable	\$ 61,042
Unearned revenue	629
Payroll and other liabilities	14,825
Total current liabilities	<u>76,496</u>
Noncurrent liabilities:	
Due within one year	281,161
Due after one year	3,422,506
Total noncurrent liabilities	<u>3,703,667</u>
Total Liabilities	<u><u>\$ 3,780,163</u></u>
 Deferred Inflows of Resources	
Pension adjustments	\$ 18,165,362
OPEB Adjustments	1,556,794
Total Deferred Inflows of Resources	<u><u>\$ 19,722,156</u></u>
 Net Position	
Net Investment in Capital Assets	\$ 4,775,937
Unrestricted	4,658,645
Total Net Position	<u><u>\$ 9,434,582</u></u>

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

Sonoma Valley Fire District
Statement of Activities
For the Fiscal Year Ended June 30, 2022

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Public safety - fire protection	\$ 18,030,177	\$ 9,207,528	\$ -	\$ (8,822,649)
General revenues:				
Property taxes				6,844,439
Special taxes				1,770,663
Special assessment				26,000
Contributions and donations				6,310
Interest and investment earnings				(27,902)
Miscellaneous				889,769
Special item - loss on disposal of capital assets				32,857
Total general revenues and special items				<u>9,542,136</u>
Change in net position				719,487
Net position beginning				8,656,483
Prior period adjustments				58,612
Net position beginning as adjusted				<u>8,715,095</u>
Net position ending				<u>\$ 9,434,582</u>

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

Sonoma Valley Fire District

Governmental Funds

Balance Sheet

June 30, 2022

	General Fund	Special Revenue Fund	Total Governmental Funds
Assets			
Cash and investments	\$ 8,946,856	\$ 615,869	\$ 9,562,725
Accounts receivable	2,227,549	215	2,227,764
Total Assets	\$ 11,174,405	\$ 616,084	\$ 11,790,489
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 61,042	\$ -	\$ 61,042
Unearned revenue	-	629	629
Payroll and other liabilities	2,220	12,605	14,825
Total Liabilities	63,262	13,234	76,496
Fund balances:			
Committed for:			
Capital Equipment	2,277,405	-	2,277,405
Buildings and improvements	1,821,301	-	1,821,301
Other postemployment benefits	843,900	-	843,900
Compensated absences	941,776	-	941,776
Emergencies and other contingencies	243,092	-	243,092
Assigned for:			
Emergency Funds	-	602,850	602,850
Unassigned	4,983,669	-	4,983,669
Total Fund Balances	11,111,143	602,850	11,713,993
Total Liabilities and Fund Balances	\$ 11,174,405	\$ 616,084	\$ 11,790,489

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

Sonoma Valley Fire District
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
June 30, 2022

Total fund balance - governmental funds	\$	11,713,993
---	----	------------

Amounts reported in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Capital assets at cost	8,323,173		
Accumulated depreciation	<u>(3,455,117)</u>		4,868,056

Differences from accrual basis deferrals of benefit plan balances in the government-wide Financial statements were as follows

OPEB adjustments:			
Difference between actual and expected experience			(1,556,794)
Change in assumptions			449,752
Contribution subsequent to measurement date			162,151
Pension adjustments:			
Difference between actual and expected experience			577,044
Difference between actual and expected earnings			(17,631,062)
Change in assumptions			5,576,717
Differences in proportionate share of contributions			6,676,644
Changes in employer's proportionate shares			15,376
Contribution subsequent to measurement date			2,286,372

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consists of:

Lease purchase agreements	92,119		
Total OPEB liability	5,611,602		
Net pension obligations (asset)	(2,941,830)		
Compensated absences	<u>941,776</u>		<u>(3,703,667)</u>

Total net position - governmental activities	\$	<u><u>9,434,582</u></u>
--	----	-------------------------

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

Sonoma Valley Fire District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2022

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues:			
Property taxes	\$ 6,844,439	\$ -	\$ 6,844,439
Special taxes	1,770,663	-	1,770,663
Special assessments	9,984	16,016	26,000
Intergovernmental	9,331,022	-	9,331,022
Charges for services	53,793	42,501	96,294
Investment earnings	(26,614)	(1,288)	(27,902)
Contributions and donations	6,310	-	6,310
Other revenues	889,769	-	889,769
Total revenues	18,879,366	57,229	18,936,595
Expenditures:			
Current			
Salaries and employee benefits	14,650,479	496	14,650,975
Services and supplies	1,673,001	9,349	1,682,350
Capital outlay	2,069,495	-	2,069,495
Debt service:			
Principal	45,041	-	45,041
Interest	2,057	-	2,057
Total expenditures	18,440,073	9,845	18,449,918
Excess (deficiency) of revenues over (under) expenditures	439,293	47,384	486,677
Net changes in fund balance	439,293	47,384	486,677
Fund balance beginning	10,626,070	542,634	11,168,704
Adjustments to beginning fund balance:			
Pooled cash corrections from the City of Sonoma	45,780	12,832	58,612
Fund balance beginning as adjusted	10,671,850	555,466	11,227,316
Fund balance ending	\$ 11,111,143	\$ 602,850	\$ 11,713,993

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

Sonoma Valley Fire District
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2022

Total net change in fund balance - governmental funds	\$	486,677
<p>Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
Additions to capital assets		\$ 1,455,437
Additions from merger		-
Depreciation expense		<u>\$ (382,938)</u>
		1,072,499
<p>Governmental funds do not report gains and losses on disposal of capital assets. However, in the government-wide Statement of Activities, the cost of disposal of capital assets net any proceeds is accounted for as a special item.</p>		
		32,857
<p>The governmental funds report debt proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of long-term debt and related items is as follows:</p>		
Repayment of lease purchase agreements		45,041
<p>In the Statement of Activities, compensated absences are measured by the amount earned during the year. In governmental funds, however, expenditures for those items are measured by the amount of financial resources used (essentially the amounts paid).</p>		
		(601,318)
<p>In governmental funds, actual contributions to pension plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year pension expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.</p>		
		20,036
<p>In governmental funds, actual contributions to OPEB plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year OPEB expense as noted in the as noted in the plan's valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.</p>		
		(116,517)
<p>Revenues that were reported in the government-wide statement of activities in prior years have become current financial resources in the current year and have been reported in the governmental fund statement of revenues, expenditures and changes in fund balances.</p>		
		(219,788)
		\$ 719,487

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

Sonoma Valley Fire District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

During the fiscal year ended June 30, 2020, the Board of Directors of the Glen Ellen Fire Protection District (GEFPD) and the Valley of the Moon Fire Protection District (VOMFPD), and the Board of Supervisors of the County of Sonoma on behalf of the Mayacamas Volunteer Fire Company (Mayacamas VFC), herein collectively referred to as “the Parties”, took action with the Local Agency Formation Commission of the County of Sonoma (Sonoma LAFCO) for the reorganization of the Parties and formation of the Sonoma Valley Fire District. At its initial special meeting on July 1, 2020, the Board of Directors of the Sonoma Valley Fire District (the District) took several executory actions, including adopting a resolution to establish and form the Sonoma Valley Fire District pursuant to the Cortese-Knox-Hertzberg Act and Sonoma County LAFCO Resolutions 2723 and 2724.

The District provides coordinated fire protection services, rescue services, emergency medical services, and hazardous material response services to taxpayers and residents in a specific unincorporated area in Sonoma County.

On February 1, 2002, the District entered into a joint powers agreement with the City of Sonoma creating a public entity known as the Sonoma Valley Fire and Rescue Authority (SVFRA). SVFRA acts only in an operational capacity for the combined fire protection services of the City and the District and does not have the full powers and authority of a typical Joint Powers Authority. The SVFRA was converted into a single governance model as a contract for services with the District. The contract was approved by both the Sonoma City Council and the District Board in December 2011, with an effective date for transition of employees as of February 2012. The contract includes the provision that the District will lease all facilities located at 630 Second Street West (Station 1) as well as all vehicles and equipment for the sum of \$1.00 each year. Ownership, however, of all facilities and equipment will remain with the respective agencies. The contract for services will be recognized as the Sonoma Valley Fire and Rescue Authority (SVFRA) under the direction of the District’s Board of Directors.

The District’s combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit’s reporting entity for general purpose financial reports is the ability of the governmental unit’s officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one governmental unit is dependent on another and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the governmental unit’s power and includes, but is not limited to:

- Financial interdependency
- Selection of governing authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters

Sonoma Valley Fire District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Accordingly, for the year ended June 30, 2022, the District does not have any component units, other than the SVFRA as previously noted which is included in these financial statements as a blended component unit, and is not a component unit of any other reporting entity.

B. Accounting Principles

The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

C. Basis of Presentation

Government-wide 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 activities of the District. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

The government-wide statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include the reconciliation with brief explanations to better identify the relationship between the government wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows, current liabilities and deferred inflows are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Sonoma Valley Fire District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end.

Non-exchange transactions, in which the District receives value *without* directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Outflows/Deferred Inflows:

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the pension liability reported which is in the Statement of Net Position.

Unearned Revenue:

Unearned revenue arises when assets (such as cash) are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements (such as qualified expenditures) are met are recorded as liabilities from unearned revenue.

Unavailable Revenue:

In the governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have been recorded as deferred inflows of resources as unavailable revenue.

Sonoma Valley Fire District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. The District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into two major funds as follows:

- The *General Fund* is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.
- The *Special Revenue Fund* is used to account for the revenues received and expenditures made to operate the District's combined fire protection services for the City of Sonoma and the District.

F. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. Districts are required to prepare a Preliminary Budget which is adopted by the Board and submitted to the County Auditor-Controller by June 30th. A final Budget is adopted following a Public Hearing on or before September 30th which is then submitted to the County Auditor-Controller as a basis for tax allocation. The District's governing board satisfied these requirements. These budgets are revised by the District's governing board and Fire Chief during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets for the General Fund are presented as Required Supplementary Information.

The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account. For the fiscal year ended June 30, 2022, actual expenditures exceeded appropriations in the general fund by \$2,753,848 and the Sonoma Valley Fire and Rescue Authority Fund by \$9,845. However, fund balance and revenues were sufficient to cover the overages.

G. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances were liquidated on June 30.

Sonoma Valley Fire District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

H. Benefit Plans

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's Sonoma County Employee's Retirement Association (SCERA) and California Public Employees' Retirement System (CalPERS) (the Plans) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by SCERA and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* (GASB Statement No. 68) requires that the reported results must pertain to liability and asset information within certain defined time frames. For this period, the following time frames were used:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

Other Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense information about the fiduciary net position of the District's Retiree Benefits Plan (the OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

I. Assets, Liabilities, and Equity

1. Cash and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Deposit Insurance Corporation.

The District maintains its operating cash in a bank account with the City of Sonoma (the City) which provides finance and treasury functions for the District. The City pools the cash and investments and interest earned is allocated and apportioned quarterly to the District based on the average daily balance for each quarter. The District has a separate bank account for processing payroll.

All District investments are governed by Government Code Section 53601 and Treasury investment guidelines. The guidelines limit specific investments to government securities, domestic chartered financial securities, domestic corporate issues, and California municipal securities.

Sonoma Valley Fire District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

2. Fair Value Measurements

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

3. Prepaid Items

The District has the option of reporting expenditures in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the benefiting period.

4. Capital Assets

Capital assets, which include land, buildings and improvements, furniture, equipment, and construction in progress, are reported in the government-wide financial statements. Such assets are valued at historical cost or estimated historical cost unless obtained by annexation or donation, in which case they recorded at acquisition value. The District utilizes a capitalization threshold of \$5,000.

Projects under construction are recorded at cost as construction in progress and transferred to the appropriate asset account when substantially complete. Costs of major improvements and rehabilitation of buildings are capitalized. Repair and maintenance costs are charged to expense when incurred. Equipment disposed of, or no longer required for its existing use, is removed from the records at actual or estimated historical cost, net of accumulated depreciation. All capital assets, except land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building improvements	25-45
Furniture and fixtures	5-15
Mobile equipment	20
Other equipment	10-30

Sonoma Valley Fire District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

5. Compensated Absences

All vacation and sick leave plus related payroll tax is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Because compensated absences are typically paid out upon termination (such as retirement or resignation) of the employee, they are included in annual operating costs for SVFRA. As such, the City pays a share of these costs through their service agreement with the District by payment of a share of operating costs. Based on this current practice, a share of the outstanding balance of compensated absences is allocated to the District based on the share of costs for the SVFRA operation for fiscal year 2022. As of June 30, 2022, the District's share of the compensated absences balance was \$941,776.

6. Noncurrent Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as noncurrent liabilities in the Statement of Net Position.

7. Fund Balance Classifications

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies governmental fund balances as follows:

- *Non-spendable* fund balance includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- *Restricted* fund balance includes amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- *Committed* fund balances includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end. Committed fund balances are imposed by the District's board of directors.
- *Assigned* fund balance includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Fire Chief.
- *Unassigned* fund balance includes positive amounts within the general fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Sonoma Valley Fire District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

8. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in the net investment in capital assets component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Unrestricted net position reflects amounts that are not subject to any donor-imposed restrictions. This class also includes restricted gifts whose donor-imposed restrictions were met during the fiscal year. A deficit unrestricted net position may result when significant cash balances restricted for capital projects exist. Once the projects are completed, the restriction on these assets are released and converted to capital assets.

9. Property Taxes

The District receives property tax revenue from the County of Sonoma (the County). The County is responsible for assessing, collecting and distributing property taxes in accordance with state law. Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll - approximately October 1 of each year. Taxes are levied annually on July 1st, and one-half are due by November 1st and one-half by February 1st. Taxes are delinquent after December 10th and April 10th, respectively. Supplemental property taxes are levied on a pro-rata basis when changes in assessed valuation occur due to the completion of construction or sales transactions. Liens on real property are established on January 15th for the ensuing fiscal year.

On June 30, 1993, the Board of Supervisors adopted the "Teeter" method of property tax allocation. This method allocates property taxes based on the total property tax billed. At year-end, the County advances cash to each taxing jurisdiction equal to its current year delinquent taxes. Once the delinquent taxes are collected, the revenue from penalties and interest remains with the County and is used to pay the interest cost of borrowing the cash used for the advances.

10. Risk Management

The District is exposed to various risks including loss or damage to property, general liability, and injuries to employees. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years. No significant reductions in insurance coverage from the prior year have been made. The District participates in risk pools under JPAs for property and liability, health benefits, and workers' compensation coverage.

Sonoma Valley Fire District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

11. Accounting Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

12. Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the date of the financial statements through the date the financial statements were issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no non-recognized subsequent events that require additional disclosure.

13. Implementation of New Accounting Pronouncements

GASB Statement No. 87, "Leases." Issued in June 2017, this statement establishes standards of accounting and financial reporting for leases by lessees and lessors. It provides guidance on accounting treatment of lease assets, lease liability, short-term leases, certain regulated leases, measurement for leases other than short-term leases and contracts that transfer ownership, subleases, lease-leaseback transactions, intra-entity leases, and leases between related parties. As of June 30, 2022, the District did not have any material contracts required to be reported as leases per GASB 87.

GASB Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" The statement (1) requires that a Section 457 plan be classified as either a pension plan or another employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. Management does not believe this statement will have a significant impact on the District's financial statements.

The requirements of this Statement are effective as follows:

- The requirements in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately
- The requirements in paragraphs 6–9 of this Statement are effective for fiscal years beginning after June 15, 2021
- All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021

The District did not report any significant accounting changes from the implementation of this Statement during the year ended June 30, 2022.

Sonoma Valley Fire District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

14. Upcoming Accounting Pronouncements

The District is currently analyzing its accounting practices to determine the potential impact on the financial statements of the following recent GASB Statements:

GASB Statement No. 91, "Conduit Debt Obligations." Issued in May 2019, this statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The statement will be effective beginning fiscal year 2023.

GASB Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements." Issued in March 2020, this statement is to improve financial reporting by establishing the definitions of public-private and public-public partnership arrangements (PPPs) and available payment arrangement (APAs) and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. The statement will be effective beginning fiscal year 2023.

GASB Statement No. 96, "Subscription-Based Information Technology Arrangements." Issued in May 2020, the statement provides guidance on the accounting and financial reporting for subscription based information technology arrangements (SBITAs) for governments by (1) defining a SBITA, (2) establishing that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability, (3) providing the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and (4) requiring note disclosures regarding a SBITA. The statement will be effective beginning fiscal year 2023.

GASB Statement No. 99, "Omnibus 2022." Omnibus statements are issued by GASB to address practice issues identified after other standards have been approved for implementation. Omnibus statements "clear up the loose ends" for recent prior statements GASB has issued. This Omnibus addresses recent pronouncements, including GASB 87 – *Leases*, GASB 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, and GASB 96 – *Subscription-Based Information Technology Arrangements*.

Effective Date: The requirements of this Statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

Earlier application is encouraged and is permitted by topic. Management does not believe this statement will have a significant impact on the District's financial statements.

Sonoma Valley Fire District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

GASB Statement No. 100, "Accounting Changes and Error Corrections"—an amendment of GASB Statement No. 62. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement also prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections in previously issued financial statements. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. Management does not believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 101, "Compensated Absences." This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Management is in the process of evaluating the impact this standard will have on the District's financial statements.

Sonoma Valley Fire District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

NOTE 2 - CASH AND INVESTMENTS

A summary of cash and investments as of June 30, 2022, is as follows:

Cash and Investments	Available for Operations	Fair Value June 30, 2022
Cash on Hand and in Banks	\$ 5,383,228	\$ 5,383,228
Investments	3,001,733	3,001,733
Cash in City Treasury	1,177,764	1,177,764
Total Cash and investments	\$ 9,562,725	\$ 9,562,725

Cash in Banks

Cash balances in banks are insured up to \$250,000 per bank by the Federal Deposit Insurance Corporation ("FDIC"). The District's accounts are held with WestAmerica Bank and Hilltop Securities. As of June 30, 2022, the District's bank balances totaled \$5,355,613 which exceeded FDIC coverage by \$5,105,613.

Cash in City Treasury

Amounts on deposit with the City are invested pursuant to investment policy guidelines established by the City Treasurer and approved by the City Council. The objectives of the policy are, in order of priority, safety of capital, liquidity and maximum rate of return. The policy addresses the soundness of financial institutions in which the City will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio which may be invested in certain instruments with longer terms to maturity.

All cash and investments are stated at fair value. Pooled investment earnings are allocated quarterly based on the average cash and investment balances of the various funds and related entities of the City.

Fair Value Measurements

GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Sonoma Valley Fire District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Limitations as they relate to interest rate risk, credit risk, custodial credit risk and concentration of credit risk are described below:

a) 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 the changes in market interest rates. The District manages its exposure to interest rate risk by investing in the City Treasury and 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 maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

b) Credit Risk

Credit risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the City Investment Pool is governed by the City's general investment policy. The City's investments in fiscal year ended June 30, 2022, included U.S. government securities or obligations explicitly guaranteed by the U.S. government that are not considered to have credit risk exposure. The City's two other investment types, LAIF and money market mutual funds, are not rated. The actual ratings as of June 30, 2022, for all U.S. Treasury Notes and Federal Agency Securities are AA+ as provided by Standard and Poor's investment rating system. Money Market Mutual Funds were rated A-1 by Standard and Poor's investment rating system.

c) Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

d) Concentration of Credit Risk

For cash pooled with the City, the District relies on the City's investment policy which contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. In addition, investments that are in either an external investment pool or mutual funds are exempt from government code and disclosure requirements.

The District's investment policy regarding the amount that can be invested in any one issuer is stipulated by the California Government Code. However, the District is required to disclose investments that represent a concentration of five percent or more of investments in any one issuer, held by individual District funds in the securities of issuers other than U. S. Treasury securities, mutual funds and external investment pools.

Sonoma Valley Fire District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

The following summarizes the District's investments as of June 30, 2022:

Investment Type	Rating	Level	Fair Value	Maturities				Concentrations
				12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months	
Bank insured deposits	n/a	n/a	\$2,274,942	\$ -	\$ -	\$ -	\$ -	75.79%
Mutual funds	n/a	1	497,775	497,775	-	-	-	16.58%
Taxable bonds	Aaa/AA+	1	-	-	-	-	-	0.00%
Municipal bonds	AA-/AA+	1	229,016	55,108	24,418	90,534	58,956	7.63%
Total Investments			<u>\$3,001,733</u>	<u>\$ 552,883</u>	<u>\$ 24,418</u>	<u>\$ 90,534</u>	<u>\$ 58,956</u>	<u>100.00%</u>

NOTE 3 - CAPITAL ASSETS AND DEPRECIATION

The following schedule summarizes capital asset activity for the year ended June 30, 2022:

Capital Assets	Balance July 01, 2021	Additions	Deletions/ Adjustments	Balance June 30, 2022
Non-depreciable:				
Land	\$ 145,172	\$ -	\$ -	\$ 145,172
Construction in Progress	15,197	-	(15,197)	-
Total Non-Depreciable	<u>160,369</u>	<u>-</u>	<u>(15,197)</u>	<u>145,172</u>
Depreciable:				
Buildings and improvements	2,084,515	117,492	-	2,202,007
Equipment	4,979,788	1,353,142	(356,936)	5,975,994
Total Depreciable	<u>7,064,303</u>	<u>1,470,634</u>	<u>(356,936)</u>	<u>8,178,001</u>
Less Accumulated Depreciation for:				
Buildings and improvements	1,202,175	70,456	(254,492)	1,018,139
Equipment	2,259,797	312,482	(135,301)	2,436,978
Total Accumulated Depreciation	<u>3,461,972</u>	<u>382,938</u>	<u>(389,793)</u>	<u>3,455,117</u>
Total Depreciable - Net	<u>3,602,331</u>	<u>1,087,696</u>	<u>32,857</u>	<u>4,722,884</u>
Total Capital Assets - Net	<u>\$ 3,762,700</u>	<u>\$ 1,087,696</u>	<u>\$ 17,660</u>	<u>\$ 4,868,056</u>

During the year, depreciation expense of \$382,938 was charged to public safety, fire services.

NOTE 4 - SCHEDULE OF CHANGES IN NONCURRENT LIABILITIES

The following is a summary of the changes in noncurrent liabilities for the year ended June 30, 2022:

Long-term Liabilities	Balance July 01, 2021	Additions	Deductions	Balance June 30, 2022	Due Within One Year
Lease Purchase Agreements	\$ 137,160	\$ -	\$ 45,041	\$ 92,119	\$ 45,717
Total OPEB Liabilities	5,045,085	2,519,473	1,952,956	5,611,602	-
Net Pension Liabilities (Asset)	1,768,236	14,954,731	19,664,797	(2,941,830)	-
Compensated Absences	340,458	2,060,646	1,459,328	941,776	235,444
Total Long-term Liabilities	<u>\$ 7,290,939</u>	<u>\$ 19,534,850</u>	<u>\$ 23,122,122</u>	<u>\$ 3,703,667</u>	<u>\$ 281,161</u>

Sonoma Valley Fire District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Lease Purchase Agreements

The District has lease purchase agreements totaling \$434,350 for the purchase of fire engines. The lease purchase agreements have a 1.50% annual interest rate and mature on December 31, 2023. The assets have been included in the District’s capital assets and the liabilities have been reported as noncurrent liabilities with an outstanding liability as of June 30, 2022 of \$92,119. The following summarizes the future lease payments:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2023	\$ 45,717	\$ 1,382	\$ 47,099
2024	46,402	696	47,098
Total Future Minimum Payments	<u>\$ 92,119</u>	<u>\$ 2,078</u>	<u>\$ 94,197</u>

NOTE 5 - SONOMA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (SCERA)

General Information about the Pension Plan

Plan Description - All qualified permanent employees scheduled to work at least 50% of a full-time position are eligible to participate in the District’s cost-sharing multiple employer defined benefit pension plans administered by the Sonoma County Employees' Retirement Association (SCERA), a public employee retirement system.

There are currently two tiers applicable to both General and Safety members. Members with membership dates before January 1, 2013 are included in General Plan A or Safety Plan A. Any new member who becomes a member on or after January 1, 2013 is designated as General Plan B or Safety Plan B and is subject to the provisions of California Public Employees’ Pension Reform Act of 2013 (PEPRA), California Government Code 7522 et seq. and Assembly Bill (AB) 197. PEPRA was signed into law by Governor Jerry Brown on September 12, 2012, with an effective date of January 1, 2013. All General and Safety employees hired on or after January 1, 2013, with the exception of employees who are eligible for reciprocity with another qualified California retirement system, are part of a new tier called Plan B.

The Plan provides benefits as defined by the law upon retirement, death, or disability of members and may be amended by the Board of Supervisors. The Board of Retirement has the authority to establish and amend benefit provisions and these shall then be adopted by the County Board of Supervisors.

The financial statements for the County (the primary government) contain additional financial information for the defined pension benefits, which is not presented here. SCERA issues an annual financial report that includes financial statements and required supplementary information for the Plan which can be obtained by writing to the Sonoma County Employees’ Retirement Association, 433 Aviation Blvd., Suite 100, Santa Rosa, CA 95403-1069.

Benefits Provided - The Plan provides retirement, disability, death and survivor benefits to plan members and beneficiaries. The retirement benefits the member will receive is based upon age at retirement, final average compensation (FAC), years of retirement service credit and retirement plan and tier. For Plan A member, the FAC is based on the member’s highest consecutive 12 months of compensation earnable. For Plan B members the FAC is based on the member’s highest consecutive 36 months of pensionable compensation. The monthly allowance is equal to the final average compensation times the member’s years of accrued retirement service credit, times the age factor.

Sonoma Valley Fire District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

The Plans' provisions and benefits in effect at June 30, 2022, are summarized as follows:

	General Plan A	General Plan B	Safety Plan A	Safety Plan B
Hire date	Before January 1, 2014	After January 1, 2014	Before January 1, 2014	After January 1, 2014
Benefit Determination	(1)	(2)	(1)	(2)
Benefit vesting schedule	5 Years	5 Years	5 Years	5 Years
Benefit payments	Monthly ⁽³⁾	Monthly for Life	Monthly ⁽³⁾	Monthly for Life
Retirement age	50 ⁽⁴⁾	52 ⁽⁵⁾	50 ⁽⁴⁾	50 ⁽⁵⁾
Monthly benefits as a % of eligible compensation	2.0% to 3.0% ⁽⁶⁾	1.0% to 2.7% ⁽⁶⁾	3% ⁽⁶⁾	2.0% to 2.7% ⁽⁶⁾
Average employee contribution rates	11.57%	7.68%	11.90%	14.00%
Employer contribution rates	17.96%	11.86%	38.24%	22.13%

(1) Final Average Compensation (FAC1) for benefit determination is based on the member's highest consecutive one year of compensation earnable

(2) Final Average Compensation (FAC3) for benefit determination is based on the member's highest consecutive three years of pensionable compensation

(3) Up to 100% of Final Average Compensation

(4) Age 50 with 10 years of service credit, or age 70 regardless of service credit, or after 30 years of service credit, regardless of age

(5) With 5 years of service credit

(6) The percentage, which is based on the retirement age, is the percent of FAC per year of service

Contributions - The Plan is a defined benefit plan that is funded by actuarially determined regular contributions using the entry-age normal cost method. Significant actuarial assumptions used to compute actuarially determined contribution requirements are the same as those used to compute the actuarial accrued liability. Employer contribution rates are adopted annually based upon recommendations received from SCERA's actuary after the completion of the annual actuarial valuation.

All members are required to make contributions to SCERA regardless of the retirement plan or tier in which they are included. The contribution requirements of Plan members and the County are determined by an independent actuary, approved by the SCERA Board of Retirement, and adopted by the Board of Supervisors. The contribution rates for the fiscal year ended June 30, 2022 were based on the Plan's valuation dated December 31, 2021.

The contribution rates determined in each actuarial valuation take effect at the beginning of the fiscal year starting at least twelve months after the beginning of the valuation year, except when significant benefit or actuarial assumption changes occur. The County is required to contribute the remaining amounts necessary to finance the coverage of their employees through periodic contributions at actuarially determined rates. Employer and member contributions are funded and recognized through the County and District payroll systems via employer benefit payments and employee deductions.

For the year ended June 30, 2022, the District's contributions were \$2,236,912.

Sonoma Valley Fire District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to SCERA

As of June 30, 2022, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability (Asset)
General	\$ (121,956)
Safety	(3,132,547)
Total Net Pension Liability (Asset)	\$ (3,254,503)

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of December 31, 2021, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2021 and 2022 was as follows:

	General	Safety	All Plans
Proportion - June 30, 2021	0.0204%	3.1820%	0.6345%
Proportion - June 30, 2022	0.2671%	20.0200%	5.3083%
Change	0.2466%	16.8380%	4.6737%

** All plans is not a total column

For the year ended June 30, 2022, the District recognized pension expense of \$2,059,345 for the Plan.

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,236,912	\$ -
Changes of assumptions	5,576,717	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	6,849,554	89,145
Net differences between projected and actual earnings on plan investments	-	17,444,961
Difference between expected and actual experience	869,716	346,092
Total	\$ 15,532,899	\$ 17,880,198

The District reported \$2,236,912 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

Sonoma Valley Fire District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30	Recognized to Pension Expense
2023	970,710
2024	(1,947,648)
2025	(135,456)
2026	(3,471,817)
Total	\$ (4,584,211)

Actuarial Assumptions - The total pension liabilities in the December 31, 2021 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	December 31, 2021
Measurement Date	December 31, 2021
Actuarial Cost Method	Entry-Age Actuarial Cost Method

Actuarial Assumptions:

Discount Rate	2.50%
Inflation	2.50%
Projected Salary Increase	
General	3.55% - 8.00% ⁽¹⁾
Safety	4.00% - 10.50% ⁽¹⁾
Investment Rate of Return	6.75% ⁽²⁾
Mortality	⁽³⁾

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) Based on RP-2000 Combined Healthy Mortality Table projected with Scale AA

The underlying mortality assumptions and all other actuarial assumptions used in the December 31, 2021 valuation were based on a review of the mortality experience in the January 1, 2009 – December 31, 2011 Actuarial Experience Study.

Discount Rate - The discount rate used to measure the total pension liability was 2.5% as of December 31, 2021 and December 31, 2020. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of both December 31, 2021 and December 31, 2020.

Sonoma Valley Fire District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

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 inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin.

The target allocation (approved by the Board) and projected arithmetic real rates of return for each major asset class, after deducting inflation but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equity	16.50%	5.35%
Small Cap U.S. Equity	5.00%	6.55%
Developed International Equity	14.88%	6.31%
Global Equity	18.00%	6.28%
Emerging Market Equity	6.62%	8.47%
Core Bonds	16.00%	0.70%
Bank Loans	3.00%	2.43%
Real Estate	10.00%	4.89%
Farmland	5.00%	5.90%
Infrastructure	5.00%	6.05%
Total	<u>100.0%</u>	

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

- The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease	5.75%
Net Pension Liability	\$ 1,209,288
Current Discount Rate	6.75%
Net Pension Liability (Asset)	\$(3,254,503)
1% Increase	7.75%
Net Pension Liability (Asset)	\$(6,962,617)

Determination of Proportionate Share - The net pension liability is the total pension liability (TPL) minus the plan fiduciary net position (plan assets). In order to determine the NPL for each employer, the unfunded actuarial accrued liabilities (UAAL) determined in the funding valuation is adjusted to use the market value of plan assets (MVA). The difference between the MVA and the valuation value of assets (VVA) is first allocated among General and Safety in proportion to the VVA. The amount determined for each of General and Safety as a group is allocated among the different General and Safety employers, respectively, by using the projected payroll as of the date of the valuation on December 31, 2021 for fiscal year 2022. This is because in the funding valuation, any such deferred investment gains will be allocated in future valuations among the different employers based on the projected payrolls for those employers in those valuations.

Sonoma Valley Fire District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

NOTE 6 - CALPERS RETIREMENT PLAN

General Information about the Pension Plan

Plan Description

All qualified employees are eligible to participate in the District’s Safety employee pension plans (the Plans); cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members. Benefits are based on age at retirement, highest salary for either a one or three year period and years of credited service. The cost-of-living adjustments for the Plans are applied as specified by the Public Employees’ Retirement Law. The Plans’ provisions and benefits in effect at June 30, 2022, are summarized as follows:

	Safety	
	PEPRA Fire	Fire
Benefit formula	2.7% @ 57	3% @ 55
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	57	55
Monthly benefits as a % of eligible compensation	2-2.7%	3.00%
Required employee contribution rates	0.000%	0.000%
Required employer contribution rates	0.000%	0.000%

Employees Covered

At June 30, 2022, the following employees were covered by the benefit terms for the Plan:

	Safety
Transferred	29
Separated	7
Retired	4
Total	40

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rates are the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Sonoma Valley Fire District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

For the year ended June 30, 2022, the following contributions were made by the District:

	Employer Contributions
Safety	49,460

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2022, the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	Proportionate Share of Net Pension Liability/(Asset)
Safety	312,673

The District's net pension liability for the Plans is measured as the proportionate share of the net pension liability. The net pension liability of all the Plans are measured as of June 30, 2021, and the total pension liability for the Plans used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the miscellaneous and safety plans as of June 30, 2021 and 2022 was as follows:

	Miscellaneous	Safety	Combined Plans
Proportion - June 30, 2021	0.00000%	0.00838%	0.00513%
Proportion - June 30, 2022	0.00000%	0.00891%	0.00578%
Change - Increase/(Decrease)	0.00000%	0.00053%	0.00065%

For the year ended June 30, 2022, the District recognized pension expense of \$80,733. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 53,420	\$ -
Differences between Projected and Actual Investment Earnings	-	186,101
Differences between Employer's Contributions and Proportionate Share of Contributions	117	83,882
Change in Employer's Proportion	30,557	15,181
Pension Contributions Made Subsequent to Measurement Date	49,460	-
Total	\$ 133,554	\$ 285,164

Sonoma Valley Fire District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

The District reported \$53,420 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/ (Inflows) of Resources
2023	\$ (15,115)
2024	52
2025	-
2026	-
2027	-
Thereafter	-
Total	\$ (15,063)

Actuarial Assumptions

The total pension liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	(1)
Investment Rate of Return	7.15% (2)
Mortality	(3)

- (1) Varies by entry age and service
- (2) Net of pension plan investment expenses, including inflation
- (3) Derived using CalPERS' membership data for all funds

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent for the Plans. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plans, 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 run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate

Sonoma Valley Fire District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website. According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.15 percent investment return assumption used in this accounting valuation is net of administrative expenses.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account 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 returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-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 to the nearest one quarter of one percent.

The table below reflects the 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 rates of return are net of administrative expenses.

<u>Asset Class (a)</u>	Assumed Asset Allocation	Real Return Years 1 - 10 (b)(d)	Real Return Years 11+ (c)(d)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	<u>100.00%</u>		

- (a) In the System's ACFR, Fixed Income is included in Global Debt Securities; Liquidity Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
- (b) An expected inflation of 2.0% used for this period.
- (c) An expected inflation of 2.92% used for this period.
- (d) Figures are based on the previous ALM of 2017.

Sonoma Valley Fire District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District’s net pension liability for the Plans, calculated using the discount rate for the Plans, as well as what the District’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Safety
1% Decrease	6.15%
Net Pension Liability	622,444
Current	7.15%
Net Pension Liability	312,673
1% Increase	8.15%
Net Pension Liability	58,235

Pension Plan Fiduciary Net Position

Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 7 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description - The District’s Postemployment Healthcare Plan (PHP) is a single-employer defined benefit healthcare plan including medical, dental, and vision benefits for the below groups of employees.

Benefits - The District administers a single-employer defined benefit health care plan. For eligible retired employees hired prior to January 1, 2006, the Plan provides lifetime healthcare benefits through the District's group health insurance plan, which covers both active and retired employees. The District pays 60% of the post-retirement healthcare benefits for the employees and their eligible dependents based on a Memorandum of Understanding with the various unions in which the District's employees are enrolled.

Contributions - The District’s contributions are equal to the required benefit payments per contract are approved by the authority of the District’s Board. Total benefit payments during the year were \$234,011. Total benefit payments included in the measurement period were \$191,224. The District’s contributions were 15% of payroll during the measurement period June 30, 2021 (reporting period June 30, 2022). Employees are required to pay for forty percent of the annual premiums during the year.

Sonoma Valley Fire District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Actuarial Assumptions - The following summarized the actuarial assumptions for the OPEB plan included in this fiscal year:

Valuation Date:	June 30, 2021
Measurement Date:	June 30, 2021
Actuarial Cost Method:	Entry-Age Normal
Amortization Period:	20 years
Asset Valuation Method:	Level percentage of payroll, closed
Actuarial Assumptions:	
Discount Rate	1.92%
Inflation	2.75%
Payroll Increases	3.00%
Municipal Bond Rate	1.92%
Mortality	2021 CalPERS Active Mortality for Miscellaneous employees
Retirement	2021 CalPERS 2% @ 55 Rates for Miscellaneous Employees

Total OPEB Liability - The District's total OPEB liability was measured as of June 30, 2021 (measurement date) and was determined by an actuarial valuation as of June 30, 2021 (valuation date) for the fiscal year ended June 30, 2022 (reporting date).

Changes in the Total OPEB Liability - The following summarizes the changes in the total OPEB liability during the year ended June 30, 2022:

Fiscal Year Ended June 30, 2022	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2021	\$ 5,045,085	\$ -	\$ 5,045,085
Service cost	36,739	-	36,739
Interest in Total OPEB Liability	120,738	-	120,738
Balance of changes in assumptions	1,075,478	-	1,075,478
Benefit payments	(234,011)	-	(234,011)
Net changes	566,517	-	566,517
Balance at June 30, 2022	\$ 5,611,602	\$ -	\$ 5,611,602

Covered Employee Payroll	\$ 791,328
Total OPEB Liability as a % of Covered Employee Payroll	709.14%
Service Cost as a % of Covered Employee Payroll	4.64%
Net OPEB Liability as a % of Covered Employee Payroll	709.14%

Sonoma Valley Fire District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Deferred Inflows and Outflows of Resources - At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ -	\$ 1,556,794
Change in assumptions	449,752	-
OPEB contribution subsequent to measurement date	162,151	-
Totals	\$ 611,903	\$ 1,556,794

Of the total amount reported as deferred outflows of resources related to OPEB, \$449,752 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability in the year ended June 30, 2023.

Amounts to be reported as deferred outflows/inflows of resources will be recognized in OPEB expense as follows:

Year Ended June 30,	
2023	\$ 124,640
2024	(233,360)
2025	(317,236)
2026	(299,478)
2027	(226,947)
Thereafter	(154,661)
Total	\$ (1,107,042)

OPEB Expense - The following summarizes the OPEB expense by source during the year ended June 30, 2022:

Service cost	\$ 36,739
Interest in TOL	120,738
Difference between actual and expected experience	(418,254)
Change in assumptions	542,894
OPEB Expense	\$ 282,117

The following summarizes changes in the total OPEB liability as reconciled to OPEB expense during the year ended June 30, 2022:

Total OPEB liability ending	\$ 5,611,602
Total OPEB liability beginning	(5,045,085)
Change in total OPEB liability	566,517
Changes in deferred outflows	(449,752)
Changes in deferred inflows	(68,659)
Employer contributions and implicit subsidy	234,011
OPEB Expense	\$ 282,117

Sonoma Valley Fire District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Sensitivity to Changes in the Discount Rate - The total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher, is as follows:

	Municipal Bond Rate		
	(1% Decrease)	1.92%	(1% Increase)
Total OPEB Liability	\$ 6,671,114	\$ 5,611,602	\$ 4,793,006

Sensitivity to Changes in the Healthcare Cost Trend Rates - The total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates, is as follows:

	Trend Rate		
	(1% Decrease)	5.00%	(1% Increase)
Total OPEB Liability	\$ 4,803,081	\$ 5,611,602	\$ 6,644,999

NOTE 8 - JOINT VENTURES (JOINT POWERS AGREEMENTS)

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District is covered through its participation in the Fire Agencies Insurance Risk Authority (FAIRA) joint powers agreement. As a member of this public entity risk pool, the District is responsible for appointing an employee as a liaison between the District and FAIRA, implementing all policies of FAIRA, promptly paying all contributions, and cooperating with FAIRA and any insurer of FAIRA. FAIRA 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 the District. The District also is a member of the Fire District Association of California/Fire Agency Self-Insurance System (FDAC/FASIS) joint powers agreement for workers' compensation coverage. The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes.

The following is a summary of the most recently available financial information for the JPAs:

	FASIS	FAIRA
Total Assets	\$ 69,768,290	\$ 3,106,209
Total Liabilities	50,269,832	754,531
Total Equity	19,498,458	2,351,678
Total Revenues	18,325,796	4,266,613
Total Expenditures	18,826,005	4,495,678

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Litigation

The District may be exposed to various claims and litigation during the normal course of business. However, management believes there were no matters that would have a material adverse effect on the District's financial position or results of operations as of June 30, 2022.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

Sonoma Valley Fire District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual (GAAP)
General Fund
For the Fiscal Year Ended June 30, 2022

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget
	Original	Final		Positive - (Negative)
Revenues:				
Property taxes	\$ 6,100,680	\$ 6,100,680	\$ 6,844,439	\$ 743,759
Special taxes	1,793,062	1,793,062	1,770,663	(22,399)
Intergovernmental	7,520,840	7,520,840	9,331,022	1,810,182
Charges for services	56,500	56,500	53,793	(2,707)
Investment earnings	-	-	(26,614)	(26,614)
Contributions and donations	-	-	6,310	6,310
Special assessment	-	-	9,984	9,984
Other revenue	215,143	215,143	889,769	674,626
Total revenues	15,686,225	15,686,225	18,879,366	3,193,141
Expenditures:				
Current				
Salaries and employee benefits	12,757,591	12,757,591	14,650,479	(1,892,888)
Services and supplies	1,338,288	1,338,288	1,673,001	(334,713)
Capital outlay	1,590,346	1,590,346	2,069,495	(479,149)
Debt service:				
Principal	-	-	45,041	(45,041)
Interest	-	-	2,057	(2,057)
Total expenditures	15,686,225	15,686,225	18,440,073	(2,753,848)
Excess (deficiency) of revenues over (under) expenditures	-	-	439,293	439,293
Net change in fund balance	-	-	439,293	439,293
Fund balance beginning	10,626,070	10,626,070	10,626,070	-
Prior period adjustments	45,780	45,780	45,780	-
Fund balance beginning - as adjusted	10,671,850	10,671,850	10,671,850	-
Fund balance ending	<u>\$ 10,671,850</u>	<u>\$ 10,671,850</u>	<u>\$ 11,111,143</u>	<u>\$ 439,293</u>

The budgetary control level is by fund on the modified accrual basis per U.S. GAAP. Expenditures cannot legally exceed appropriations by fund.

Sonoma Valley Fire District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual (GAAP)
Special Revenue Fund
For the Fiscal Year Ended June 30, 2022

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget Positive - (Negative)
	Original	Final		
Revenues:				
Special assessment	\$ -	\$ -	\$ 16,016	\$ 16,016
Charges for services	-	-	42,501	42,501
Investment earnings	-	-	(1,288)	(1,288)
Total revenues	-	-	57,229	57,229
Expenditures:				
Current				
Salaries and employee benefits	-	-	496	(496)
Services and supplies	-	-	9,349	(9,349)
Total expenditures	-	-	9,845	(9,845)
Excess (deficiency) of revenues over (under) expenditures	-	-	47,384	47,384
Net change in fund balance	-	-	47,384	47,384
Fund balance beginning	542,634	542,634	542,634	-
Prior period adjustments	12,832	12,832	12,832	-
Fund balance beginning - as adjusted	555,466	555,466	555,466	-
Fund balance ending	\$ 555,466	\$ 555,466	\$ 602,850	\$ 47,384

The budgetary control level is by fund on the modified accrual basis per U.S. GAAP. Expenditures cannot legally exceed appropriations by fund.

Sonoma Valley Fire District
Schedule of Pension Plan Contributions
For the Fiscal Year Ended June 30, 2022

SCERA	2015	2016	2017	2018	2019	2020	2021	2022
Contractually Required Contributions (Actuarially Determined)	\$ 1,321,245	\$ 1,310,219	\$ 1,368,336	\$ 1,543,092	\$ 1,587,873	1,717,341	2,517,065	\$ 2,236,912
Contributions in Relation to Actuarially Determined Contributions	<u>1,321,245</u>	<u>1,310,219</u>	<u>1,368,336</u>	<u>1,543,092</u>	<u>1,587,873</u>	<u>1,717,341</u>	<u>2,517,065</u>	<u>2,236,912</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 3,922,995	\$ 3,974,135	\$ 4,118,844	\$ 4,598,112	\$ 4,884,100	\$ 5,188,830	\$ 6,559,301	\$ 6,660,658
Contributions as a % of Covered Payroll	33.68%	32.97%	33.22%	33.56%	32.51%	33.10%	38.37%	33.58%

Notes to Schedule:

Assumptions Used:

December 31, 2021
Entry Age Actuarial Cost Method
Level percent of payroll for total Unfunded Actuarial Accrued Liability (UAAL)
Nine years Remaining Amortization Period
Inflation Assumed at 2.50%
Investment Rate of Returns set at 6.75%
Based on RP-2000 Combined Healthy Mortality Table projected with Scale AA

Fiscal year 2015 was the first year of implementation, therefore only seven years are shown.

There were no changes in benefit terms.

The discount rate remained 7% in the 2021 valuation.

Sonoma Valley Fire District
Schedule of Pension Plan Contributions
For the Fiscal Year Ended June 30, 2022

CalPERS Miscellaneous Plan

Fiscal Year Ended	2015	2016	2017	2018	2019	2020	2021	2022
Contractually Required Contributions	\$ 9,971	\$ 5,802	\$ -	\$ -	\$ -	\$ 248	\$ -	\$ -
Contributions in Relation to Contractually Required Contributions	9,971	5,802	-	-	-	248	-	-
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a % of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

CalPERS Safety Plan

Fiscal Year Ended	2015	2016	2017	2018	2019	2020	2021	2022
Contractually Required Contributions	\$ 33,754	\$ 40,610	\$ 14,243	\$ 18,035	\$ 25,387	\$ 29,242	\$ 41,358	\$ 49,460
Contributions in Relation to Contractually Required Contributions	33,754	40,610	14,243	18,035	25,387	29,242	41,358	49,460
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 131,073	\$ 154,179	\$ 187,914	\$ 108,294	\$ -	\$ -	\$ -	\$ -
Contributions as a % of Covered Payroll	25.75%	26.34%	7.58%	16.65%	0.00%	0.00%	0.00%	0.00%

Notes to Schedule:

Valuation Date: June 30, 2021
Assumptions Used: Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll and Direct Rate Smoothing
3.8 Years Remaining Amortization Period
Inflation Assumed at 2.50%
Investment Rate of Returns set at 7.00%
CalPERS mortality table based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.
The CalPERS discount rate was increased from 7.50% to 7.65% in fiscal year 2016, and then to 7.15% in 2018.
The CalPERS mortality assumptions was adjusted in fiscal year 2019.

Sonoma Valley Fire District
Schedule of Proportionate Share
Of Net Pension Liability
For the Fiscal Year Ended June 30, 2022

SCERA	2015	2016	2017	2018	2019	2020	2021	2022
Fiscal Year Ended								
District's Proportion of Net Pension Liability	1.16589%	1.47142%	1.46575%	1.15522%	1.44092%	0.93003%	0.63451%	5.30825%
District's Proportionate Share of Net Pension Liability	\$ 2,527,396	\$ 6,074,799	\$ 5,754,104	\$ 1,950,190	\$ 7,122,021	\$ 2,106,077	\$ 1,210,194	\$ (3,254,503)
District's Covered Employee Payroll	\$ 3,726,695	\$ 3,922,995	\$ 3,974,135	\$ 4,118,844	\$ 4,598,112	\$ 4,884,100	\$ 5,188,830	\$ 6,559,301
District's Proportionate Share of NPL as a % of Covered Employee Payroll	67.82%	154.85%	144.79%	47.35%	154.89%	43.12%	23.32%	-49.62%
Plan Fiduciary's Net Position as a % of the Total Pension Liability	91.21%	92.81%	84.83%	86.28%	94.74%	85.02%	94.28%	108.54%

Fiscal year 2015 was the first year of implementation, therefore only seven years are shown.
The discount rate remained 7% in the 2021 valuation.

CalPERS Miscellaneous and Safety Plan	2015	2016	2017	2018	2019	2020	2021	2022
Fiscal Year Ended								
Proportion of Net Pension Liability (Safety and Misc)	0.00525%	0.00418%	0.00439%	0.00528%	0.00548%	0.00544%	0.00513%	0.00578%
Proportionate Share of Net Pension Liability	\$ 326,832	\$ 286,864	\$ 380,158	\$ 523,613	\$ 527,809	\$ 556,980	\$ 558,042	\$ 312,673
Covered Payroll	\$ 131,309	\$ 131,073	\$ 154,179	\$ 187,914	\$ 108,294	\$ -	\$ -	\$ -
Proportionate Share of NPL as a % of Covered Payroll	248.90%	218.86%	246.57%	278.65%	487.39%	0.00%	0.00%	0.00%
Plan's Fiduciary Net Position as a % of the TPL	79.18%	77.48%	76.81%	76.25%	78.42%	76.57%	74.76%	86.41%

Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.
The CalPERS discount rate was increased from 7.50% to 7.65% in fiscal year 2016, and then to 7.15% in 2018.
The CalPERS mortality assumptions was adjusted in fiscal year 2019.

Sonoma Valley Fire District
Schedule of Changes in Total OPEB Liability
For the Fiscal Year Ended June 30, 2022

Fiscal Year Ended	2018	2019	2020	2021	2022
Total OPEB liability					
Service cost	\$ 35,919	\$ 29,329	\$ 29,565	\$ 28,573	\$ 36,739
Interest	205,016	225,462	229,450	140,377	120,738
Differences between expected and actual experience	-	-	(2,003,105)	-	(432,427)
Changes of assumptions	(781,329)	(66,027)	80,882	486,865	1,075,478
Benefit payments	(117,250)	(177,762)	(189,384)	(191,224)	(234,011)
Net change in Total OPEB Liability	(657,644)	11,002	(1,852,592)	464,591	566,517
Total OPEB Liability - beginning	7,079,728	6,422,084	6,433,086	4,580,494	5,045,085
Total OPEB Liability - ending	<u>\$ 6,422,084</u>	<u>\$ 6,433,086</u>	<u>\$ 4,580,494</u>	<u>\$ 5,045,085</u>	<u>\$ 5,611,602</u>
Plan fiduciary net position					
Net change in plan fiduciary net position	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position - beginning	-	-	-	-	-
Plan fiduciary net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability (asset)	\$ 6,422,084	\$ 6,433,086	\$ 4,580,494	\$ 5,045,085	\$ 5,611,602
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered Employee Payroll	\$ 6,819,116	\$ 7,030,017	\$ 1,281,816	\$ 1,270,233	\$ 791,328
Net OPEB liability as a percentage of covered employee payroll	94.18%	91.51%	357.34%	397.18%	709.14%
Total OPEB liability as a percentage of covered employee payroll	94.18%	91.51%	357.34%	397.18%	709.14%

Other Notes

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

There were no changes in benefit terms.

The discount rates was 3.56% in 2018, 3.62 % in 2019, 3.13% in 2020, 2.45% in 2021, and 1.92% in 2022.

**OTHER INDEPENDENT
AUDITOR'S REPORTS**



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Sonoma Valley Fire District
Sonoma, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Sonoma Valley Fire District (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 4, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and



material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C & A LLP

May 4, 2023
Morgan Hill, California