

Zayante Fire Protection District

Felton, California

*Basic Financial Statements
and Independent Auditors' Report*

For the years ended June 30, 2019 and 2018

Zayante Fire Protection District
Basic Financial Statements
For the years ended June 30, 2019 and 2018
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the Zayante Fire Protection District
Felton, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Zayante Fire Protection District (District), as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the District, as of June 30, 2019 and 2018, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
of the Zayante Fire Protection District
Felton, California
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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-9 and 39 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.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is fluid and cursive, with "Badawi" on the top line and "& Associates" on the bottom line, connected by a diagonal stroke.

Badawi and Associates
Certified Public Accountants
Berkeley, California
May 6, 2020

ZAYANTE FIRE PROTECTION DISTRICT
Management's Discussion and Analysis
June 30, 2019 and 2018

This section of the District's financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2019.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: (1) Government-wide financial statements, (2) Fund financial statements, and (3) Notes to the basic financial statements.

Government – Wide Financial Statement

Government-wide financial statements are designed to provide readers with a broad overview of the District finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all the District assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods such as expenses pertaining to earned but unused vacation and sick leave.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are classified as governmental funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. These statements, however, focus on (1) how cash and other financial assets can readily be converted to available resources and (2) the balances left at year-end that are available in the near future to finance the District's programs.

ZAYANTE FIRE PROTECTION DISTRICT
Management's Discussion and Analysis
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Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains two individual governmental funds organized according to their type (general and debt service). Information is presented separately in the governmental funds Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances for the general fund and the debt service fund, which are all considered to be major funds.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the District's general fund budgetary comparison schedule.

ZAYANTE FIRE PROTECTION DISTRICT
Management's Discussion and Analysis
June 30, 2019 and 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS

	2019	2018	Variance (%)	2018	2017	Variance (%)
Assets:						
Current assets	\$ 596,677	\$ 595,960	0%	\$ 595,960	\$ 626,756	-5%
Noncurrent assets	1,045,744	1,126,878	-7%	1,126,878	1,012,179	11%
Total assets	<u>1,642,421</u>	<u>1,722,838</u>	-5%	<u>1,722,838</u>	<u>1,638,935</u>	5%
Deferred outflows	-	-	0%	-	1,993	-100%
Liabilities:						
Current liabilities	35,809	45,311	-21%	45,311	75,705	-40%
Total liabilities	<u>35,809</u>	<u>45,311</u>	-21%	<u>45,311</u>	<u>75,705</u>	-40%
Deferred inflows	-	-	0%	-	2,516	-100%
Net position:						
Net investment in capital assets	1,045,744	1,126,878	-7%	1,126,878	972,179	16%
Restricted	-	-	0%	-	43,837	-100%
Unrestricted	<u>560,868</u>	<u>550,649</u>	2%	<u>550,649</u>	<u>547,214</u>	1%
Total net position	<u>\$ 1,606,612</u>	<u>\$ 1,677,527</u>	-4%	<u>\$ 1,677,527</u>	<u>\$ 1,563,230</u>	7%

For Financial highlights in MD&A (Dark red numbers are Deb's marks; some marks can only be traced to paper worksheet)

Analysis of Net Position

As noted earlier, net position may serve as a useful indicator of a government's financial position. The District's assets and deferred outflows exceeded its liabilities and deferred inflows by \$1,606,612 and \$1,677,527 for the fiscal years ended June 30, 2019 and 2018, respectively.

A portion of the District's net position reflects its net investment in capital assets (e.g. structures and improvements, and other equipment), less any related debt to acquire those assets that is still outstanding. The District's net position invested in capital assets was \$1,045,744 and \$1,126,878 for the fiscal years ended June 30, 2019 and 2018 respectively. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

ZAYANTE FIRE PROTECTION DISTRICT
Management's Discussion and Analysis
June 30, 2019 and 2018

As of June 30, 2019 and 2018, the District's unrestricted net position was \$560,868 and \$550,649.

Changes in Net Position - Governmental Activities

	2019	2018	Variance %	2018	2017	Variance %
Revenues						
Program revenues:						
Charges for services	\$ 249,996	\$ 191,072	31%	\$ 191,072	\$ 133,488	43%
Operating grants and contributions	-	118,403	100%	118,403	-	0%
General revenues						
Property Tax	407,712	383,679	6%	383,679	403,467	-5%
Other taxes - fire protection tax	108,159	108,514	0%	108,514	65,645	65%
Use of money and property	11,528	6,819	69%	6,819	4,955	38%
Homeowners' property tax relief	2,297	2,301	0%	2,301	2,771	-17%
Miscellaneous Revenue	10,432	20,526	-49%	20,526	1,125	1725%
Total revenues	<u>790,124</u>	<u>831,314</u>	-5%	<u>831,314</u>	<u>611,451</u>	36%
Expenses						
Governmental activities:	<u>861,039</u>	<u>717,017</u>	20%	<u>717,017</u>	<u>570,642</u>	26%
Total expenses	<u>861,039</u>	<u>717,017</u>		<u>717,017</u>	<u>570,642</u>	
Change in net position	<u>\$ (70,915)</u>	<u>\$ 114,297</u>	-162%	<u>\$ 114,297</u>	<u>\$ 40,809</u>	180%

Analysis of Change in Net Position

The District's change in net position decreased by \$70,915 and increased by \$114,297 for the fiscal years ended June 30, 2019 and 2018 respectively. The decrease in net position is from actual expenses exceeding actual revenue.

ZAYANTE FIRE PROTECTION DISTRICT
Management's Discussion and Analysis
June 30, 2019 and 2018

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Governmental Funds

The District's governmental fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

At June 30, 2019, the District's governmental funds reported combined ending fund balances of \$560,868. Approximately 99.3% of the combined ending fund balances constitutes unassigned fund balance, which is available to meet the District's current and future needs.

Governmental function revenues totaled \$830,502 in the fiscal year 2018-2019, and expenditures totaled \$779,905. In the fiscal year 2019, governmental revenues exceeded expenditures by \$50,597.

Budgetary Highlights

The District's general fund budget to actual results for the fiscal year ended June 30, 2019 and 2018 are reported in the budgetary comparison schedule in the financial statements. The main source of revenue is property taxes which increased over the years. During the fiscal years, the District responded to multiple strike teams resulting in a non-recurring increase in revenues and expenditures.

In addition to the general fund, the District has a debt service fund. Property taxes collected within the debt service fund were used to make payments of general obligation bonds.

Capital assets

The District's investment in capital assets for its governmental activities as of June 30, 2019, totaled \$1,045,744 (net of accumulated depreciation). This investment in capital assets includes land, structures and improvements, and equipment.

ZAYANTE FIRE PROTECTION DISTRICT
Management's Discussion and Analysis
June 30, 2019 and 2018

Capital assets for the governmental activities are presented below to illustrate changes from the prior year:

	2019	2018	Increase/(Decrease)
			% of Change
Land	\$ 76,106	\$ 76,106	0%
Structures and improvements	1,125,504	1,125,504	0%
Equipment	2,019,445	1,977,346	2%
Less accumulated depreciation	(2,175,311)	(2,052,078)	6%
Total capital assets, net	\$ 1,045,744	\$ 1,126,878	-7%

Additional information on the District's capital assets can be found in Note 5 of this report.

Economic factors and next year's budget

The 2018-19 cash balance was down, and assets value increased due to the purchase of a new command vehicle.

The District's main source of revenue is property taxes. The District has seen a steady increase in property taxes since 2014-15 at a rate of 2 - 4% each year respectively as housing prices and property values have increased.

The District has realized a significant increase in workers' comp costs. This is due to an increase in premiums over the past two years, and current claim experience.

The District will continue to pursue DHS/FEMA grants to help offset expenditure costs.

The District has started a Capital Outlay fund for future purchases of apparatus and equipment. The District will transfer sufficient funds to this account for future purchases.

ZAYANTE FIRE PROTECTION DISTRICT
Management's Discussion and Analysis
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REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Zayante Fire Protection District Fire Chief.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Zayante Fire Protection District
Statements of Net Position
June 30, 2019 and 2018

ASSETS	2019	2018
Current assets:		
Cash in county treasury	\$ 596,677	\$ 555,582
Cash and investment	-	40,378
Accounts receivables	596,677	595,960
Total current assets		
Noncurrent assets:		
Land	76,106	76,106
Structures and improvements	1,125,504	1,125,504
Equipment	2,019,445	1,977,346
Capital Assets	3,221,055	3,178,956
Less Accumulated depreciation	2,175,311	2,052,078
Total noncurrent assets	1,045,744	1,126,878
Total assets	1,642,421	1,722,838
LIABILITIES		
Current liabilities:		
Accrued payroll	33,788	39,562
Accounts payable	2,021	5,749
Total Current liabilities	35,809	45,311
Total liabilities	35,809	45,311
NET POSITION		
Net investment in capital assets	1,045,744	1,126,878
Unrestricted	560,868	550,649
Net position	\$ 1,606,612	\$ 1,677,527

See accompanying Notes to Basic Financial Statements.

Zayante Fire Protection District
Statement of Activities
For the year ended June 30, 2019

See accompanying Notes to Basic Financial Statements.

Zayante Fire Protection District
Statement of Activities
For the year ended June 30, 2018

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Total	Governmental Activities		
Governmental activities							
Salaries and employee benefits	\$ 421,964	\$ 186,907	\$ -	\$ 186,907	\$ 235,057		
Services and supplies	175,631	4,165	118,403	122,568		53,063	
Other charges	2,057	-	-	-		2,057	
Depreciation	115,925	-	-	-		115,925	
Interest expense	1,440	-	-	-		1,440	
Total governmental activities	\$ 717,017	\$ 191,072	\$ 118,403	\$ 309,475		407,542	
General Revenues:							
Property Tax						383,679	
Other taxes - fire protection tax						108,514	
Use of money and property						6,819	
Homeowners' property tax relief						2,301	
Miscellaneous Revenue						20,526	
Total general revenues						521,839	
Change in net position						114,297	
Net position - beginning of year, as restated						1,563,230	
Net position - end of year						\$ 1,677,527	

See accompanying Notes to Basic Financial Statements.

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FUND FINANCIAL STATEMENTS

Zayante Fire Protection District
Balance Sheets - Governmental Funds
June 30, 2019 and 2018

	2019			2018		
	General Fund	Debt Service Fund	Total	General Fund	Debt Service Fund	Total
ASSETS						
Cash	\$ 592,604	\$ 4,073	\$ 596,677	\$ 551,538	\$ 4,044	\$ 555,582
Accounts receivables	-	-	-	40,378	-	40,378
Total assets	\$ 592,604	\$ 4,073	\$ 596,677	\$ 591,916	\$ 4,044	\$ 595,960
LIABILITIES						
Accrued Payroll	\$ 33,788	\$ -	\$ 33,788	\$ 39,562	\$ -	\$ 39,562
Accounts payable	2,021	-	2,021	5,749	-	5,749
Total liabilities	35,809	-	35,809	45,311	-	45,311
DEFERRED INFLOW OF RESOURCES						
Unavailable revenue	-	-	-	40,378	-	40,378
Total deferred inflow of resources	-	-	-	40,378	-	40,378
FUND BALANCES						
Assigned	-	4,073	4,073	-	4,044	4,044
Unassigned	556,795	-	556,795	506,227	-	506,227
Total fund balances	556,795	4,073	560,868	506,227	4,044	510,271
Total liabilities, deferred inflows of resources, and fund balances	\$ 592,604	\$ 4,073	\$ 596,677	\$ 551,538	\$ 4,044	\$ 595,960

See accompanying Notes to Basic Financial Statements.

Zayante Fire Protection District

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position For the years ended June 30, 2019 and 2018

	2019	2018
Fund Balances of Governmental Funds	\$ 560,868	\$ 510,271
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Governmental funds report capital outlays as expenditures. In the Government-wide financial statements, the cost of assets are capitalized and depreciated over the estimated useful lives of the assets and reported as depreciation expense. The capital assets, net of depreciation, are:	1,045,744	1,126,878
Unavailable revenue recorded in the fund financial statements resulting from activities in which revenue were earned but funds were not available are classified as revenue in the Government-Wide Financial Statements.	-	40,378
Net Position of Governmental Activities	\$ 1,606,612	\$ 1,677,527

Zayante Fire Protection District
Statements of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2019 and 2018

	2019			2018		
	General Fund	Debt Service Fund	Total	General Fund	Debt Service Fund	Total
REVENUES:						
Property taxes	\$ 407,712	\$ -	\$ 407,712	\$ 382,028	\$ 1,651	\$ 383,679
Other taxes	108,159	-	108,159	108,514	-	108,514
Use of money and property	11,499	29	11,528	6,756	63	6,819
Aid from other government agencies	291,320	-	291,320	148,830	-	148,830
Other revenue	10,432	-	10,432	20,526	-	20,526
Charges for current services	1,351	-	1,351	4,165	-	4,165
Total revenues	830,473	29	830,502	670,819	1,714	672,533
EXPENDITURES:						
Salaries and employee benefits	533,944	-	533,944	421,964	-	421,964
Services and supplies	195,557	-	195,557	175,564	67	175,631
Other charges	2,098	-	2,098	2,057	-	2,057
Capital outlay	48,306	-	48,306	112,221	-	112,221
Debt service:						
Principal	-	-	-	-	40,000	40,000
Interest and fiscal charges	-	-	-	-	1,440	1,440
Total expenditures	779,905	-	779,905	711,806	41,507	753,313
REVENUES OVER (UNDER)						
EXPENDITURES	50,568	29	50,597	(40,987)	(39,793)	(80,780)
FUND BALANCES:						
Beginning of year	506,227	4,044	510,271	547,214	43,837	591,051
End of year	\$ 556,795	\$ 4,073	\$ 560,868	\$ 506,227	\$ 4,044	\$ 510,271

See accompanying Notes to Basic Financial Statements.

Zayante Fire Protection District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Net Change in Fund Balances - Total Governmental Funds	\$ 50,597	\$ (80,780)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. In the statement of activities, however, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Expenditure for capital assets	42,099	112,221
Depreciation expense	(123,233)	(115,925)
Revenue that met the revenue recognition criteria in the governmental funds in current year that were recognized as revenue in the Government-Wide Financial Statements in the prior year .	(40,378)	40,378
Donated capital assets reported as revenue in the Government-Wide Financials statements but are not reported in the governmental funds	-	118,403
Repayments of debt principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net assets.		
General obligation bond	-	40,000
Change in Net Position of Governmental Activities	<u>\$ (70,915)</u>	<u>\$ 114,297</u>

See accompanying Notes to Basic Financial Statements.

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Zayante Fire Protection District
Notes to Basic Financial Statements
June 30, 2019 and 2018

1. GENERAL INFORMATION

A. Organization

The Zayante Fire Protection District (District) was organized in 1957, and subsequently reorganized under the laws of the State of California. The financial statements of the reporting entity include only those of the Zayante Fire Protection District, there are no component units.

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether it exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters). The District has determined that no outside entity meets the above criteria, and therefore, no agency has been included as a component unit in the District's financial statements. In addition, the District is not aware of any entity that would exercise such oversight responsibility that would result in the District being considered a component unit of that entity.

B. District Officers

The District is governed by an elected board of five directors. The following were in office at June 30, 2019:

	<u>Term Expires</u>
	<u>November</u>
Mary Clark, Chairperson	2022
Priva Tarbet, Director	2022
Lyle Fleming, Director	2020
Garry Herceg, Director	2020
Jeff Maxwell, Director	2020

John Stipes was the Fire Chief of the Zayante Fire Protection District at June 30, 2019.

C. Accounting Records

The official accounting records of the District are maintained in the office of the Santa Cruz County Auditor-Controller. Supporting documents are maintained by the District.

D. Minutes

Minutes were recorded for meetings and contained approvals for disbursements.

E. Budgetary Procedure

The District prepares a fiscal year budget in accordance with applicable laws and regulations.

Zayante Fire Protection District
Notes to Basic Financial Statements
June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Introduction*

The District's financial statements are prepared in conformance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements.

B. *Basis of Accounting and Measurement Focus*

The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues and expenses or expenditures. The District uses a chart of accounts based on the uniform accounting system prescribed by the State Controller.

C. *Financial Statement Presentation*

Government-wide financial statements

The District's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of governmental activities for the District.

The basic Government-Wide Financial Statements are presented on an economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities, including capital assets and long-term liabilities are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period the liability is incurred. The District's governmental-wide net position is classified in the following categories:

Net investment in capital assets – Includes amount of the net position that is invested in capital assets net of accumulated depreciation and any related debt.

Restricted – Includes amounts that can be spent only for the specific purposes stipulated by a formal action of the government's highest level of decision-making authority, external resource providers, constitutionally, or through enabling legislation.

Unrestricted – Includes amounts that are technically available for any purpose and includes all amounts not contained in other classifications.

Zayante Fire Protection District
Notes to Basic Financial Statements
June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Financial Statement Presentation, Continued

Governmental fund financial statements

The District's Government Fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance for all major governmental funds and non-major funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to the net position presented in the Government-Wide financial statements.

All governmental funds are accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year end) are recognized when due. Expenditures are recorded in the accounting period in which the related fund liability is incurred. Reconciliation of the Fund financial statements to the Government-Wide Financial Statements is provided to explain the differences created by the different measurement focus and basis of accounting.

The District's governmental fund balance is classified in the following categories:

Nonspendable

Includes amounts that are not in a spendable form or are required to be maintained intact.

Restricted

Includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation.

Committed

Includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.

Assigned

Includes amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Zayante Fire Protection District
Notes to Basic Financial Statements
June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. *Financial Statement Presentation, Continued*

Unassigned

Includes amounts that are technically available for any purpose and includes all amounts not contained in other classifications.

D. *Property Tax*

The County of Santa Cruz assesses properties, bills, and collects property taxes for the District. Assessed values are determined annually by the County Assessor as of March 1, and become a lien on real property as of that date. Taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively. The County bills and collects property taxes and remits them to the District under the state authorized method of apportioning taxes, whereby, all local agencies, including special districts, receive from the County their respective shares of the amount of ad valorem taxes collected.

E. *Cash in County Treasury*

The District's cash is held in the County of Santa Cruz Treasury Pool. See Note 3 to the financial statements for information regarding the interest rate risk, concentration of credit risk and custodial credit risk.

F. *Accounts Receivable*

All accounts receivable, if any, are shown net of any allowance for uncollectible accounts. All receivables which have been remitted within 60 days subsequent to fiscal year end are considered measurable and available and recognized as income in the government-fund financial statements.

G. *Prepaid Items*

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both the government-wide and government fund financial statements, as applicable.

H. *Liability for Compensated Absences*

The District does not provide for vacation or sick leave, accordingly, as of June 30, 2018 and 2017, so the District does not have a liability for compensated absences.

I. *Long-term Debt*

In the government-wide financial statements long-term debt is reported as a liability in the Statement of Net Position.

Zayante Fire Protection District
Notes to Basic Financial Statements
June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

J. Capital Assets

Capital assets, which include land, buildings, improvements, and equipment, are reported in the Government-Wide Financial Statements. Capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at their estimated fair value on the date donated. Normal maintenance and repairs are charged to operations as incurred. Major additions, improvements and replacements are capitalized. Gains and losses from sales or retirements of fixed assets are included in operations. The District has set capitalization thresholds for reporting capital assets at the following:

Structures and improvements	\$3,000
Equipment	\$300

Depreciation is recorded on the straight-line method (with no depreciation applied to the first year of acquisition) over the useful lives of the assets as follows:

Buildings	20 - 40 years
Equipment	5 - 10 years
Fire Engines	20 Years

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position (balance sheet) will sometimes report 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 so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position (balance sheet) will sometimes report 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 so will not be recognized as an inflow of resources (revenue) until that time.

L. Services and Supplies Expense

Because fire hose couplings, nozzles, hydrants, and the like are peculiar to fire districts, the manual of the State Controller provides that purchases of such items be charged to the expense account "Services and Supplies Expense".

Zayante Fire Protection District
Notes to Basic Financial Statements
June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

M. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

N. New Accounting Guidance

In 2019, the District adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 83, *Certain Asset Retirement Obligations* – The objective of this statement is to address accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance of this statement. The requirements of this statement did not apply to the District for the current fiscal year.
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* – This statement defines debt for purposes of disclosure in the notes to the financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in the notes to the financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences and significant subjective acceleration causes. The requirements of this statement did not apply to the District for the current fiscal year.

3. CASH AND INVESTMENTS

Cash and investments held by the District at June 30, 2019 and 2018 are summarized below:

	2019	2018
County of Santa Cruz Investment Pool	\$ 596,677	\$ 555,582
Total cash and investments	\$ 596,677	\$ 555,582

Zayante Fire Protection District
Notes to Basic Financial Statements
June 30, 2019 and 2018

3. CASH AND INVESTMENTS, Continued

A. Investment with Santa Cruz County Investment Pool

The District's investment of \$596,677 and \$555,582 at June 30, 2019 and 2018 respectively is part of the common investment pool of the Santa Cruz County Investment Pool. It is the policy of the Treasurer-Tax Collector of Santa Cruz County to invest public funds in a manner which provides for the safety of the funds on deposit, the cash flow demands, or liquidity needs of the treasury pool participants, and the highest possible yield after first considering the first two objectives of safety and liquidity. In addition, it is the Treasurer-Tax Collectors' policy to invest all funds in strict conformance with all state statutes governing the investment of public monies.

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's investment in the Santa Cruz County Investment Pool was not subject to the levelling disclosure.

B. 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 is to changes in market interest rates. One of the ways that an agency manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

At June 30, 2019, the District had the following investment maturities.

Investment Type	Fair Value	Investment Maturities (in years)				
		1 year or Less	1 - 2 years	2 - 3 years	3 - 4 years	5 years or More
Santa Cruz County Investment Pool	\$ 596,677	\$ 596,677	\$ -	\$ -	\$ -	\$ -
Total	\$ 596,677	\$ 596,677	\$ -	\$ -	\$ -	\$ -

At June 30, 2018, the District had the following investment maturities.

Investment Type	Fair Value	Investment Maturities (in years)				
		1 year or Less	1 - 2 years	2 - 3 years	3 - 4 years	5 years or More
Santa Cruz County Investment Pool	\$ 555,582	\$ 555,582	\$ -	\$ -	\$ -	\$ -
Total	\$ 555,582	\$ 555,582	\$ -	\$ -	\$ -	\$ -

Zayante Fire Protection District
Notes to Basic Financial Statements
June 30, 2019 and 2018

3. CASH AND INVESTMENTS, Continued

C. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Santa Cruz County Investment Pool is not rated.

D. Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment was not subject to custodial credit risk.

E. GASB 72 Fair Value Hierarchy

The District categorizes its fair value measurements within the fair value hierarchy established by Generally Accepted Accounting Principles (GAAP). The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The District's investment in the Santa Cruz County Investment Pool is exempt from levelling disclosure.

4. CAPITAL ASSETS

Capital assets at June 30, 2019 consisted of the following:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Governmental Activities				
Capital Assets not being depreciated:				
Land	\$ 76,106	\$ -	\$ -	\$ 76,106
Total capital assets not being depreciated	76,106	-	-	76,106
Capital Assets being depreciated:				
Structures and improvements	1,125,504	-	-	1,125,504
Equipment	1,977,346	42,099	-	2,019,445
Total capital assets being depreciated	3,102,850	42,099	-	3,144,949
Less accumulated depreciation	2,052,078	123,233	-	2,175,311
Total capital assets, being depreciated, net	1,050,772	(81,134)	-	969,638
Total capital assets, net	\$ 1,126,878	\$ (81,134)	\$ -	\$ 1,045,744

Zayante Fire Protection District
Notes to Basic Financial Statements
June 30, 2019 and 2018

4. CAPITAL ASSETS, Continued

Capital assets at June 30, 2018 consisted of the following:

Governmental Activities	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital Assets not being depreciated:				
Land	\$ 76,106	\$ -	\$ -	\$ 76,106
Total capital assets not being depreciated	76,106	-	-	76,106
Capital Assets being depreciated:				
Structures and improvements	1,125,504	-	-	1,125,504
Equipment	1,746,722	230,624	-	1,977,346
Total capital assets being depreciated	2,872,226	230,624	-	3,102,850
Less accumulated depreciation	1,936,153	115,925	-	2,052,078
Total capital assets, being depreciated, net	936,073	114,699	-	1,050,772
Total capital assets, net	\$ 1,012,179	\$ 114,699	\$ -	\$ 1,126,878

5. LONG-TERM DEBT

The District had no long-term debt transactions for the year ended June 30, 2019. The following is a summary of long-term debt transactions of the District for the year ended June 30, 2018:

	Original Loan Amount	Balance July 1, 2017	Additions	Retirement	Balance June 30, 2018
2004 GO refunding bonds	\$ 350,000	\$ 40,000	\$ -	\$ (40,000)	\$ -
Total	350,000	40,000	-	(40,000)	-
Unamortized Original premium	32,685	-	-	-	-
	\$ 382,685	\$ 40,000	\$ -	\$ (40,000)	\$ -

General Obligation Bonds and 2004 Refunding Bonds

In 1998, the District issued voter approved general obligation bonds in the amount of \$495,000 for the construction of a new fire house at 7700 East Zayante Road. The bonds carry an interest rate ranging from 7.5% to 11.5%. During the year ended June 30, 2004, the District entered into a Refunding Bond agreement in order to take advantage of reduced interest rates. The District issued \$350,000 in Refunding Bonds that carry an interest rate ranging from 4.5% to 7.2%. The District used the proceeds of the Refunding Bond issue to pay off the original General Obligation Bonds in the Fiscal year ending June 30, 2005. The bond was fully paid off in the year ended June 30, 2018.

Zayante Fire Protection District
Notes to Basic Financial Statements
June 30, 2019 and 2018

6. LEASE COMMITMENTS

The District currently leases the property located at 15585 East Zayante Road. The term of the lease was entered into on June 1, 1998, with annual rent due of \$25 for a term of 25 years. The District has entered into an agreement for two additional 20 year terms. The lease expires May 31, 2048. Total rent expense for June 30, 2019 and 2018, was \$25 for each respective year.

7. RISK MANAGEMENT

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

A. *Workers' Compensation Coverage*

The District is a member of the Santa Cruz County Fire Agencies Insurance Group (the "Group"). In a board meeting on June 19, 2002, the Group approved the return of its self-insurance certificates to the State and to accept a proposal from California Public Entity Insurance Authority (CPEIA) a joint powers authority for both primary and excess workers compensation coverage. In a resolution dated September 20, 2007, the Santa Cruz County Fire Agencies Insurance Group's Board of Directors opted to terminate the CPEIA joint power agreement and merge into the CSAC Excess Insurance Authority (CSAC-EIA) Joint Power Agreement. This change was predicated on the decision of CSAC-EIA to restructure their bylaws and JPA agreements discontinuing the operation of CPEIA and allowing its members to become full participants in the CSAC-EIA programs. Being a CPEIA member granted automatic approval of inclusion into both the Primary and Excess EIA workers' compensation programs beginning with the July 1, 2007 policy renewals. The relationship between the Group and CSAC-EIA (the "JPA") is such that CSAC-EIA is not a component unit of the Group for reporting purposes.

CSAC-EIA is a joint powers agency (JPA) formed pursuant to Section 6500 et seq. of the California Government Code. Members are assessed a contribution for each program in which they participate. Members may be subject to additional supplemental assessments if it is determined that the contributions are insufficient. Members may withdraw from the CSACEIA only at the end of a policy period and only if a sixty day written advance notice is given. However, CSAC-EIA may cancel a membership at any time upon a two-thirds vote of the Board of Directors and with sixty days written notice. Upon withdrawal or cancellation, a member shall remain liable for additional assessments for the program periods they have participated. CSAC-EIA is governed by a board of directors. The Board controls the operations of CSAC-EIA including adopting an annual budget.

B. *Primary Workers' Compensation*

The Primary Workers' Compensation program is a full service program including claims administration. The program blends pooling of workers' compensation claims with a purchased stop loss insurance policy.

Zayante Fire Protection District
Notes to Basic Financial Statements
June 30, 2019 and 2018

7. RISK MANAGEMENT, Continued

C. Excess Workers' Compensation

CSAC-EIA retains responsibility for payment of claims in excess of \$125,000 for each member who also participates in the primary workers' compensation program. Claim liabilities are recognized based on actuarial estimate of expected ultimate claim cost discounted at 6%.

Insurance coverage at June 30, 2019 and 2018 were as follows:

	<u>Deductible</u>	<u>Amount</u>
Property:		
Property (buildings)	\$ 1,000	Guaranteed Repl Cost
Repl cost subject to scheduled limit		
Business personal property (including theft)	\$ 1,000	Repl. Cost
Earthquake:		
Buildings		Guaranteed Repl. Cost
Business personal property		Repl Cost
Deductible		5% per Buidling and BPP
Flood:		
Buildings		Guaranteed Repl. Cost
Business personal property		Repl. Cost
Deductible		\$1000 per premises
Portable equipment insurance		
Blanket portable equipment		Guaranteed Repl. Cost
Business personal property		\$50,000
General liability:		
General aggregate		\$10,000,000
Personal injury		\$1,000,000
Each occurrence		\$1,000,000
Automobile:		
Auto - liability		\$1,000,000 (Each Accident)
Auto - uninsured motorist		\$1,000,000 (Each Accident)
Auto - physical damage (comprehensive)		Agreed value, actual cash value, or cost of repairs, whichever is less minus \$1,000 deductible
Auto - physical damage (collision)		Agreed value, actual cash value, or cost of repairs, whichever is less minus \$1,000 deductible
Management practices liability insurance:		
General aggregate		\$10,000,000
Each wrongful act		\$1,000,000

Zayante Fire Protection District
Notes to Basic Financial Statements
June 30, 2019 and 2018

8. FEDERAL INSURANCE CONTRIBUTION ACT (FICA)

The District and the District's employees contribute to FICA at a rate of 7.5% per payroll.

9. CONTINGENCIES

Strike Team Payroll

The District pays firefighters for strike team activities pending reimbursement from the State of California Office of Emergency Services (Cal OES) within a short period of time after services were provided. The District is currently determining any impact or consequence of the practice. Any potential liability cannot be determined or estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

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Zayante Fire Protection District
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the years ended June 30, 2019 and 2018

Budgetary Comparison Schedule - General Fund

	2019						2018					
							Variance with Final Budget					
	Budget Amounts		Actual		Positive (Negative)		Budget Amounts		Actual		Positive (Negative)	
	Original	Final	Amounts		Original	Final	Amounts		Original	Final	Amounts	
REVENUES:												
Property taxes	\$ 382,025	\$ 382,025	\$ 407,712	\$ 25,687	\$ 335,227	\$ 335,227	\$ 382,028	\$ 46,801				
Other taxes	108,513	108,513	108,159	(354)	66,882	66,882	108,514	41,632				
Use of money and property	6,756	6,756	11,499	4,743	2,754	2,754	6,756	4,002				
Aid from other government agencies	2,301	291,321	291,320	(1)	2,323	2,323	148,830	146,507				
Other revenue	20,526	20,526	10,432	(10,094)	12,568	12,568	20,526	7,958				
Charges for current services	4,165	4,165	1,351	(2,814)	790	790	4,165	3,375				
Total revenues	524,286	813,306	830,473	17,167	420,544	420,544	670,819	250,275				
EXPENDITURES:												
Salaries and employee benefits	438,000	629,982	533,944	96,038	392,500	440,860	421,964	18,896				
Services and supplies	286,040	330,040	195,557	134,483	286,400	351,424	175,564	175,860				
Other charges	2,500	2,500	2,098	402	2,000	2,000	2,057	(57)				
Capital outlay	35,000	75,000	48,306	26,694	24,000	24,000	112,221	(88,221)				
Total expenditures	761,540	1,037,522	779,905	257,617	704,900	818,284	711,806	106,478				
Net change in fund balance	\$ (237,254)	\$ (224,216)	50,568	\$ 274,784	\$ (284,356)	\$ (397,740)	(40,987)	\$ 356,753				
FUND BALANCE:												
Beginning of year				506,227					547,214			
End of year				\$ 556,795					\$ 506,227			