

**Zayante Fire  
Protection  
District**  
Felton, California

*Basic Financial Statements  
and Independent Auditor's Report*

*For the years ended June 30, 2017 and 2016*

**Zayante Fire Protection District**  
**Basic Financial Statements**  
**For the years ended June 30, 2017 and 2016**  
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## INDEPENDENT AUDITOR'S 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 information of the Zayante Fire Protection District, (District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

To the Board of Directors  
of the Zayante Fire Protection District  
Felton, California  
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### **Summary of Opinions**

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
General Fund	Qualified
Debt Service Fund	Unmodified

### **Basis for Qualified Opinions on governmental activities and General Fund**

The accompanying financial statements of the District's governmental activities and General Fund include salaries and benefits for an amount of \$307,320 for which it did not maintain adequate documents to support. Therefore, we were not able to substantiate this amount.

### **Qualified Opinions**

In our opinion, except for the possible effects of the matter discussed in the "Basis for Qualified Opinions on governmental activities and General Fund " paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and General Fund of the District, as of June 30, 2017, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Unmodified Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Debt Service fund of the District, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America

### **Prior Period Financial Statements**

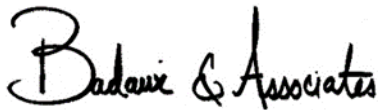
The basic financial statements of the District as of June 30, 2016, were audited by other auditors whose report dated June 21, 2017, expressed an unmodified opinion on these statements.

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 5-10 and 38 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.



Badawi & Associates, CPAs  
Oakland, California  
January 15, 2019

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**ZAYANTE FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2017 and 2016**

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, 2017.

**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**  
**June 30, 2017 and 2016**

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, 2017 and 2016**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Summary of Net Position**  
**Governmental Activities**

	<u>2017</u>	<u>2016</u>	<u>Variance (%)</u>	<u>2016</u>	<u>2015</u>	<u>Variance (%)</u>
Asset						
Current assets	\$ 626,756	\$ 524,027	20%	\$ 524,027	\$ 483,912	8%
Noncurrent assets	1,012,179	1,146,234	-12%	1,146,234	1,093,017	5%
Total assets	<u>1,638,935</u>	<u>1,670,261</u>	-2%	<u>1,670,261</u>	<u>1,576,929</u>	6%
Deferred outflows	<u>-</u>	<u>1,993</u>	-100%	<u>1,993</u>	<u>3,986</u>	-50%
Liabilities						
Current liabilities	75,705	81,527	-7%	81,527	64,746	26%
Noncurrent liabilities	-	40,000	-100%	40,000	75,000	-47%
Total liabilities	<u>75,705</u>	<u>121,527</u>	-38%	<u>121,527</u>	<u>139,746</u>	-13%
Deferred inflows	<u>-</u>	<u>2,516</u>	-100%	<u>2,516</u>	<u>5,030</u>	-50%
Net position:						
Net investment in capital assets	972,179	1,071,234	-9%	1,071,234	983,017	9%
Restricted	43,837	40,144	9%	40,144	41,035	-2%
Unrestricted	<u>547,214</u>	<u>436,833</u>	25%	<u>436,833</u>	<u>412,087</u>	6%
Total net position	<u>\$ 1,563,230</u>	<u>\$ 1,548,211</u>	1%	<u>\$ 1,548,211</u>	<u>\$ 1,436,139</u>	8%

**Analysis of Net Position**

As noted earlier, net position may serve as a useful indicator of a government's financial position. The District's liabilities and deferred inflows exceeded its assets and deferred outflows by \$1,563,230 and \$1,548,211 for the fiscal years ended June 30, 2017 and 2016 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 \$972,179 and \$1,071,234 for the fiscal years ended June 30, 2017 and 2016 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, 2017 and 2016**

As of June 30, 2107 and 2016, the District's restricted net position was \$43,837 and \$40,144 respectively which is restricted for payment of the General Obligation Bonds and unrestricted net position was \$547,214 and \$436,833.

**Changes in Net Position - Governmental Activities**

	<u>2017</u>	<u>2016</u>	<u>Variance %</u>	<u>2016</u>	<u>2015</u>	<u>Variance %</u>
Revenues						
Program revenues:						
Charges for services	\$ 133,488	\$ 217,438	-39%	\$ 217,438	\$ 60,199	261%
General revenues						
Property Tax	403,467	376,186	7%	376,186	347,367	8%
Other taxes - fire protection tax	65,645	66,882	-2%	66,882	68,092	-2%
Use of money and property	4,955	2,881	72%	2,881	1,981	45%
Homeowners' property tax relief	2,771	2,774	0%	2,774	2,798	-1%
Micellaneous Revenue	1,125	15,082	-93%	15,082	4,708	220%
Total revenues	<u>611,451</u>	<u>681,243</u>	-10%	<u>681,243</u>	<u>485,145</u>	40%
Expenses						
Governmental activities:	<u>570,642</u>	<u>569,171</u>	0%	<u>569,171</u>	<u>439,725</u>	29%
Total expenses	<u>570,642</u>	<u>569,171</u>		<u>569,171</u>	<u>439,725</u>	
Change in net position	<u>\$ 40,809</u>	<u>\$ 112,072</u>	-64%	<u>\$ 112,072</u>	<u>\$ 45,420</u>	147%

**Analysis of Change in Net Position**

The District's change in net position increased by \$40,809 and \$112,072 for the fiscal years ended June 30, 2017 and 2016 respectively. The increase in net position is from actual revenue exceeding actual expenses.

**ZAYANTE FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2017 and 2016**

**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, 2017, the District's governmental funds reported combined ending fund balances of \$591,051. Approximately 92.6% 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 \$611,451 in the fiscal year 2016-2017, and expenditures totaled \$500,151. In the fiscal year 2017, governmental revenues exceeded expenditures by \$111,300.

**Budgetary Highlights**

The District's general fund budget to actual results for the fiscal year ended June 30, 2017 and 2016 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 are 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, 2017, totaled \$1,012,179 (net of accumulated depreciation). This investment in capital assets includes structures and improvements, and equipment.

**ZAYANTE FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2017 and 2016**

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

			Increase/(Decrease)
	2017	2016	% of Change
Land	\$ 76,106	\$ 76,106	0%
Structures and improvements	1,125,504	1,148,987	-2%
Equipment	1,746,722	1,931,727	-10%
Less accumulated depreciation	(1,936,153)	(2,010,586)	-4%
Total capital assets, net	<u>\$ 1,012,179</u>	<u>\$ 1,146,234</u>	<u>-12%</u>

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

**Long-Term Liabilities**

The District's long-term liabilities that included the general obligation bonds used to construct Station 1 were paid off in August of 2017. Fire Station 3 includes a \$25.00 per year land lease contingent on use. The lease has two twenty-year extensions.

**Economic factors and next year's budget**

The District's main source of revenue is property taxes. The District has seen property taxes increase steadily since 2014-15 as property values and housing prices have rebounded. The passing of measure "O" that was implemented on July 1, 2017 has allowed the District to hire additional personnel.

The District is still realizing increased cost and budget pressure from both the County of Santa Cruz and the State of California as fee's increase for services.

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

**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.

## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Zayante Fire Protection District**  
**Statements of Net Position**  
**June 30, 2017 and 2016**

ASSETS	2017	2016
Current assets:		
Cash in county treasury		
Cash and investment	\$ 582,919	\$ 483,883
Restricted cash and investment	43,837	40,144
Total current assets	<u>626,756</u>	<u>524,027</u>
Noncurrent assets:		
Land	76,106	76,106
Structures and improvements	1,125,504	1,148,987
Equipment	1,746,722	1,931,727
Capital Assets	2,948,332	3,156,820
Less Accumulated depreciation	1,936,153	2,010,586
Total noncurrent assets	<u>1,012,179</u>	<u>1,146,234</u>
<b>Total assets</b>	<u>1,638,935</u>	<u>1,670,261</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
General obligation bond refunding fees	-	1,993
<b>Total deferred outflows of resources</b>	<u>-</u>	<u>1,993</u>
<b>LIABILITIES</b>		
Current liabilities		
Accrued payroll	33,576	37,703
Accounts payable	2,129	6,573
Accrued interest	-	2,251
Current portion long-term debt refunding debt	40,000	35,000
Total Current liabilities	<u>75,705</u>	<u>81,527</u>
Long-term debt		
2004 General Obligation Bond Refunding Agreement	40,000	75,000
Less current portion	(40,000)	(35,000)
Total long-term debt	<u>-</u>	<u>40,000</u>
<b>Total liabilities</b>	<u>75,705</u>	<u>121,527</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Bond premium	-	2,516
<b>Total deferred outflows of resources</b>	<u>-</u>	<u>2,516</u>
<b>NET POSITION</b>		
Net investment in capital assets	972,179	1,071,234
Restricted for		
Debt service	43,837	40,144
Unrestricted	547,214	436,833
<b>Net position</b>	<u>\$ 1,563,230</u>	<u>\$ 1,548,211</u>

See accompanying Notes to Basic Financial Statements.



**Zayante Fire Protection District**  
**Statement of Activities**  
**For the year ended June 30, 2017**

	Program Revenues				Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Total	Revenue and Changes in Net Position
<b>Governmental activities</b>					<b>Governmental Activities</b>
Salaries and employee benefits	\$ 307,320	\$ 132,667	\$ -	\$ 132,667	\$ 174,653
Services and supplies	151,715	821	-	821	150,894
Other charges	1,976	-	-	-	1,976
Depreciation	108,266	-	-	-	108,266
Interest expense	1,365	-	-	-	1,365
<b>Total governmental activities</b>	<b>\$ 570,642</b>	<b>\$ 133,488</b>	<b>\$ -</b>	<b>\$ 133,488</b>	<b>\$ 437,154</b>
<b>General Revenues:</b>					
					403,467
					65,645
					4,955
					2,771
					1,125
					<b>477,963</b>
					<b>40,809</b>
					<b>1,522,421</b>
					<b>\$ 1,563,230</b>

See accompanying Notes to Basic Financial Statements.

**Zayante Fire Protection District**  
**Statement of Activities**  
**For the year ended June 30, 2016**

	Program Revenues				Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Total	Revenue and Changes in Net Position
<b>Governmental activities</b>					
Salaries and employee benefits	\$ 334,044	\$ 135,277	\$ -	\$ 135,277	\$ 198,767
Services and supplies	112,383	82,161	-	82,161	30,222
Other charges	2,336	-	-	-	2,336
Depreciation	112,811	-	-	-	112,811
Interest expense	7,597	-	-	-	7,597
<b>Total governmental activities</b>	<b>\$ 569,171</b>	<b>\$ 217,438</b>	<b>\$ -</b>	<b>\$ 217,438</b>	<b>\$ 351,733</b>
<b>General Revenues:</b>					
					376,186
					66,882
					2,881
					2,774
					15,082
					<b>463,805</b>
					<b>112,072</b>
					<b>1,436,139</b>
					<b>\$ 1,548,211</b>

See accompanying Notes to Basic Financial Statements.

## **FUND FINANCIAL STATEMENTS**

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**Zayante Fire Protection District**  
**Balance Sheets - Governmental Funds**  
**June 30, 2017 and 2016**

	2017			2016		
	General Fund	Debt Service		General Fund	Debt Service	
		Fund	Total		Fund	Total
<b>ASSETS</b>						
Cash	\$ 582,919	\$ 43,837	\$ 626,756	483,883	40,144	\$ 524,027
<b>Total assets</b>	<b>\$ 582,919</b>	<b>\$ 43,837</b>	<b>\$ 626,756</b>	<b>\$ 483,883</b>	<b>\$ 40,144</b>	<b>\$ 524,027</b>
<b>LIABILITIES</b>						
Accrued Payroll	\$ 33,576	\$ -	\$ 33,576	37,703	\$ -	\$ 37,703
Accounts payable	2,129	-	2,129	6,573	-	6,573
<b>Total liabilities</b>	<b>35,705</b>	<b>-</b>	<b>35,705</b>	<b>44,276</b>	<b>-</b>	<b>44,276</b>
<b>FUND BALANCES</b>						
Restricted:						
Debt service	-	43,837	43,837	-	40,144	40,144
Unassigned	\$ 547,214	-	547,214	\$ 439,607	-	439,607
<b>Total fund balances</b>	<b>547,214</b>	<b>43,837</b>	<b>591,051</b>	<b>439,607</b>	<b>40,144</b>	<b>479,751</b>
<b>Total liabilities and fund balances</b>	<b>\$ 582,919</b>	<b>\$ 43,837</b>	<b>\$ 626,756</b>	<b>\$ 483,883</b>	<b>\$ 40,144</b>	<b>\$ 524,027</b>

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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Fund Balances of Governmental Funds</b>	\$ 591,051	\$ 479,751
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>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:</p>	1,012,179	1,146,234
<p>In the Government-wide Financial Statements, bond fee is amortized over the life of the bonds. However this is reported as expenditure in governmental fund as it is incurred.</p>	-	1,993
<p>Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in the Governmental Funds Balance Sheet.</p>	-	(2,251)
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore they are not reported in the governmental funds.</p>		
General obligation bond	(40,000)	(77,516)
<b>Net Position of Governmental Activities</b>	<u>\$ 1,563,230</u>	<u>\$ 1,548,211</u>

See accompanying Notes to Basic Financial Statements.

**Zayante Fire Protection District**  
**Statements of Revenues, Expenditures and Changes in Fund Balances**  
**For the years ended June 30, 2017 and 2016**

	2017			2016		
	General Fund	Debt Service Fund	Total	General Fund	Debt Service Fund	Total
<b>REVENUES:</b>						
Property taxes	360,455	43,012	\$ 403,467	335,229	40,957	\$ 376,186
Other taxes	65,645	-	65,645	66,882	-	66,882
Use of money and property	4,772	183	4,955	2,754	127	2,881
Aid from other government agencies	135,000	438	135,438	218,972	450	219,422
Other revenue	1,125	-	1,125	12,568	-	12,568
Charges for current services	821	-	821	790	-	790
<b>Total revenues</b>	<b>567,818</b>	<b>43,633</b>	<b>611,451</b>	<b>637,195</b>	<b>41,534</b>	<b>678,729</b>
<b>EXPENDITURES:</b>						
Salaries and employee benefits	307,320	-	307,320	334,044	-	334,044
Services and supplies	150,915	800	151,715	112,383	-	112,383
Other charges	1,976	-	1,976	1,536	800	2,336
Capital outlay	-	-	-	166,028	-	166,028
Debt service:						
Principal	-	35,000	35,000	-	35,000	35,000
Interest and fiscal charges	-	4,140	4,140	-	6,625	6,625
<b>Total expenditures</b>	<b>460,211</b>	<b>39,940</b>	<b>500,151</b>	<b>613,991</b>	<b>42,425</b>	<b>656,416</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>107,607</b>	<b>3,693</b>	<b>111,300</b>	<b>23,204</b>	<b>(891)</b>	<b>22,313</b>
<b>FUND BALANCES:</b>						
Beginning of year	439,607	40,144	479,751	416,403	41,035	457,438
End of year	\$ 547,214	\$ 43,837	\$ 591,051	\$ 439,607	\$ 40,144	\$ 479,751

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, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ 111,300	\$ 22,313
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>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.</p>		
Expenditure for capital assets	-	166,028
Depreciation expense	(108,266)	(112,811)
<p>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.</p>		
General obligation bond	35,000	35,000
<p>Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in Net Position, but it did not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in the Governmental Funds. The following amount represents the change in accrued interest from the prior year.</p>		
	2,252	1,021
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Amortization of bond premium	2,516	2,514
Amortization of bond issuance costs	(1,993)	(1,993)
<b>Change in Net Position of Governmental Activities</b>	<u>\$ 40,809</u>	<u>\$ 112,072</u>

See accompanying Notes to Basic Financial Statements.



**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, 2017:

	Term Expires <u>November</u>
Ken Boynton, Chairperson	2020
Lyle Flemming, Director	2020
Mary Clark, Director	2018
Garry Herceg, Director	2020
Priva Tarbet, Director	2018

John Stipes was the Fire Chief of the Zayante Fire Protection District at June 30, 2017.

**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.

## 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.

## 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 assets 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.

**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, 2017 and 2016, 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.

**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".

## 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 2017, the District adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*– The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of this statement did not apply to the District for the current fiscal year.

GASB Statement No. 77, *Tax Abatement Disclosure*– This Statement addresses the financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government’s current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government’s financial resources come from and how it uses them, and (4) a government’s financial position and economic condition and how they have changed over time. The requirements of this statement did not apply to the District for the current fiscal year.

GASB Statement No. 78, *Pension Provided through Certain Multiple-Employer Defined Benefit Pension Plans*– The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this statement did not apply to the District for the current fiscal year.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*N. New Accounting Guidance, continued*

GASB Statement No. 80, *Blending Requirements for Certain Component Units*– An Amendment of GASB Statement No. 14 - The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. There was no effect on net position as a result of implementation of this statement.

**3. CASH AND INVESTMENTS**

Cash and investments held by the District at June 30, 2017 and 2016 are summarized below:

	2017	2016
County of Santa Cruz Investment Pool	\$ 626,756	\$ 524,027
<b>Total cash and investments</b>	<b>\$ 626,756</b>	<b>\$ 524,027</b>

*A. Investment with Santa Cruz County Investment Pool*

The District’s investment of \$626,756 and \$524,027 at June 30, 2017 and 2016 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.

ZAYANTE FIRE PROTECTION DISTRICT  
 Notes to Basic Financial Statements  
 June 30, 2017 and 2016

**3. POOLED CASH AND INVESTMENTS, Continued**

**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, 2017, 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	\$ 626,756	\$ 626,756	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	<b>\$ 626,756</b>	<b>\$ 626,756</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

At June 30, 2016, 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	\$ 524,027	\$ 524,027	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	<b>\$ 524,027</b>	<b>\$ 524,027</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**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.



ZAYANTE FIRE PROTECTION DISTRICT  
Notes to Basic Financial Statements  
June 30, 2017 and 2016

**4. CAPITAL ASSETS**

Capital assets at June 30, 2017 consisted of the following:

	Balance July 1, 2016	Prior Period Adjustment	Balance July 1, 2016 as restated	Additions	Deletions	Balance June 30, 2017
<b>Governmental Activities</b>						
<b>Capital Assets not being depreciated:</b>						
Land	\$ 76,106	\$ -	\$ 76,106	\$ -	\$ -	\$ 76,106
<b>Total capital assets not being depreciated</b>	<b>76,106</b>	<b>-</b>	<b>76,106</b>	<b>-</b>	<b>-</b>	<b>76,106</b>
<b>Capital Assets being depreciated:</b>						
Structures and improvements	1,148,987	(23,483)	1,125,504	-	-	1,125,504
Equipment	1,931,727	(185,005)	1,746,722	-	-	1,746,722
<b>Total capital assets being depreciated</b>	<b>3,080,714</b>	<b>(208,488)</b>	<b>2,872,226</b>	<b>-</b>	<b>-</b>	<b>2,872,226</b>
<b>Less accumulated depreciation</b>	<b>2,010,586</b>	<b>(182,699)</b>	<b>1,827,887</b>	<b>108,266</b>	<b>-</b>	<b>1,936,153</b>
<b>Total capital assets, being depreciated, net</b>	<b>1,070,128</b>	<b>(25,789)</b>	<b>1,044,339</b>	<b>(108,266)</b>	<b>-</b>	<b>936,073</b>
<b>Total capital assets, net</b>	<b>\$ 1,146,234</b>	<b>\$ (25,789)</b>	<b>\$ 1,120,445</b>	<b>\$ (108,266)</b>	<b>\$ -</b>	<b>\$ 1,012,179</b>

Capital assets at June 30, 2016 consisted of the following:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
<b>Governmental Activities</b>				
<b>Capital Assets not being depreciated:</b>				
Land	\$ 76,106	\$ -	\$ -	\$ 76,106
<b>Total capital assets not being depreciated</b>	<b>76,106</b>	<b>-</b>	<b>-</b>	<b>76,106</b>
<b>Capital Assets being depreciated:</b>				
Structures and improvements	1,128,522	20,465	-	1,148,987
Equipment	1,786,164	145,563	-	1,931,727
<b>Total capital assets being depreciated</b>	<b>2,914,686</b>	<b>166,028</b>	<b>-</b>	<b>3,080,714</b>
<b>Less accumulated depreciation</b>	<b>(1,897,775)</b>	<b>(112,811)</b>	<b>-</b>	<b>(2,010,586)</b>
<b>Total capital assets, being depreciated, net</b>	<b>1,016,911</b>	<b>53,217</b>	<b>-</b>	<b>1,070,128</b>
<b>Total capital assets, net</b>	<b>\$ 1,093,017</b>	<b>\$ 53,217</b>	<b>\$ -</b>	<b>\$ 1,146,234</b>

ZAYANTE FIRE PROTECTION DISTRICT  
Notes to Basic Financial Statements  
June 30, 2017 and 2016

**5. LONG-TERM DEBT**

A summary of long-term debt transactions of the District for the year ended June 30, 2017 and 2016 as follows:

	Original Loan Amount	Balance 6/30/2016	Additions	Retirement	Balance 6/30/2017
2004 GO refunding bonds	\$ 350,000	\$ 75,000	\$ -	\$ (35,000)	\$ 40,000
Total:	350,000	75,000	-	(35,000)	40,000
Unamortized Original premium	32,685	2,516		(2,516)	-
	<u>\$ 382,685</u>	<u>\$ 77,516</u>	<u>\$ -</u>	<u>\$ (37,516)</u>	<u>\$ 40,000</u>
	Original Loan Amount	Balance 6/30/2015	Additions	Retirement	Balance 6/30/2016
2004 GO refunding bonds	\$ 350,000	\$ 110,000	\$ -	\$ (35,000)	\$ 75,000
Total:	350,000	110,000	-	(35,000)	75,000
Unamortized Original premium	32,685	5,030		(2,514)	2,516
	<u>\$ 382,685</u>	<u>\$ 115,030</u>	<u>\$ -</u>	<u>\$ (37,514)</u>	<u>\$ 77,516</u>

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 following is the annual debt service requirements to maturity, including principal and interest:

	Principal	Interest	Total
June 30, 2018	\$ 40,000	\$ 1,440	\$ 41,440

**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, 2017 and 2016, 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.

### 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%.

ZAYANTE FIRE PROTECTION DISTRICT  
Notes to Basic Financial Statements  
June 30, 2017 and 2016

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**7. RISK MANAGEMENT, Continued**

Insurance coverage at June 30, 2017 is 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 Building 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, 2017 and 2016

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**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. PRIOR PERIOD ADJUSTMENT**

The District recorded a prior period adjustment to correct capital assets amount recorded under governmental activities in prior year.

	Net position, as Previously Reported	Prior Period Adjustment <u>Capital Assets</u>	Net position as Restated
Governmental Activities	<u>\$ 1,548,211</u>	<u>\$ (25,790)</u>	<u>\$ 1,522,421</u>

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# 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, 2017 and 2016**

*Budgetary Comparison Schedule - General Fund*

	2017				2016			
	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
<b>REVENUES:</b>								
Property taxes	\$ 335,227	\$ 335,227	\$ 360,455	\$ 25,228	\$ 302,682	\$ 302,682	\$ 335,229	\$ 32,547
Other taxes	66,882	66,882	65,645	(1,237)	68,000	68,000	66,882	(1,118)
Use of money and property	2,754	2,754	4,772	2,018	1,800	1,800	2,754	954
Aid from other government agencies	2,323	2,323	135,000	132,677	2,200	218,846	218,972	126
Other revenue	12,568	12,568	1,125	(11,443)	2,194	7,559	12,568	5,009
Charges for current services	790	790	821	31	1,200	1,200	790	(410)
<b>Total revenues</b>	<b>420,544</b>	<b>420,544</b>	<b>567,818</b>	<b>147,274</b>	<b>378,076</b>	<b>600,087</b>	<b>637,195</b>	<b>37,108</b>
<b>EXPENDITURES:</b>								
Salaries and employee benefits	392,500	440,860	307,320	133,540	348,500	473,168	334,044	139,124
Services and supplies	286,400	351,424	150,915	200,509	189,989	260,153	112,383	147,770
Other charges	2,000	2,000	1,976	24	1,500	1,500	1,536	(36)
Capital outlay	24,000	24,000	-	24,000	165,000	165,000	166,028	(1,028)
<b>Total expenditures</b>	<b>704,900</b>	<b>818,284</b>	<b>460,211</b>	<b>358,073</b>	<b>704,989</b>	<b>899,821</b>	<b>613,991</b>	<b>285,830</b>
<b>Net change in fund balance</b>	<b>\$ (284,356)</b>	<b>\$ (397,740)</b>	<b>107,607</b>	<b>\$ 505,347</b>	<b>\$ (326,913)</b>	<b>\$ (299,734)</b>	<b>23,204</b>	<b>\$ 322,938</b>
<b>FUND BALANCE:</b>								
Beginning of year			439,607				416,403	
End of year			<u>\$ 547,214</u>				<u>\$ 439,607</u>	