

**Zayante Fire
Protection
District**
Felton, California

*Basic Financial Statements
and Independent Auditors' Report*

For the years ended June 30, 2021 and 2020

Zayante Fire Protection District
Basic Financial Statements
For the years ended June 30, 2021 and 2020
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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, 2021 and 2020, 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, 2021 and 2020, 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.

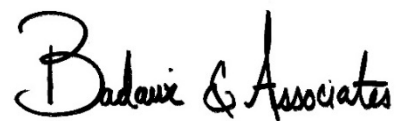
To the Board of Directors
of the Zayante Fire Protection District
Felton, California
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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 31 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.



Badawi & Associates, CPAs
Berkeley, California
May 10, 2023

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, 2021 and 2020

ASSETS	2021	2020
Current assets:		
Cash in county treasury		
Cash and investment	\$ 650,631	\$ 694,544
Total current assets	<u>650,631</u>	<u>694,544</u>
Noncurrent assets:		
Land	76,106	76,106
Structures and improvements	1,125,504	1,125,504
Equipment	2,019,445	2,019,445
Capital Assets	3,221,055	3,221,055
Less accumulated depreciation	2,418,167	2,296,739
Total noncurrent assets	<u>802,888</u>	<u>924,316</u>
Total assets	<u><u>1,453,519</u></u>	<u><u>1,618,860</u></u>
LIABILITIES		
Current liabilities:		
Accrued payroll	21,760	21,395
Accounts payable	27,333	2,118
Total current liabilities	<u>49,093</u>	<u>23,513</u>
Total liabilities	<u>49,093</u>	<u>23,513</u>
NET POSITION		
Net investment in capital assets	802,888	924,316
Unrestricted	601,538	671,031
Net position	<u><u>\$ 1,404,426</u></u>	<u><u>\$ 1,595,347</u></u>

See accompanying Notes to Basic Financial Statements.

Zayante Fire Protection District
Statement of Activities
For the year ended June 30, 2021

	Program Revenues				Net (Expense)
					Revenue
					and Changes
					in Net Position
	Expenses	Charges for	Operating Grants	Total	Governmental
		Services	and		Activities
			Contributions		
Governmental activities					
Salaries and employee benefits	\$ 536,484	\$ 151,805	\$ -	\$ 151,805	\$ 384,679
Services and supplies	257,120	4,526	-	4,526	252,594
Other charges	3,955	-	-	-	3,955
Depreciation	121,428	-	-	-	121,428
Total governmental activities	\$ 918,987	\$ 156,331	\$ -	\$ 156,331	762,656
General Revenues:					
					439,761
					110,032
					4,427
					2,276
					15,239
					571,735
					(190,921)
					1,595,347
					\$ 1,404,426

See accompanying Notes to Basic Financial Statements.

Zayante Fire Protection District
Statement of Activities
For the year ended June 30, 2020

	Program Revenues				Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Total	Revenue and Changes in Net Position
Governmental activities					
Salaries and employee benefits	\$ 376,025	\$ 84,996	\$ -	\$ 84,996	\$ 291,029
Services and supplies	149,243	1,446	-	1,446	147,797
Other charges	976	-	-	-	976
Depreciation	121,428	-	-	-	121,428
Total governmental activities	\$ 647,672	\$ 86,442	\$ -	\$ 86,442	561,230

General Revenues:

Property Tax	425,558
Other taxes - fire protection tax	110,294
Use of money and property	11,095
Homeowners' property tax relief	2,312
Micellaneous Revenue	706
Total general revenues	549,965

Change in net position (11,265)

Net position - beginning of year 1,606,612

Net position - end of year \$ 1,595,347

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FUND FINANCIAL STATEMENTS

Zayante Fire Protection District
Balance Sheets - Governmental Funds
June 30, 2021 and 2020

	2021			2020			
	General	Capital	Total	General	Debt	Capital	Total
	Fund	Project		Fund	Service	Project	
ASSETS							
Cash	\$ 552,928	\$ 97,703	\$ 650,631	\$ 690,464	\$ -	\$ 4,080	\$ 694,544
Total assets	\$ 552,928	\$ 97,703	\$ 650,631	\$ 690,464	\$ -	\$ 4,080	\$ 694,544
LIABILITIES							
Accrued Payroll	\$ 21,760	\$ -	\$ 21,760	\$ 21,395	\$ -	\$ -	\$ 21,395
Accounts payable	27,333	-	27,333	2,118	-	-	2,118
Total liabilities	49,093	-	49,093	23,513	-	-	23,513
DEFERRED INFLOW OF RESOURCES							
Unavailable revenue	-	-	-	-	-	-	-
Total deferred inflow of resources	-	-	-	-	-	-	-
FUND BALANCES							
Assigned	-	97,703	97,703	-	-	4,080	4,080
Unassigned	503,835	-	503,835	666,951	-	-	666,951
Total fund balances	503,835	97,703	601,538	666,951	-	4,080	671,031
Total liabilities, deferred inflows of resources, and fund balances	\$ 552,928	\$ 97,703	\$ 650,631	\$ 690,464	\$ -	\$ 4,080	\$ 694,544

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, 2021 and 2020

	2021	2020
Fund Balances of Governmental Funds	\$ 601,538	\$ 671,031
<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>		
	802,888	924,316
Net Position of Governmental Activities	\$ 1,404,426	\$ 1,595,347

Zayante Fire Protection District
Statements of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2021 and 2020

	2021			2020			
	General Fund	Capital Project Fund	Total	General Fund	Debt Service Fund	Capital Project Fund	Total
REVENUES:							
Property taxes	\$ 439,761	\$ -	\$ 439,761	\$ 425,558	\$ -	\$ -	\$ 425,558
Other taxes	110,032	-	110,032	110,294	-	-	110,294
Use of money and property	360	4,067	4,427	11,088	-	7	11,095
Aid from other government agencies	154,081	-	154,081	87,308	-	-	87,308
Other revenue	15,239	-	15,239	706	-	-	706
Charges for current services	4,526	-	4,526	1,446	-	-	1,446
Total revenues	723,999	4,067	728,066	636,400	-	7	636,407
EXPENDITURES:							
Salaries and employee benefits	536,484	-	536,484	376,025	-	-	376,025
Services and supplies	250,014	-	250,014	149,243	-	-	149,243
Other charges	3,955	-	3,955	976	-	-	976
Capital outlay	7,106	-	7,106	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	797,559	-	797,559	526,244	-	-	526,244
REVENUES OVER (UNDER)							
EXPENDITURES	(73,560)	4,067	(69,493)	110,156	-	7	110,163
OTHER FINANCING SOURCES (USES)							
Transfer in	-	89,556	89,556	-	-	4,073	4,073
Transfer out	(89,556)	-	(89,556)	-	(4,073)	-	(4,073)
Total other financing sources (uses)	(89,556)	89,556	-	-	(4,073)	4,073	-
Net change in fund balances	(163,116)	93,623	(69,493)	110,156	(4,073)	4,080	110,163
FUND BALANCES:							
Beginning of year	666,951	4,080	671,031	556,795	4,073	-	560,868
End of year	\$ 503,835	\$ 97,703	\$ 601,538	\$ 666,951	\$ -	\$ 4,080	\$ 671,031

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Net Change in Fund Balances - Total Governmental Funds	\$ (69,493)	\$ 110,163
<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>		
Depreciation expense	<u>(121,428)</u>	<u>(121,428)</u>
Change in Net Position of Governmental Activities	<u>\$ (190,921)</u>	<u>\$ (11,265)</u>

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Zayante Fire Protection District
Notes to Basic Financial Statements
June 30, 2021 and 2020

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, 2021:

	Term Expires
	<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, 2021.

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, 2021 and 2020

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, 2021 and 2020

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 reported the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources, which are not required to be accounted for in another fund.

Debt Service Fund - The Debt Service Fund accounts for monies held for debt service. This fund was closed during the fiscal year ended June 30, 2020.

Capital Project Fund - The Capital Project Fund accounts for monies assigned, committed, or restricted for capital projects or capital acquisitions.

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.

Zayante Fire Protection District
Notes to Basic Financial Statements
June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Financial Statement Presentation, Continued

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. Funds held by the Debt Service Fund are assigned for debt service, and funds held by the Capital Project Fund are assigned for capital projects.

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.

Zayante Fire Protection District
Notes to Basic Financial Statements
June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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.

Zayante Fire Protection District
Notes to Basic Financial Statements
June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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".

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 2021, the District adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 95, *Certain Asset Retirement Obligations* - The objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective for periods beginning after June 15, 2018, and later. There was no impact on the District's basic financial statements as a result of implementing this statement.

Zayante Fire Protection District
Notes to Basic Financial Statements
June 30, 2021 and 2020

3. CASH AND INVESTMENTS

Cash and investments held by the District at June 30, 2021 and 2020 are summarized below:

	2021	2020
County of Santa Cruz Investment Pool	\$ 650,631	\$ 694,544
Total cash and investments	\$ 650,631	\$ 694,544

A. Investment with Santa Cruz County Investment Pool

The District's investment of \$650,631 and \$694,544 at June 30, 2021 and 2020 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, 2021, 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	\$ 650,631	\$ 650,631	\$ -	\$ -	\$ -	\$ -
Total	\$ 650,631	\$ 650,631	\$ -	\$ -	\$ -	\$ -

Zayante Fire Protection District
Notes to Basic Financial Statements
June 30, 2021 and 2020

3. CASH AND INVESTMENTS, Continued

B. Interest Rate Risk, Continued

At June 30, 2020, 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	\$ 694,544	\$ 694,544	\$ -	\$ -	\$ -	\$ -
Total	\$ 694,544	\$ 694,544	\$ -	\$ -	\$ -	\$ -

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, 2021 and 2020

4. CAPITAL ASSETS

Capital assets at June 30, 2021 consisted of the following:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
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	2,019,445	-	-	2,019,445
Total capital assets being depreciated	3,144,949	-	-	3,144,949
Less accumulated depreciation	2,296,739	121,428	-	2,418,167
Total capital assets, being depreciated, net	848,210	(121,428)	-	726,782
Total capital assets, net	\$ 924,316	\$ (121,428)	\$ -	\$ 802,888

Capital assets at June 30, 2020 consisted of the following:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
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	2,019,445	-	-	2,019,445
Total capital assets being depreciated	3,144,949	-	-	3,144,949
Less accumulated depreciation	2,175,311	121,428	-	2,296,739
Total capital assets, being depreciated, net	969,638	(121,428)	-	848,210
Total capital assets, net	\$ 1,045,744	\$ (121,428)	\$ -	\$ 924,316

Zayante Fire Protection District
Notes to Basic Financial Statements
June 30, 2021 and 2020

5. 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, 2021 and 2020, was \$25 for each respective year.

6. 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, 2021 and 2020

6. 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, 2021 and 2020 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 practives liability insurance:		
General aggregate		\$10,000,000
Each wrongful act		\$1,000,000

Zayante Fire Protection District
Notes to Basic Financial Statements
June 30, 2021 and 2020

7. FEDERAL INSURANCE CONTRIBUTION ACT (FICA)

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

8. CONTINGENCIES

Strike Team Payroll

The District currently pays firefighters for strike team activities after the reimbursement from the State of California Office of Emergency Services (Cal OES) is received, and not within a short time period after services are provided, which may violate certain payroll timing requirements. The District is in the process of reviewing this practice or changing payroll agreement terms for firefighters.

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, 2021 and 2020

Budgetary Comparison Schedule - General Fund

	2021				2020			
	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
REVENUES:								
Property taxes	\$ 513,319	\$ 513,319	\$ 439,761	\$ (73,558)	\$ 327,532	\$ 327,532	\$ 425,558	\$ 98,026
Other taxes	-	-	110,032	110,032	108,000	108,000	110,294	2,294
Use of money and property	11,075	11,075	360	(10,715)	11,475	11,475	11,088	(387)
Aid from other government agencies	2,300	215,219	154,081	(61,138)	2,297	26,176	87,308	61,132
Other revenue	22,704	22,704	15,239	(7,465)	10,426	10,426	706	(9,720)
Charges for current services	1,446	1,446	4,526	3,080	1,350	1,350	1,446	96
Total revenues	550,844	763,763	723,999	(39,764)	461,080	484,959	636,400	151,441
EXPENDITURES:								
Salaries and employee benefits	581,840	730,680	536,484	194,196	470,500	488,345	376,025	112,320
Services and supplies	321,535	373,439	250,014	123,425	253,200	254,700	149,243	105,457
Other charges	5,000	5,000	3,955	1,045	3,000	3,000	976	2,024
Capital outlay	132,534	144,709	7,106	137,603	11,000	11,000	-	11,000
Total expenditures	1,040,909	1,253,828	797,559	456,269	737,700	757,045	526,244	230,801
REVENUES OVER (UNDER) EXPEND	(490,065)	(490,065)	(73,560)	416,505	(276,620)	(272,086)	110,156	382,242
OTHER FINANCING SOURCES (USES):								
Transfer out	-	-	(89,556)	(89,556)	-	-	-	-
Total other financing sources (uses)	-	-	(89,556)	(89,556)	-	-	-	-
Net change in fund balance	\$ (490,065)	\$ (490,065)	(163,116)	\$ 326,949	\$ (276,620)	\$ (272,086)	110,156	\$ 382,242
FUND BALANCE:								
Beginning of year			666,951				556,795	
End of year			<u>\$ 503,835</u>				<u>\$ 666,951</u>	