

Central Fire Protection District of Santa Cruz County

Santa Cruz, California

*Basic Financial Statements
and Independent Auditors' Reports*

For the fiscal years ended June 30, 2018 and 2017

Central Fire Protection District Of Santa Cruz County

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the Central Fire Protection District of Santa Cruz County
Santa Cruz, California

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of June 30, 2018 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2018 the District adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

To the Board of Directors
of the Central Fire Protection District of Santa Cruz County
Santa Cruz, California
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Prior Period Information

The prior year financial statements of the District as of June 30, 2017, were audited by other auditors whose report dated May 25, 2018, expressed an unmodified opinion on those statements.

Other Matters

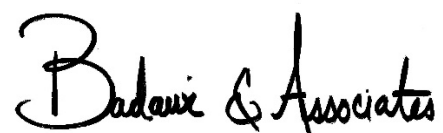
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension information, the OPEB information and budgetary comparison information on pages 3-10 and 58-68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison information presented on pages 71-74 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedules on pages 71-74 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the budgetary comparison schedules on pages 71-74 are fairly stated in all material respects in relation to the basic financial statements as a whole.



Badawi and Associates, CPAs
Oakland, California
June 11, 2019

**Central Fire Protection District Of Santa Cruz County
Management's Discussion and Analysis
June 30, 2018, 2017 and 2016**

Central Fire Protection District of Santa Cruz County (the "District") provides fire protection and emergency response for the city of Capitola, the community of Soquel, and the unincorporated area of Live Oak. This section on the district's financial report presents our discussion and analysis of the District's financial performance and conditions during the fiscal year that ended on June 30, 2018 with comparative totals for 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 comprises: (1) Government-wide financial statements, (2) Fund financial statements, and (3) Notes to the basic financial statements, and (3) required supplementary information (budgetary comparison table).

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.

Both of these government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The only business-type activities conducted by the District are those associated with records requests. Since these activities are an intricate part of the District's operations and the results of these activities are immaterial, these activities are included in the governmental activities.

**Central Fire Protection District Of Santa Cruz County
Management's Discussion and Analysis
June 30, 2018, 2017 and 2016**

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.

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's 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 Government-Wide and Governmental funds financial statements show the results of the following funds:

General Fund - Most of the District's basic services are accounted for in this fund

Vehicle Replacement Fund - The district transfers amounts to this fund to account for vehicle replacements.

Capital Outlay - The District transfers sufficient amounts to this fund to manage large facility and equipment replacement costs.

Fleet Maintenance - The District transfers amounts to this fund, a percentage of total cost covering the cost of in-house maintenance.

Economic Stability - The District transfers amounts to this fund to insulate the District and help fund the District during downturns in property tax revenue.

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.

**Central Fire Protection District Of Santa Cruz County
Management's Discussion and Analysis
June 30, 2018, 2017 and 2016**

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, pension and OPEB schedules.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Summary of Net Position Governmental Activities					
	2018	2017	2016	Variance (%) FY 18/17	Variance (%) FY 17/16
Asset					
Current assets	\$ 12,686,508	\$ 12,488,606	\$ 957,218	2%	1205%
Noncurrent assets	12,492,525	9,308,999	3,110,247	34%	199%
Total assets	25,179,033	21,797,605	4,067,465	16%	436%
Deferred outflows	8,565,367	5,208,048	759,799	64%	585%
Total assets and deferred outflows	33,744,400	27,005,653	4,827,264	25%	459%
Liabilities					
Current liabilities	1,235,285	1,861,891	485,361	-34%	284%
Noncurrent liabilities	44,783,072	28,300,042	7,871,453	58%	260%
Total liabilities	46,018,357	30,161,933	8,356,814	8%	261%
Deferred inflows	1,071,165	1,257,013	492,292	-15%	155%
Net position:					
Net investment in capital assets	10,310,753	9,308,999	(835,418)	11%	-1214%
Unrestricted	(23,655,875)	(13,722,292)	(3,186,424)	72%	331%
Total net position	\$ (13,345,122)	\$ (4,413,293)	\$ (4,021,842)	202%	10%

**Central Fire Protection District Of Santa Cruz County
Management's Discussion and Analysis
June 30, 2018, 2017 and 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Schedule of Revenues, Expnediture and Changes in Net Position - Governmental Activities

	2018	2017	2016	Variance (%) FY 18/17	Variance (%) FY 17/16
Revenues					
Program revenues:					
Charges for services	\$ 673,238	\$ 280,408	\$ 563,827	140%	-50%
Operating grants and contributions	995,591	410,610	376,713	142%	9%
General revenues					
Property taxes	16,642,360	15,703,346	14,657,823	6%	7%
Interest income	126,248	79,076	54,378	60%	45%
Other revenues	122,124	89,277	197,465	37%	-55%
Total revenues	<u>18,559,561</u>	<u>16,562,717</u>	<u>15,850,206</u>	<u>12%</u>	<u>4%</u>
Expenses					
Public safety:	<u>17,782,933</u>	<u>15,437,026</u>	<u>14,217,524</u>	<u>15%</u>	<u>9%</u>
Total expenses	<u>17,782,933</u>	<u>15,437,026</u>	<u>14,217,524</u>	<u>15%</u>	<u>9%</u>
Change in net position	776,628	1,125,691	1,632,682	-31%	-31%
Beginning of year , as restated	<u>(14,121,750)</u>	<u>(5,538,984)</u>	<u>(7,171,666)</u>	<u>155%</u>	<u>155%</u>
End of year	<u>\$ (13,345,122)</u>	<u>\$ (4,413,293)</u>	<u>\$ (5,538,984)</u>	<u>202%</u>	<u>202%</u>

Financial Analysis of the District as a whole

The net position of the District as of June 30, 2018 was negative \$13.3 million mainly due to restatement arising from implementation of GASB 75 which requires recognition of the full net other post-employment benefits "OPEB" liability and associated deferrals.

The net position, after the cumulative effect of change in accounting principle for GASB 75, increased by \$776,628 for the fiscal year ended June 30, 2018 and \$1.1 million for fiscal year ended June 30, 2017. Of the deficit of \$13.3 million in net position, \$10.3 million are invested in capital assets (net of accumulated depreciation and related debt).

**Central Fire Protection District Of Santa Cruz County
Management's Discussion and Analysis
June 30, 2018, 2017 and 2016**

Financial Analysis of the District's Funds

For the fiscal year 2018, Governmental Fund balances increased by \$94,087. The main reasons for the difference between the \$776,628 increase in District net position and the \$94,087 increase in fund balances, is the difference in accounting for capital assets, pension liability, other post-employment benefits (health insurance) and long term debt payments. For the fiscal year 2017, Governmental Fund balances increased by \$1,064,922 while the District net position increased by \$1,125,691.

The following schedule shows a comparison of actual revenues and expenditures by source between the current and prior fiscal years.

Following are explanations of significant changes in revenues and expenditures by source:

<u>Revenues and Expenditures Classified by Sources - Governmental Funds</u>										
<u>Revenues by source</u>	2018		2017		2016		Increase/(Decrease) FY 18/17		Increase/(Decrease) FY 17/16	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of change	Amount	% of change
Property taxes	\$ 16,642,360	90%	15,703,346	93%	14,657,823	91%	\$ 939,014	57%	\$ 1,045,523	121%
Use of money/property	126,248	1%	79,076	0%	54,378	0%	47,172	3%	24,698	3%
Aid from other governments	995,591	5%	492,395	3%	701,048	4%	503,196	30%	(208,653)	-24%
Charges for services	673,238	4%	542,329	3%	432,069	3%	130,909	8%	110,260	13%
Other revenue	122,124	1%	89,277	1%	197,465	1%	32,847	2%	(108,188)	-13%
Total	\$ 18,559,561	100%	\$ 16,906,423	100%	\$ 16,042,783	100%	\$ 1,653,138	100%	\$ 863,640	100%
<u>Expenditures by sources</u>										
Current:										
Public Safety										
Salaries and benefits	\$ 13,620,683	66%	\$ 12,383,673	78%	\$ 11,859,266	81%	\$ 1,237,010	6%	\$ 524,407	6%
Services and supplies	2,273,749	11%	1,734,053	11%	1,532,197	10%	539,696	-15%	201,856	-15%
Capital outlay	3,621,759	18%	611,091	4%	121,098	1%	3,010,668	-100%	489,993	-100%
Debt service:								4%		4%
Principal	1,090,000	5%	1,019,717	6%	1,090,000	7%	70,283		(70,283)	
Interest and fiscal charges	41,055	0%	92,967	1%	41,054	0%	(51,912)	-5%	51,913	-5%
Total	\$ 20,647,246	100%	\$ 15,841,501	100%	\$ 14,643,615	100%	\$ 4,805,745	-7%	\$ 1,197,886	-7%

For the fiscal year 2018, total revenue increased by \$1,653,138 or 9.8% percent. The increase in revenues was primarily due to an increase in property tax revenue and \$503,196 in mutual aid recoveries related to Strike Team reimbursements from the California Governor's Office of Emergency Services (OES) and grant funding which vary each year. For the fiscal year 2017, total revenue increased by \$863,640 or 5.4% percent. The increase in revenues was due also primarily to an increase in property tax revenue.

**Central Fire Protection District Of Santa Cruz County
Management's Discussion and Analysis
June 30, 2018, 2017 and 2016**

Total expenditure increased by \$4,805,745 during fiscal year 2018. The increase in expenditures was due to an increase of \$1,237,010 in salary and benefits, and \$3,010,668 due to the purchase of new vehicles and the financing of four new fire apparatus to replace a portion of the District's ageing fleet.

Total expenditure increased by \$1,197,886 during fiscal year 2017. The increase in expenditures was due to paying off the debt related to the District's Fleet Service Building, other capital improvements, and upgrades to personal protective equipment "PPE" & equipment inventory per National Fire Protection Association "NFPA" recommendations.

Capital assets

The District's investment in capital assets for its governmental activities as of June 30, 2018 and 2017 totaled \$12,492,525 and \$9,308,999 (net of accumulated depreciation), respectively. This investment in capital assets includes land, construction in progress, structures and improvements, and equipment.

Capital assets for the governmental activities are presented below to illustrate changes in Fiscal year 2018 and 2017:

	<u>Capital Assets</u>			<u>Increase/(Decrease)</u>	<u>Increase/(Decrease)</u>
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>FY 18/17</u>	<u>FY 17/16</u>
Land	\$ 1,747,037	\$ 2,845,037	\$ 2,845,037	\$ (1,098,000)	\$ -
Construction in progress	3,181,772	-	-	3,181,772	-
Structures and improvements	8,289,769	\$ 7,191,769	\$ 7,110,562	1,098,000	81,207
Equipment	7,163,502	6,678,024	6,482,332	485,478	195,692
Less accumulated depreciation	(7,889,555)	(7,405,831)	(6,956,817)	(483,724)	(449,014)
Total capital assets, net	<u>\$ 12,492,525</u>	<u>\$ 9,308,999</u>	<u>\$ 9,481,114</u>	<u>\$ 3,183,526</u>	<u>\$ (172,115)</u>

Additional information on the District's capital assets can be found in Note 4 of this report.

**Central Fire Protection District Of Santa Cruz County
Management's Discussion and Analysis
June 30, 2018, 2017 and 2016**

Debt Administration

For the governmental activities, the District had long-term debt outstanding at June 30, 2018, of \$3,751,475 as compared to \$2,472,310 in the prior year, an increase of \$1,279,165. During fiscal year end June 30, 2018, new debt was issued in the amount of \$2,181,772 due to a capital lease for new apparatus. The District's side fund decreased by \$1,090,000 and compensated absences increased by \$187,393.

Following is the District's long-term debt activity to illustrate changes from the prior year:

	Governmental Activities				
	2018	2017	2016	% of Change FY 18/17	% of Change FY 17/16
Loan payable-pension	\$ 53,000	\$ 1,143,000	\$ 2,146,000	-95%	-47%
Capital lease agreements	2,181,772	-	308,178	100%	-100%
Compensated absences	1,516,703	1,329,310	1,348,900	14%	-1%
Total	<u>\$ 3,751,475</u>	<u>\$ 2,472,310</u>	<u>\$ 3,803,078</u>	<u>52%</u>	<u>-35%</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District, like many local government and special districts in California, has embarked on a path to redefine services in a changing economic climate. The District is challenged by changing fiscal rules driven to address unfunded liabilities due to the economic pressure that originates from national economic policy, state legislative rule making, and funding based on local conditions. Property tax revenue has grown in 2017 and 2018 at a rate of 7.13% and 5.98% respectively, with a projected growth of 4% in 2019. The District will be challenged to creatively and thoughtfully address consistently increasing personnel benefit expenses with existing revenues. The district continues to evaluate changing conditions, anticipate future impacts, develop fiscal strategies and engage in collective bargaining that allows continued high levels of service to the community at an affordable and responsible level.

WORKERS' COMPENSATION

During the reporting year of 2017/2018, the District realized a significant increase of \$106,821, or 25%, in workers' compensation cost. This is due in part to recent injury and claim experience. The current forecast by SCCFAIG is for significantly increasing workers' compensation costs over the coming years.

**Central Fire Protection District Of Santa Cruz County
Management's Discussion and Analysis
June 30, 2018, 2017 and 2016**

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 District Administrative Office at 930 17th Avenue, Santa Cruz, California 95062 or telephone (831) 479-6842.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Central Fire Protection District of Santa Cruz County
Statement of Net Position
June 30, 2018 and 2017

	2018	2017
ASSETS		
Current assets:		
Cash	\$ 12,407,929	\$ 12,178,090
Accounts receivable	275,097	137,979
Prepaid items	3,482	172,537
Total current assets	12,686,508	12,488,606
Noncurrent assets:		
Capital assets - non-depreciable	4,928,809	2,845,037
Capital assets - depreciable, net	7,563,716	6,463,962
Total capital assets	12,492,525	9,308,999
Total noncurrent assets	12,492,525	9,308,999
Total assets	25,179,033	21,797,605
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - pension	7,049,935	5,208,048
Deferred outflows of resources - OPEB	1,515,432	-
Total deferred outflows of resources	8,565,367	5,208,048
LIABILITIES		
Current liabilities:		
Accounts payable - claims	165,939	123,599
Accounts payable - payroll	396,403	334,928
Interest payable	21,680	-
Compensated absences, due within one year	313,364	313,364
Long term debt, due within one year	337,899	1,090,000
Total current liabilities	1,235,285	1,861,891
Noncurrent liabilities:		
Compensated absences, due in more than one year	1,203,339	1,015,946
Long term debt, due in more than one year	1,896,873	53,000
Net OPEB obligation	-	5,312,443
Net OPEB liability	16,616,200	-
Net pension liability	25,066,660	21,918,653
Total noncurrent liabilities	44,783,072	28,300,042
Total liabilities	46,018,357	30,161,933
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - pension	1,071,165	1,257,013
Total deferred inflows of resources	1,071,165	1,257,013
NET POSITION		
Net investment in capital assets	10,310,753	9,308,999
Unrestricted	(23,655,875)	(13,722,292)
Net position	\$ (13,345,122)	\$ (4,413,293)

See accompanying Notes to Basic Financial Statements.

Central Fire Protection District of Santa Cruz County
Statement of Activities
For the year ended June 30, 2018

	Program Revenues				Total	Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Revenue and Changes in Net Position
Governmental activities						Governmental Activities
Public safety	\$ 17,782,933	\$ 673,238	\$ 995,591	\$ -	\$ 1,668,829	\$ (16,114,104)
Total governmental activities	\$ 17,782,933	\$ 673,238	\$ 995,591	\$ -	\$ 1,668,829	(16,114,104)
General Revenues:						
						16,642,360
						126,248
						122,124
						16,890,732
						776,628
						(14,121,750)
						\$ (13,345,122)

See accompanying Notes to Basic Financial Statements.

Central Fire Protection District of Santa Cruz County
Statement of Activities
For the year ended June 30, 2017

	Program Revenues				Total	Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Revenue and Changes in Net Position
Governmental activities						Governmental Activities
Public safety	\$ 15,437,026	\$ 280,408	\$ 410,610	\$ -	\$ 691,018	\$ (14,746,008)
Total governmental activities	\$ 15,437,026	\$ 280,408	\$ 410,610	\$ -	\$ 691,018	(14,746,008)
General Revenues:						
						15,703,346
						79,076
						89,277
						15,871,699
						Change in net position
						1,125,691
						Net position - beginning of year
						(5,538,984)
						Net position - end of year
						\$ (4,413,293)

See accompanying Notes to Basic Financial Statements.

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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Central Fire Protection District of Santa Cruz County
Balance Sheet - Governmental Funds
June 30, 2018

	General Fund	Vehicle Replacement Capital Project Fund	Capital Outlay Capital Project Fund	Fleet Maintenance Capital Project Fund	Total
ASSETS					
Cash	\$ 9,489,020	\$ 1,957,119	\$ 738,718	\$ 223,072	\$ 12,407,929
Accounts receivable	168,606	-	-	106,491	275,097
Prepaid items	3,482	-	-	-	3,482
Total assets	\$ 9,661,108	\$ 1,957,119	\$ 738,718	\$ 329,563	\$ 12,686,508
LIABILITIES					
Accounts payable	\$ 113,566	\$ 38,498	\$ -	\$ 13,875	\$ 165,939
Accrued salaries and benefits	385,399	-	-	11,004	396,403
Total liabilities	498,965	38,498	-	24,879	562,342
FUND BALANCES					
Nonspendable:					
Prepaid items	3,482	-	-	-	3,482
Assigned:					
Capital improvement	-	-	467,472	-	467,472
Equipment	-	-	271,246	-	271,246
Compensated absences	313,364	-	-	-	313,364
Mobile equipment vehicle replacement	-	1,918,621	-	-	1,918,621
Fleet maintenance	-	-	-	304,684	304,684
Unassigned:					
Economic stability	937,221	-	-	-	937,221
Other	7,908,076	-	-	-	7,908,076
Total fund balances	9,162,143	1,918,621	738,718	304,684	12,124,166
Total liabilities, deferred inflows of resources, and fund balances	\$ 9,661,108	\$ 1,957,119	\$ 738,718	\$ 329,563	\$ 12,686,508

See accompanying Notes to Basic Financial Statements.

Central Fire Protection District of Santa Cruz County
Balance Sheet - Governmental Funds
June 30, 2017

	General Fund	Vehicle Replacement Capital Project Fund	Capital Outlay Capital Project Fund	Fleet Maintenance Capital Project Fund	Total
ASSETS					
Cash	\$ 8,654,049	\$ 2,392,340	\$ 921,591	\$ 210,110	\$ 12,178,090
Accounts receivable	30,752	-	-	107,227	137,979
Prepaid items	168,338	-	-	4,199	172,537
Total assets	\$ 8,853,139	\$ 2,392,340	\$ 921,591	\$ 321,536	\$ 12,488,606
LIABILITIES					
Accounts payable	\$ 47,571	\$ -	\$ 69,050	\$ 6,978	\$ 123,599
Accrued salaries and benefits	325,054	-	-	9,874	334,928
Total liabilities	372,625	-	69,050	16,852	458,527
FUND BALANCES					
Nonspendable:					
Prepaid items	168,338	-	-	4,199	172,537
Assigned:					
Capital improvement	-	-	424,571	-	424,571
Equipment	-	-	427,970	-	427,970
Compensated absences	313,364	-	-	-	313,364
Mobile equipment vehicle replacement	-	2,392,340	-	-	2,392,340
Fleet maintenance	-	-	-	300,485	300,485
Unassigned:					
Economic stability	926,013	-	-	-	926,013
Other	7,072,799	-	-	-	7,072,799
Total fund balances	8,480,514	2,392,340	852,541	304,684	12,030,079
Total liabilities, deferred inflows of resources, and fund balances	\$ 8,853,139	\$ 2,392,340	\$ 921,591	\$ 321,536	\$ 12,488,606

See accompanying Notes to Basic Financial Statements.

Central Fire Protection District of Santa Cruz County
Reconciliation of the Balance Sheet of Governmental Funds
to the Government-Wide Statement of Net Position
June 30, 2018 and 2017

	2018	2017
Fund Balances of Governmental Funds	\$ 12,124,166	\$ 12,030,079
 Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	12,492,525	9,308,999
 In the Government-Wide Financial Statements, employer contributions made subsequent to the measurement date for pension and OPEB, certain differences between actuarial amounts and actual results for pension are deferred and amortized or applied to the net pension liability or net OPEB liability in future periods, however these items do not impact the Governmental Funds Balance Sheet:		
Deferred outflows of resources - pension	7,049,935	5,208,048
Deferred outflows of resources - OPEB	1,515,432	-
Deferred inflows of resources - pension	(1,071,165)	(1,257,013)
 Interest expense on long-term debt is reported on the accrual basis on the Government-Wide Statements, but expenditures on long-term debt in the governmental funds statements are recorded when paid. The following amount represents the change in accrued interest from the prior year.		
	(21,680)	-
 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.		
Long-term debt	(2,234,772)	(1,143,000)
Compensated absences	(1,516,703)	(1,329,310)
Net OPEB obligation	-	(5,312,443)
Net OPEB liability	(16,616,200)	-
Net pension liability	(25,066,660)	(21,918,653)
Net Position of Governmental Activities	\$ (13,345,122)	\$ (4,413,293)

See accompanying Notes to Basic Financial Statements.

Central Fire Protection District of Santa Cruz County
Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2018

	General Fund	Vehicle Replacement Capital Project Fund	Capital Outlay Capital Project Fund	Fleet Maintenance Capital Project Fund	Total
REVENUES:					
Property taxes	\$ 16,642,360	\$ -	\$ -	\$ -	\$ 16,642,360
Use of money and property	88,184	27,846	9,359	859	126,248
Aid from other government agencies	995,591	-	-	-	995,591
Charges for services	258,265	-	-	414,973	673,238
Other revenue	122,124	-	-	-	122,124
Total revenues	18,106,524	27,846	9,359	415,832	18,559,561
EXPENDITURES:					
Current:					
Public Safety					
Salaries and benefits	13,248,294	-	-	372,389	13,620,683
Services and supplies	1,807,044	-	-	466,705	2,273,749
Capital outlay	18,055	3,373,337	218,182	12,185	3,621,759
Debt service:					
Principal	1,090,000	-	-	-	1,090,000
Interest and fiscal charges	41,055	-	-	-	41,055
Total expenditures	16,204,448	3,373,337	218,182	851,279	20,647,246
REVENUES OVER (UNDER) EXPENDITURES	1,902,076	(3,345,491)	(208,823)	(435,447)	(2,087,685)
OTHER FINANCING SOURCES (USES)					
Capital lease financing	-	2,181,772	-	-	2,181,772
Transfer in	-	690,000	95,000	435,447	1,220,447
Transfer out	(1,220,447)	-	-	-	(1,220,447)
Total other financing sources (uses)	(1,220,447)	2,871,772	95,000	435,447	2,181,772
Net change in fund balances	681,629	(473,719)	(113,823)	-	94,087
FUND BALANCES:					
Beginning of year	8,480,514	2,392,340	852,541	304,684	12,030,079
End of year	\$ 9,162,143	\$ 1,918,621	\$ 738,718	\$ 304,684	\$ 12,124,166

See accompanying Notes to Basic Financial Statements.

Central Fire Protection District of Santa Cruz County
Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2017

	General Fund	Vehicle Replacement Capital Project Fund	Capital Outlay Capital Project Fund	Fleet Maintenance Capital Project Fund	Total
REVENUES:					
Property taxes	\$ 15,703,346	\$ -	\$ -	\$ -	\$ 15,703,346
Use of money and property	51,081	18,759	7,782	1,454	79,076
Aid from other government agencies	492,395	-	-	-	492,395
Charges for services	198,622	-	-	343,707	542,329
Other revenue	89,277	-	-	-	89,277
Total revenues	16,534,721	18,759	7,782	345,161	16,906,423
EXPENDITURES:					
Current:					
Public Safety					
Salaries and benefits	12,053,316	-	-	330,357	12,383,673
Services and supplies	1,329,288	-	-	404,765	1,734,053
Capital outlay	96,288	71,628	443,175	-	611,091
Debt service:					
Principal	1,019,717	-	-	-	1,019,717
Interest and fiscal charges	92,967	-	-	-	92,967
Total expenditures	14,591,576	71,628	443,175	735,122	15,841,501
REVENUES OVER (UNDER) EXPENDITURES	1,943,145	(52,869)	(435,393)	(389,961)	1,064,922
OTHER FINANCING SOURCES (USES)					
Transfer in	-	435,000	262,300	505,813	1,203,113
Transfer out	(1,203,113)	-	-	-	(1,203,113)
Total other financing sources (uses)	(1,203,113)	435,000	262,300	505,813	-
Net change in fund balances	740,032	382,131	(173,093)	115,852	1,064,922
FUND BALANCES:					
Beginning of year	7,740,482	2,010,209	1,025,634	188,832	10,965,157
End of year	\$ 8,480,514	\$ 2,392,340	\$ 852,541	\$ 304,684	\$ 12,030,079

See accompanying Notes to Basic Financial Statements.

Central Fire Protection District of Santa Cruz County
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Government-Wide Statement of Activities
For the years ended June 30, 2018 and 2017

	2018	2017
Net Change in Fund Balances - Total Governmental Funds	\$ 94,087	\$ 1,064,922
 Amounts reported for governmental activities in the Statement of Activities are different because:		
 Governmental funds report capital outlay as expenditures. In the statement of activities, however, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Expenditure for capital assets	1,485,478	276,899
Depreciation expense	(483,724)	(449,014)
 Current year employer pension contributions recorded as expenditures in the governmental funds, however these amounts are reported a deferred outflow of resources on the Government-Wide Statement of Net Position.		
	2,132,427	1,890,361
 Current year employer OPEB contributions recorded as expenditures in the governmental funds, however these amounts are reported a deferred outflow of resources on the Government-Wide Statement of Net Position.		
	1,513,700	-
 Pension expense is recorded as incurred in the Government-Wide Statement of Activities, however pension expense is not recognized in the governmental funds.		
	(3,252,699)	(2,759,090)
 OPEB expense is recorded as incurred in the Government-Wide Statement of Activities, however pension expense is not recognized in the governmental funds.		
	(1,593,568)	-
 Repayments of debt principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net position.		
	1,090,000	1,311,178
 Interest expense on long-term debt is reported on the accrual basis on the Government-Wide Statements, but expenditures on long-term debt in the governmental funds statements are recorded when paid. The following amount represents the change in accrued interest from the prior year.		
	(21,680)	4,145
 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.		
Change in compensated absences	(187,393)	19,590
Change in net OPEB obligation	-	(233,300)
Change in Net Position of Governmental Activities	\$ 776,628	\$ 1,125,691

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

Central Fire Protection District Of Santa Cruz County

Notes to Basic Financial Statements

For the years ended June 30, 2018 and 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Central Fire Protection District of Santa Cruz County (District) have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below:

A. *Description of Reporting Entity*

The District was organized October 17, 1987, under the authority of Section 56000 et seq. of the California Government Code, and operates under the provisions of the Fire Protection District Law of 1987 (beginning with Health and Safety Code Section 13800). The District provides fire protection for the City of Capitola, the Town of Soquel, the area east of the City of Santa Cruz known as Live Oak, and portions of the surrounding area.

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. *Basis of Accounting/Measurement Focus*

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

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

The Statement of Net Position and Statement of Activities display information about the primary government. These statements include the financial activities of the overall government.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District governmental activities. Direct expenses are those that are specifically associated with the District. Program revenues include contributions from other governmental agencies that are restricted for meeting the operational or capital requirements of the District. Revenues that are not classified as program revenues, including investment income, are presented instead as general revenues.

Central Fire Protection District Of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2018 and 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting/Measurement Focus, Continued

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Certain eliminations have been made in regards to interfund activities. All internal balances (transfers in and out) in the Statement of Net Position have been eliminated.

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

The accounting objectives of the economic resources measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or non-current) associated with their activities are reported. Fund equity is classified as net position.

Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred or economic asset used.

Governmental Fund Financial Statements - Fund financial statements are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary.

The emphasis of fund financial statements is on major governmental and enterprise funds rather than reporting funds by type. Each major fund is presented in a separate column. The District has no proprietary funds.

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.

Vehicle Replacement Capital Project Fund - The Vehicle Capital Project Fund accounts for monies accumulated for the acquisition of fire engines and other vehicles.

Capital Outlay Capital Project Fund - The Capital Outlay Capital Project Fund accounts for monies accumulated for the acquisition of equipment and acquisition or improvement of existing buildings and structures.

Central Fire Protection District Of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2018 and 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting/Measurement Focus, Continued

Fleet Maintenance Capital Project Fund - The Fleet Maintenance Capital Project Fund accounts for monies assigned for the maintenance of the District's existing fire engines.

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting.

In the current financial resources measurement focus, only current financial assets and liabilities are generally included on the balance sheets. The operating statements present sources and uses of funds available for financial resources during a given period. The fund balance is used as the measure of available financial resources at the end of the period.

Under the modified accrual basis of accounting, revenues are recognized when measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means having been earned and collectible within the current period. Expenditures (including capital outlay) are recorded when the related liability is incurred, except for debt service expenditures (principal and interest), as well as expenditures related to compensated absences which are reported when due.

C. Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as "due to/from other funds" (i.e. current portion of interfund loans) or "advances from/to other funds" (i.e. noncurrent portion of interfund loans).

D. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. A reservation of fund balance has been reported in the governmental funds to show that prepaid amounts do not constitute "available spendable resources."

Central Fire Protection District Of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2018 and 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Capital Assets and Depreciation

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. The District capitalization thresholds for reporting capital assets as of June 30, 2018 is \$5,000.

Depreciation is recorded on the straight-line method over the useful lives of the assets as follows:

Buildings	20-30 years
Equipment	3-10 years

F. Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvements of the assets.

Restricted Net Position – This amount is restricted by external creditors.

Unrestricted Net Position – This amount is all net position that does not meet the definition of “invested in capital assets, net of related debt” or “restricted net position.”

G. Fund Balances

In the fund financial statements, fund balances represent the net current assets of each fund. Net current assets generally represent a fund’s cash, receivables, and other current assets, less its liabilities.

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on specific purposes for which amounts in the funds can be spent. As of June 30, 2018, fund balances for governmental funds are made up of the following:

Nonspendable Fund Balance – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid items, and long-term loans receivable.

Restricted Debt Service – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of governments. The District did not report any restricted net position as of June 30, 2018.

Central Fire Protection District Of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2018 and 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Fund Balances, Continued

Committed Fund Balance - includes amounts that can only be used for the specific purposes determined by a formal action of the District's highest level of decision-making authority, the Board of Directors by passage of a resolution. Commitments may be changed or lifted only by the District taking the same formal action that imposed the constraint originally. The District does not have any committed fund balances.

Assigned Fund Balance - comprises amounts intended to be used by the District for specific purposes that are neither restricted nor committed. The District has not designated any level of authority for assigning fund balance, therefore, the Board of Directors can assign fund balance.

Unassigned Fund Balance - is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. In other governmental funds, if expenditures exceed amounts restricted, committed, or assigned, the negative amount is reflected as negative unassigned fund balance.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

H. Pension Expense

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

I. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

Central Fire Protection District Of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2018 and 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

J. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the statement of financial position will sometimes report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then.

K. Liability for compensated absences

The District is required to recognize a liability for employees' rights to receive compensation for future absences. On June 30, 2018 and 2017, the liability for compensated absences was \$1,516,703 and \$1,329,310 respectively.

L. New Accounting Pronouncements

In 2018, the District adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* - The objective of this statement is to address reporting by governments that provide other postemployment benefits (OPEB) to their employees and for governments that finance OPEB for employees of other governments. The District restated its beginning net position as part of implementation of this statement.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements* - The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this statement did not apply to the District for the current fiscal year.
- GASB Statement No. 85, *Omnibus 2017* - The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and other postemployment benefits (OPEB). There was no effect on net position as a result of implementation of this statement.
- GASB Statement No. 86, *Certain Debt Extinguishment Issues* - The objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this statement did not apply to the District for the current fiscal year.

Central Fire Protection District Of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2018 and 2017

2. CASH AND INVESTMENTS

The District maintains cash and investments as summarized below:

	<u>2018</u>	<u>2017</u>
Petty cash	\$ 300	\$ 300
County of Santa Cruz Investment Pool	12,407,629	12,177,790
Total cash and investments	<u>\$ 12,407,929</u>	<u>\$ 12,178,090</u>

A. Investment with Santa Cruz County Investment Pool

\$12,407,629 and \$12,177,790 at June 30, 2018 and 2017 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 is exempt from levelling disclosure.

B. Interest Rate Risk

At June 30, 2018 and 2017, the District had the following investment maturities.

<u>2018</u>		<u>Investment Maturity (In Years)</u>			
		<u>Fair Value</u>	<u>Less than 1</u>	<u>1 to 2</u>	<u>2 to 3</u>
	<u>Investment Type</u>				
	Santa Cruz County Investment Pool	\$ 12,407,629	\$ 12,407,629	\$ -	\$ -
	Total	<u>\$ 12,407,629</u>	<u>\$ 12,407,629</u>	<u>\$ -</u>	<u>\$ -</u>

Central Fire Protection District Of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2018 and 2017

2. CASH AND INVESTMENTS, Continued

B. Interest Rate Risk, Continued

2017

Investment Type	Fair Value	Investment Maturity (In Years)		
		Less than 1	1 to 2	2 to 3
Santa Cruz County Investment Pool	\$ 12,177,790	\$ 12,177,790	\$ -	\$ -
Total	\$ 12,177,790	\$ 12,177,790	\$ -	\$ -

C. Concentration of Credit Risk

The District's investment in the Santa Cruz County Investment Pool is exempt from disclosure.

D. Investment Policy

The District does not have a formally adopted investment policy, however is limited by State law to the following investments:

Investment Type	Maximum Maturity	Maximum Specified % of Portfolio
Local Agency Bonds	5 Years	None
U.S. Treasury Obligations	5 Years	None
State Obligations	5 Years	None
CA Local Agency Obligations	5 Years	None
U.S. Agency Obligations	5 Years	None
Bankers' Acceptances	180 Days	40%
Commercial Paper	270 Days	40%
Negotiable Certificates of Deposit	5 Years	30%
CD Placement Services	5 Years	30%
Repurchase Agreements	1 Year	None
Reverse Repurchase Agreements and Securities Lending Agreements	92 Days	20% of the Base Value of the Portfolio
Medium-Term Notes	5 Years	30%
Mutual Fund and Money Market Mutual Funds	Unrated	20%
Collateralized Bank Deposits	5 Years	None
Mortgage Pass-Through Securities	5 Years	None
Bank/Time Deposits	5 Years	None
Joint Powers Authority Pool	N/A	None
Local Agency Investment Fund	N/A	None
Supranationals	5 Years	30%

Central Fire Protection District Of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2018 and 2017

3. INTERFUND TRANSACTIONS - FUND FINANCIAL STATEMENTS

The District had the following transfers for the years ended June 30, 2018 and 2017.

FYE 2018	<u>Transfers in</u>	<u>Transfers out</u>	FYE 2017	<u>Transfers in</u>	<u>Transfers out</u>
Governmental Funds					
General Fund	\$ -	\$ (1,220,447)		\$ 920,457	\$ (2,123,750)
Capital Projects Fund:					
Vehicle Replaement Fund	690,000	-		435,000	-
Capital Outlay Fund	95,000	-		262,300	-
Fleet Maintenance Fund	435,447	-		505,813	-
	<u>\$ 1,220,447</u>	<u>\$ (1,220,447)</u>	Total	<u>\$ 1,203,113</u>	<u>\$ (2,123,750)</u>

Transfers are contributions to other funds to finance various programs in accordance with budgetary authorization.

4. CAPITAL ASSETS

The District's capital assets is based on historical costs, or estimates of historical cost. For purposes of fixed asset accounting the District considers assets with a cost of \$5,000 or more and a useful life of three years or more to be capital assets.

Capital asset activities for fiscal years 2018 and 2017 follow:

	<u>Balance at July 1, 2017</u>	<u>Addtion</u>	<u>Deletion</u>	<u>Balance at June 30, 2018</u>
Non-depreciable assets:				
Land	\$ 2,845,037	\$ -	\$ (1,098,000)	\$ 1,747,037
Construction in progress	-	3,181,772	-	3,181,772
Total non-depreciable	<u>2,845,037</u>	<u>3,181,772</u>	<u>(1,098,000)</u>	<u>4,928,809</u>
Depreciable assets:				
Structures and improvements	7,191,769	-	1,098,000	8,289,769
Equipment	6,678,024	485,478	-	7,163,502
Total non-depreciable	<u>13,869,793</u>	<u>485,478</u>	<u>1,098,000</u>	<u>15,453,271</u>
Less accumulated depreciation	<u>(7,405,831)</u>	<u>(483,724)</u>	<u>-</u>	<u>(7,889,555)</u>
Total depreciable assets, net	<u>6,463,962</u>	<u>1,754</u>	<u>1,098,000</u>	<u>7,563,716</u>
Total capital assets	<u>\$ 9,308,999</u>	<u>\$ 3,183,526</u>	<u>\$ -</u>	<u>\$ 12,492,525</u>

Central Fire Protection District Of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2018 and 2017

4. CAPITAL ASSETS, Continued

	Balance at July 1, 2016	Addtion	Deletion	Balance at June 30, 2017
Non-depreciable assets:				
Land	\$ 2,845,037	\$ -	\$ -	\$ 2,845,037
Total non-depreciable	2,845,037	-	-	2,845,037
Depreciable assets:				
Structures and improvements	7,110,562	81,207	-	7,191,769
Equipment	6,482,332	195,692	-	6,678,024
Total non-depreciable	13,592,894	276,899	-	13,869,793
Less accumulated depreciation	(6,956,817)	(449,014)	-	(7,405,831)
Total depreciable assets, net	6,636,077	(172,115)	-	6,463,962
Total capital assets	\$ 9,481,114	\$ (172,115)	\$ -	\$ 9,308,999

5. NON CURRENT LIABILITIES

The following is a summary of changes in non-current liabilities transactions for the fiscal years ended June 30, 2018 and 2017:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year	Due More Than One Year
Governmental Activities:						
Loan payable - pension	\$ 1,143,000	\$ -	\$ (1,090,000)	\$ 53,000	\$ 53,000	\$ -
Capital lease agreements	-	2,181,772	-	2,181,772	284,899	1,896,873
Sub-total	1,143,000	2,181,772	(1,090,000)	2,234,772	337,899	1,896,873
Compensated absences	1,329,310	187,393	-	1,516,703	313,364	1,203,339
Total long-term liabilities	\$ 2,472,310	\$ 2,369,165	\$ (1,090,000)	\$ 3,751,475	\$ 651,263	\$ 3,100,212

Central Fire Protection District Of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2018 and 2017

5. NON CURRENT LIABILITIES, Continued

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year	Due More Than One Year
Governmental Activities:						
Loan payable - pension	\$ 2,146,000	\$ -	\$ (1,003,000)	\$ 1,143,000	\$ 1,090,000	\$ 53,000
Land and building debt	308,178	-	(308,178)	-	-	-
Sub-total	2,454,178	-	(1,311,178)	1,143,000	1,090,000	53,000
Compensated absences	1,348,900	-	(19,590)	1,329,310	313,364	1,015,946
Total long-term liabilities	<u>\$ 3,803,078</u>	<u>\$ -</u>	<u>\$ (1,330,768)</u>	<u>\$ 2,472,310</u>	<u>\$ 1,403,364</u>	<u>\$ 1,068,946</u>

A. Loan Payable - Pension

The District issued debt funded by JPMorgan Chase Bank, N.A. in fiscal year 2011. Payments are due semi-monthly, which include interest at 4.70% per annum. Initial payment was due on June 15, 2011, and the final payment is due on April 13, 2019. The proceeds of the debt were used to pay off the District's side fund liability calculated by CalPERS. The loan balance as of June 30, 2018 was \$53,000.

Year Ending June 30,	Principal	Interest	Total
2019	\$ 53,000	\$ 1,661	\$ 54,661
Total	<u>\$ 53,000</u>	<u>\$ 1,661</u>	<u>\$ 54,661</u>

B. Capital Lease Obligations

On February 28, 2018, the District entered into a capital lease agreement in the amount of \$2,181,772 for acquisition of various fire engines and fire equipment from Rosenbauer. The lease agreement provides for 7 annual payments for of \$349,938 from February 28, 2019 to February 28, 2025.

Year Ending June 30,	Principal	Interest	Total
2019	\$ 284,899	\$ 65,039	\$ 349,938
2020	293,392	56,546	349,938
2021	302,138	47,800	349,938
2022	311,145	38,793	349,938
2023	320,420	29,518	349,938
2024-2025	669,778	30,098	699,876
Total	<u>\$ 2,181,772</u>	<u>\$ 267,794</u>	<u>\$ 2,449,566</u>

Central Fire Protection District Of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2018 and 2017

6. DEFINED BENEFIT PENSION PLAN

A. Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other.) Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous risk pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The Authority sponsors three rate plans (three miscellaneous). Benefit provisions under the Plan are established by State statute and Authority resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

B. Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employee's Retirement Law.

The rate plan provisions and benefits in effect at June 30, 2018 and 2017 are summarized as follows:

	<u>Safety Tier 1</u>		<u>Safety Tier 2</u>	
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Hire Date				
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50	50 - 57	50 - 55	50 - 57
Monthly benefits, as a % of annual salary	3%	2.0% to 2.7%	3%	2.0% to 2.7%
Required employee contribution rates	9%	11.50%	9%	11.50%
Required employer contribution rates	18.52%	11.50%	15.63%	11.50%

Central Fire Protection District Of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2018 and 2017

6. DEFINED BENEFIT PENSION PLAN, Continued

B. Benefits Provided, Continued

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

The District’s contributions to the Plan for the measurement period ended June 30, 2017 and 2016 were \$1,890,361 and \$1,672,160

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

As of June 30, 2018 and 2017, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$25,066,660 and \$21,918,653

The District’s net pension liability for the Plan is measured as the proportionate share of the total net pension liability of the Plan. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District’s proportionate share of the net pension liability was based on the District’s plan liability and asset-related information where available, and proportional allocations of individual plan amounts as of the valuation date where not available.

The District’s proportionate share of the net pension liability for the Plan as of the measurement dates June 30, 2015, 2016 and 2017 were as follows:

Proportion - June 30, 2015	0.25078%	Proportion - June 30, 2016	0.25330%
Proportion - June 30, 2016	<u>0.25330%</u>	Proportion - June 30, 2017	<u>0.25276%</u>
Change - Increase (Decrease)	<u>0.00252%</u>	Change - Increase (Decrease)	<u>-0.00054%</u>

Central Fire Protection District Of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2018 and 2017

6. DEFINED BENEFIT PENSION PLAN, Continued

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

For the year ended June 30, 2018, and 2017, the Agency recognized pension expense of \$3,252,699 and \$2,732,763 respectively. At June 30, 2018 and 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018		2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,132,427	\$ -	\$ 1,890,361	\$ -
Changes of assumptions	3,657,984	280,581	-	(574,089)
Differences between expected and actual experience	225,475	62,316	-	(123,337)
Changes in employer's proportion	235,271	262,605	489,393	-
Differences between the employer's contribution and the employer's proportionate share of contributions	-	465,663	-	(559,587)
Net differences between projected and actual earnings on plan investments	798,778	-	2,828,294	-
Total	\$ 7,049,935	\$ 1,071,165	\$ 5,208,048	\$ (1,257,013)

\$2,132,427 and \$1,890,361 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019 and 2018, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year	Ending June 30:	
	2018	2017
2018	\$ -	\$ 281
2019	788,083	16,459
2020	2,199,525	1,307,831
2021	1,326,415	736,103
2022	(467,679)	-

Central Fire Protection District Of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2018 and 2017

6. DEFINED BENEFIT PENSION PLAN, Continued

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

Actuarial assumptions

The total pension liabilities in the June 30, 2016 and 2015 actuarial valuations were determined using the following actuarial assumptions:

	<u>2018</u>	<u>2017</u>
Valuation Date	June 30, 2016	June 30, 2015
Measurement Date	June 30, 2017	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.15%	7.65%
Inflation	2.75%	2.75%
Projected Salary Increase	Varies by entry age and service	Varies by entry age and service
Investment Rate of Return (1)	7.15%	7.65%
Mortality	Derived by CalPERS membership data for all funds	Derived by CalPERS membership data for all funds

(1) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

Central Fire Protection District Of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2018 and 2017

6. DEFINED BENEFIT PENSION PLAN, Continued

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	2018			2017		
	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.00%	4.90%	5.38%	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	80.00%	2.27%	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	60.00%	1.39%	6.00%	0.45%	3.36%
Private Equity	12.00%	6.60%	6.63%	10.00%	6.83%	6.95%
Real Estate	11.00%	2.80%	5.21%	10.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	3.90%	5.36%	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.40%	-0.90%	1.00%	-0.55%	-1.05%
Total	<u>100.00%</u>			<u>100.00%</u>		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

Central Fire Protection District Of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2018 and 2017

6. DEFINED BENEFIT PENSION PLAN, Continued

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

Sensitivity of the net pension liability to changes in the discount rate

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

	<u>2018</u>	<u>2017</u>
1% Decrease	6.15%	6.65%
Net Pension Liability	\$ 37,150,046	\$ 32,696,051
Current Discount Rate	7.15%	7.65%
Net Pension Liability	\$ 25,066,660	\$ 21,918,653
1% Increase	8.15%	8.65%
Net Pension Liability	\$ 15,183,871	\$ 13,069,310

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2018 the District reported a payable of \$0 for outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

7. OTHER POSTEMPLOYMENT BENEFITS PLAN

In addition to pension benefits, the District provides medical insurance to retired employees. The scope of the benefits provided depends on the memorandum of understanding between the District and various employee groups.

A. Plan Description

Eligible retirees may elect to maintain their life and dental insurance benefits provided their portion of the premium is paid. Vision insurance coverage is offered to retirees, but 100% of the premium is paid by the retiree.

Central Fire Protection District Of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2018 and 2017

7. OTHER POSTEMPLOYMENT BENEFITS PLAN, Continued

B. Employees Covered

As of the June 30, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB Plan:

Active employees	53
Inactive employees or beneficiaries currently receiving benefits	<u>53</u>
Total	106

C. Contributions

The annual contribution is based on the actuarially determined contribution. For the year ended June 30, 2018, the District's cash contributions were \$424,100, payment to the trust of \$781,400 and the estimated implied subsidy was \$313,900 resulting in total payments of \$1,519,400.

D. Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017 that, was based on the following actuarial methods and assumptions:

<u>Actuarial Assumptions</u>	
Discount Rate	7.28%
Inflation	3.00%
Salary Increases	2% per annum
Investment Rate of Return	7.28%
Mortality Rate ⁽¹⁾	Derived using CalPERS' Membership Data for all funds
Pre-Retirement Turnover ⁽²⁾	Derived using CalPERS' Membership Data for all funds
Healthcare Trend Rate	Various initial rates grading to ultimate 4.00% for medical, flat 3.00% for dental.

Notes: ⁽¹⁾ Pre-retirement mortality information was derived from data collected during 1997 to 2011 CalPERS Experience Study dated January 2014 and post-retirement mortality information was derived from the 2007 to 2011 CalPERS Experience Study. The Experience Study Reports may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications. ⁽²⁾ The pre-retirement turnover information was developed based on CalPERS' specific data. For more details, please refer to the 2007 to 2011 Experience Study Report. The Experience Study Report may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

Central Fire Protection District Of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2018 and 2017

7. OTHER POSTEMPLOYMENT BENEFITS PLAN, Continued

D. Net OPEB Liability, Continued

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	57.00%	7.75%
Fixed Income	27.00%	4.29%
Treasury Inflation-Protected Securities (TIPS)	5.00%	3.50%
Commodities	3.00%	2.84%
Real Estate Investment Trusts	8.00%	5.75%
Liquidity	0.00%	0.00%
TOTAL	100.00%	

E. Discount Rate

The discount rate used to measure the total OPEB liability was 7.28 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Central Fire Protection District Of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2018 and 2017

7. OTHER POSTEMPLOYMENT BENEFITS PLAN, Continued

F. Changes in the OPEB Liability

The changes in the net OPEB liability for the OPEB Plan are as follows:

	Increase (Decrease)		Net OPEB Liability/(Asset) (c) = (a) - (b)
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	
Balance at June 30, 2017 (Measurement Date June 30, 2016)	\$ 17,396,800	\$ 856,500	\$ 16,540,300
Changes recognized for the measurement period:			
Service cost	427,700	-	427,700
Interest	1,242,700	-	1,242,700
Difference between expected and actual experience	-	-	-
Changes in Assumption	-	-	-
Contributions - employer	-	1,519,400	(1,519,400)
Net investment income	-	75,607	(75,607)
Benefit payment	(1,095,300)	(1,095,300)	-
Administrative expenses	-	(507)	507
Net Changes	575,100	499,200	75,900
Balance at June 30, 2018 (Measurement Date June 30, 2017)	\$ 17,971,900	\$ 1,355,700	\$ 16,616,200

G. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	1% Decrease (6.28%)	Current Discount Rate (7.28%)	1% Increase (8.28%)
Net OPEB Liability	\$ 18,779,600	\$ 16,616,200	\$ 14,809,200

Central Fire Protection District Of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2018 and 2017

7. OTHER POSTEMPLOYMENT BENEFITS PLAN, Continued

H. Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

	1% Decrease (Various initial rates grading to ultimate 3.00% for medical, flat 2.00% for dental)	Current Rates (Various initial rates grading to ultimate 4.00% for medical, flat 3.00% for dental)	1% Increase (Various initial rates grading to ultimate 5.00% for medical, flat 4.00% for dental)
Net OPEB Liability	\$ 14,730,300	\$ 16,616,200	\$ 18,902,800

I. Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 Years
All other amounts	Expected average remaining service lifetime (EARSL) (6.0 Years at June 30, 2017)

J. OPEB Expense and Deferred Outflows/(Inflows) of Resources Related to OPEB

For the fiscal years ended June 30, 2018, the District recognized OPEB expense of 1,593,568. For the fiscal year ended June 30, 2018, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Contributions to OPEB plan after measurement date	\$ 1,513,700
Net difference between projected and actual earnings of OPEB plan investment of TOL	1,732
	<u>\$ 1,515,432</u>

Central Fire Protection District Of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2018 and 2017

7. OTHER POSTEMPLOYMENT BENEFITS PLAN, Continued

J. OPEB Expense and Deferred Outflows/(Inflows) of Resources Related to OPEB, Continued

The \$1,513,700 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30:	Deferred Outflows of Resources
2019	(433)
2020	(433)
2021	(433)
2022	(433)

K. Annual OPEB Cost and Net OPEB Obligations/Assets (GASB 45 Information for 2017)

The District’s annual other postemployment benefits cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The table on the following page shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District’s Net OPEB obligation for the year ended June 30, 2017.

	2017
Annual required contribution (ARC)	\$ 1,355,300
Interest on net OPEB obligation	324,600
Adjustment to annual required contribution	(316,400)
Annual OPEB cost (expense)	1,363,500
Contributions	(1,130,200)
(Increase) decrease in net OPEB obligation	233,300
Net OPEB obligation - beginning of year	5,079,143
Net OPEB obligation - end of year	\$ 5,312,443

Central Fire Protection District Of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2018 and 2017

7. OTHER POSTEMPLOYMENT BENEFITS PLAN, Continued

K. Annual OPEB Cost and Net OPEB Obligations/Assets (GASB 45 Information for 2017), Continued

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2015	1,526,673	72%	4,727,243
6/30/2016	1,368,400	74%	5,079,143
6/30/2017	1,363,500	83%	5,312,443

Funded Status and Funding Progress: The funded status of the plan as of most recent valuation was as follows:

	June 30, 2015
Actuarial accrued liability (AAL)	\$ 17,073,500
Actuarial value of plan assets	496,800
Unfunded actuarial accrued (liability) asset (UAAL)	\$ (16,576,700)
Funded ratio (actuarial value of plan assets/AAL)	3%
Covered payroll (active plan members)	\$ 6,591,000
UAAL as a percentage of covered payroll	252%

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

For the July 1, 2015 actuarial valuation, included (a) Demographic assumptions affected by mortality, turnover, disability, and retirement based on the June 30, 2015 CalPERS pension valuation, (b) 5.25% investment rate of return, and (c) 2% overall payroll growth. The initial UAAL was amortized as a level percentage of projected payroll over a closed 30-year period. The remaining amortization period at June 30, 2015 was 23 years.

Central Fire Protection District Of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2018 and 2017

8. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

In the year ended June 30 2018, the following funds had expenditures that exceeded appropriations:

<u>Account with Excess Expenditure</u>	<u>Excess Amount</u>
Capital Projects Fund	
<i>Vehicle replacement Fund</i>	\$ 2,042,358

Capital Projects Fund – Vehicle replacement fund exceeded appropriations by \$2,042,358, due to new capital lease agreement for the acquisition of fire trucks and fire apparatus. The budget was not amended for this transaction, however was approved by the Board of Directors.

9. RESTATEMENT

The District recorded a prior period adjustment to recognize deferred outflows of resources and net OPEB liability as of June 30, 2017.

	Net Position, as Previously Reported at June 30, 2017	<u>Prior Period Adjustment</u>		Net Position, as Restated at at June 30, 2017
		<u>Deferred Employer OPEB</u>	<u>Net OPEB Liability</u>	
Government-Wide Statements	\$ (4,413,293)	\$ 1,519,400	\$ (11,227,857)	\$ (14,121,750)

10. 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.

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 Fire Agencies Insurance Group's Board of Directors opted to terminate the CPEA 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 SCAC-EIA ("the JPA") is such that CSAC-EIA is not a component unit of the Group for reporting purposes.

Central Fire Protection District Of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2018 and 2017

10. RISK MANAGEMENT, Continued

Workers' compensation coverage, Continued

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 CSAC-EIA only at the end of a poly period and only if a sixty day written advance notice is given. However, SCAC-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 adoption an annual budget.

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 the purchased stop loss insurance policy.

Excess workers' compensation

CPEIA 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 the actuarial estimate of expected ultimate claim cost discounted at 6%.

The District paid \$511,458 and \$431,555, including the District's payment for workers' compensation portfolio transfer for workers' compensation to the Group for the years ended June 30, 2018 and 2017, respectively

Fire Agencies Insurance Risk Authority (FAIRA)

The District has joined the Fire Agencies Insurance Risk Authority, a joint powers authority (JPA), with other California special districts as members. The relationship between the district and the JPA is such that the JPA is not a component unit of the District for reporting purposes. The Authority, as administrator, maintains general liability insurance for its members. The purpose of this joint protection program is to reduce the amount and frequency of their losses, pool their self-insured losses, and jointly purchase general liability insurance. For the fiscal year ended June 30, 2018, self-insurance retention was \$250,000. The JPA's separately published financial statements are available from the JPA.

Central Fire Protection District Of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2018 and 2017

10. RISK MANAGEMENT, Continued

Insurance Coverage

Insurance coverage at June 30, 2018 was as follows:

	<u>Limits</u>	<u>Deductible</u>
Coverage through FAIRA		
General liability		
General liability-per occurrence	\$ 1,000,000	\$ -
Wrongful acts-aggregate	\$ 2,000,000	
Auto liability-combined single limit	\$ 5,000,000	\$ 1,000
Other auto coverage-		
Uninsured motorist/bodily injury	\$ 60,000	\$ 1,000
Excess liability coverage-per occurrence	\$ 10,000,000	\$ -

Property, building and contents:

	<u>Building Contents</u>	<u>Building Value</u>	<u>Deductible</u>
Station-3445 Thurber Lane	\$ 383,000	\$ 1,914,000	\$ 5,000
Station-930 17th Avenue	\$ 736,000	\$ 3,110,000	\$ 5,000
Station-4747 Soquel Drive	\$ 211,000	\$ 1,053,000	\$ 5,000
Station-405 Capitola Avenue	\$ 175,000	\$ 876,000	\$ 5,000
Administration Building	\$ 433,000	\$ 1,924,000	\$ 5,000
Fleet Maintenance Building	\$ 256,000	\$ 1,406,000	\$ 5,000

	<u>Limits</u>	<u>Deductible</u>
Equipment floater-		
Miscellaneous portable equipment	\$ 461,708	\$ 1,000
Vehicles		
Comprehensive	Actual Cash Value	\$ 1,000
Collusion	Actual Cash Value	\$ 1,000
Flood insurance		
Building-Station 3, 4747 Soquel Drive	\$ 30,300	\$ 1,000
Contents	\$ 17,400	\$ 1,000

Central Fire Protection District Of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2018 and 2017

10. RISK MANAGEMENT, Continued

Insurance Coverage, Continued

Other Insurance:

Personnel	
Workers' compensstaion (self-insured through the Santa Cruz county Fire Agencies Insurance Group)	Statutory
Health- PERS	Limited Coverage
Dental- Delta Dental	Limited Coverage
Life and Long-Term Disability CA Assn. of- Professional firefighters-Fontis/Unum	Limited Coverage
Paid Call- Life Insurance and Long-Term Disability-C.S.F.A	Limited Coverage

REQUIRED SUPPLEMENTARY INFORMATION

Central Fire Protection District of Santa Cruz County
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the year ended June 30, 2018

1. BUDGETS AND BUDGETARY ACCOUNTING

The General Fund's budgetary comparison schedule for the year ended June 30, 2018 is as follows.

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes:				
Current secured	\$ 15,885,615	\$ 15,885,615	\$ 15,868,393	\$ (17,222)
Residual distribution	-	-	132,324	132,324
Current unsecured	325,000	325,000	310,228	(14,772)
Penalties and costs of delinquent taxes	3,000	3,000	4,971	1,971
Current supplemental - secured	200,000	200,000	281,145	81,145
Current supplemental - unsecured	10,000	10,000	5,220	(4,780)
Prior year	60,000	60,000	34,610	(25,390)
In lieu property tax	5,000	5,000	5,468	468
Sub-total	16,488,615	16,488,615	16,642,360	153,744
Use of money and property:				
Interest general	35,000	35,000	88,184	53,184
Sub-total	35,000	35,000	88,184	53,184
Aid from other governmental agencies:				
Contributions from other government agencies	-	-	-	-
Homeowner's property tax relief	105,502	105,502	99,653	(5,849)
State - other	-	380,197	491,075	110,878
Federal grants	3,647	3,647	100,000	96,353
RDA's	263,000	263,000	304,863	41,863
Sub-total	372,149	752,346	995,591	243,245
Charges for current services				
Emergency response recovery	-	-	-	-
Retiree charges	25,619	25,619	25,006	(613)
Computer services	51,320	51,320	46,097	(5,223)
Copy charges/other revenue	300	300	371	71
Cost recovery - other	-	-	1,753	1,753
Charges for current services	-	-	22,871	22,871
Other charges for services	130,000	130,000	162,167	32,167
Sub-total	207,239	207,239	258,265	51,026

Central Fire Protection District of Santa Cruz County
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the year ended June 30, 2018

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Other revenue				
Insurance proceeds	-	-	119,292	119,292
Other revenue	-	-	2,833	2,833
Sub-total	-	-	122,124	122,125
Total revenues	17,103,003	17,483,200	18,106,524	623,324
EXPENDITURES:				
Salaries and employee benefits				
Salaries	7,532,496	7,996,381	7,994,799	1,582
Retirement (Social Security and PERS)	2,244,823	2,260,823	2,224,927	35,896
Employee insurance and benefits	2,569,656	2,603,656	2,361,248	242,408
Unemployment insurance	13,447	13,447	9,447	4,000
Workers' compensation insurance	511,458	511,458	511,458	-
Sick leave reserve	137,340	137,340	146,415	(9,075)
Sub-total	13,009,220	13,523,105	13,248,294	274,811
Services and supplies:				
Clothing and personal supplies	215,117	308,117	297,770	10,347
Uniform replacement	68,148	68,148	45,585	22,563
Radio	161,844	161,844	157,330	4,514
Telephone and telegraph	43,365	43,365	38,537	4,828
Food	7,552	7,552	6,481	1,071
Other household expenses	44,788	100,231	83,473	16,758
Other insurance	31,469	31,469	26,156	5,313
Maintenance - mobile equipment	9,040	9,040	2,791	6,249
Maintenance - office equipment	3,491	3,491	2,686	805
Maintenance - other equipment	48,800	48,800	46,375	2,425
Maintenance - structure and grounds	70,462	70,462	65,164	5,298
Medical, dental, and lab supplies	35,846	35,846	27,333	8,513
Memberships	6,583	6,583	5,047	1,536

Central Fire Protection District of Santa Cruz County
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the year ended June 30, 2018

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Services and supplies (Continued):				
PC software	51,224	51,224	40,299	10,925
Supplies	37,955	37,955	32,567	5,388
Accounting (County PR) and auditing fees	30,798	30,798	28,484	2,314
Directors' fees	20,286	20,286	17,961	2,325
Laundry services	1,302	1,302	-	1,302
Medical services - other	41,035	41,035	38,335	2,700
Professional and special services	1,041,951	1,041,951	818,212	223,739
Legal notices	3,025	3,025	1,686	1,339
Equipment lease and rent	10,952	10,952	4,487	6,465
Small tools and instruments	94,686	139,686	120,229	19,457
Education and/or training	70,861	70,861	78,420	(7,559)
Special district expense	39,000	39,000	36,091	2,909
Subscriptions, books and educational materials	5,372	5,372	1,927	3,445
Education and training	127,058	127,058	75,007	52,051
Gas, oil, and fuel	68,540	68,540	63,256	5,284
Travel - other	600	600	1,530	(930)
Utilities	55,526	55,526	58,259	(2,733)
Contributions to other agencies	21,013	21,013	21,013	-
Sub-total	2,467,689	2,661,132	2,242,491	418,641
Capital outlay	20,211	20,211	18,055	2,156
Debt service:				
Principal	1,090,000	1,090,000	1,090,000	-
Interest	41,055	41,055	41,055	-
Sub-total	1,131,055	1,131,055	1,131,055	-
Contingencies	100,000	100,000	-	100,000
Total expenditures	16,728,175	17,435,503	16,639,895	795,608
REVENUES OVER (UNDER) EXPENDITURES	374,828	47,697	1,466,629	1,418,932

Central Fire Protection District of Santa Cruz County
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the year ended June 30, 2018

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES):				
Transfers (out)	(1,278,131)	(1,278,131)	(1,220,447)	57,684
Total other financing sources (uses)	(1,278,131)	(1,278,131)	(1,220,447)	57,684
Net change in fund balance	\$ (903,303)	\$ (1,230,434)	246,182	\$ 1,476,616
FUND BALANCE:				
Beginning of year			8,480,514	
End of year			\$ 8,726,696	

Central Fire Protection District of Santa Cruz County
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the year ended June 30, 2017

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

The General Fund's budgetary comparison schedule for the year ended June 30, 2017 is as follows.

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes:				
Current secured	\$ 14,781,052	\$ 14,781,052	\$ 15,057,455	\$ 276,403
Residual distribution	-	-	72,139	72,139
Current unsecured	296,407	296,407	304,472	8,065
Penalties and costs of delinquent taxes	10,000	10,000	3,339	(6,661)
Current supplemental - secured	140,000	140,000	212,445	72,445
Current supplemental - unsecured	3,000	3,000	8,066	5,066
Prior year	36,000	36,000	45,429	9,429
In lieu property tax	5,000	5,000	-	(5,000)
Sub-total	15,271,459	15,271,459	15,703,345	431,886
Use of money and property:				
Interest general	35,000	35,000	51,081	16,081
Sub-total	35,000	35,000	51,081	16,081
Aid from other governmental agencies:				
Contributions from other government agencies	-	-	-	-
Homeowner's property tax relief	107,212	107,212	101,445	(5,767)
State - other	-	78,100	77,625	(475)
Federal grants	-	-	4,161	4,161
RDA's	228,000	228,000	309,165	81,165
Sub-total	335,212	413,312	492,396	79,084
Charges for current services				
Emergency response recovery	2,413	2,413	-	(2,413)
Retiree charges	24,065	24,065	25,671	1,606
Computer services	57,694	57,694	39,924	(17,770)
Copy charges/other revenue	300	300	214	(86)
Cost recovery - other	-	-	1,356	1,356
Charges for current services	118,725	118,725	-	(118,725)
Other charges for services	130,000	130,000	131,458	1,458
Sub-total	333,197	333,197	198,623	(134,574)

Central Fire Protection District of Santa Cruz County
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the year ended June 30, 2017

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Other revenue				
Insurance proceeds	-	-	83,013	83,013
Other revenue	-	-	6,264	6,264
Sub-total	-	-	89,277	89,277
Total revenues	15,974,868	16,052,968	16,534,722	481,754
EXPENDITURES:				
Salaries and employee benefits				
Salaries	7,240,265	7,240,265	6,967,414	272,851
Retirement (Social Security and PERS)	1,968,460	1,968,460	1,948,284	20,176
Employee insurance and benefits	2,420,756	2,420,756	2,378,587	42,169
Unemployment insurance	12,719	12,719	9,399	3,320
Workers' compensation insurance	409,978	409,978	409,978	-
Sick leave reserve	271,202	271,202	339,653	(68,451)
Sub-total	12,323,380	12,323,380	12,053,315	270,065
Services and supplies:				
Clothing and personal supplies	111,965	111,965	19,658	92,307
Uniform replacement	21,754	21,754	22,678	(924)
Radio	153,262	153,262	149,166	4,096
Telephone and telegraph	39,333	39,333	36,630	2,703
Food	3,111	3,111	2,953	158
Other household expenses	43,429	43,429	41,108	2,321
Other insurance	32,339	32,339	24,765	7,574
Maintenance - mobile equipment	7,088	7,088	2,125	4,963
Maintenance - office equipment	2,600	2,600	2,288	312
Maintenance - other equipment	41,828	41,828	32,864	8,964
Maintenance - structure and grounds	51,998	51,998	51,363	635
Medical, dental, and lab supplies	66,860	66,860	21,695	45,165
Memberships	5,097	5,097	4,378	719

Central Fire Protection District of Santa Cruz County
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the year ended June 30, 2017

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Services and supplies (Continued):				
PC software	57,484	57,484	40,943	16,541
Supplies	26,744	26,744	25,158	1,586
Accounting (County PR) and auditing fees	28,508	28,508	27,334	1,174
Directors' fees	22,271	22,271	18,324	3,947
Laundry services	4,524	4,524	1,104	3,420
Medical services - other	46,780	46,780	32,959	13,821
Professional and special services	996,045	996,045	951,188	44,857
Legal notices	4,675	4,675	3,788	887
Equipment lease and rent	4,610	4,610	4,769	(159)
Small tools and instruments	70,107	70,107	48,363	21,744
Education and/or training	29,321	29,321	23,536	5,785
Special district expense	102,318	102,318	64,898	37,420
Subscriptions, books and educational materials	8,848	8,848	8,409	439
Education and training	66,330	66,330	56,271	10,059
Gas, oil, and fuel	67,201	67,201	45,941	21,260
Travel - other	575	575	75	500
Utilities	55,300	55,300	52,714	2,586
Contributions to other agencies	17,658	17,658	17,658	-
Sub-total	2,189,963	2,189,963	1,835,103	354,860
Capital outlay	119,273	119,273	96,288	22,985
Debt service:				
Principal	1,019,717	1,019,717	1,019,717	-
Interest	92,232	92,232	92,967	(735)
Sub-total	1,111,949	1,111,949	1,112,684	(735)
Contingencies	100,000	100,000	-	100,000
Total expenditures	15,844,565	15,844,565	15,097,390	747,175
REVENUES OVER (UNDER) EXPENDITURES	130,303	208,403	1,437,332	1,228,929

Central Fire Protection District of Santa Cruz County
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the year ended June 30, 2017

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of capital assets	-	8,500	-	(8,500)
Transfers (out)	(697,300)	(697,300)	(1,203,113)	(505,813)
Total other financing sources (uses)	(697,300)	(688,800)	(1,203,113)	(514,313)
Net change in fund balance	\$ (566,997)	\$ (480,397)	234,219	\$ 714,616
FUND BALANCE:				
Beginning of year			7,740,482	
End of year			\$ 7,974,701	

Central Fire Protection District of Santa Cruz County
Required Supplementary Information
For the years ended June 30, 2018 and 2017

2. DEFINED BENEFIT PENSION PLAN

*Schedule of Proportionate Share of the Net Pension Liability and Related Ratios - Last 10 Years**

Fiscal Year	2018	2017	2016	2015
Measurement Date	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of the net pension liability	0.25276%	0.25331%	0.25078%	0.23067%
Proportionate share of the net pension liability	\$ 25,066,660	\$ 21,918,653	\$ 17,213,403	\$ 14,353,672
Covered payroll	\$ 5,717,461	\$ 5,621,693	\$ 5,137,474	\$ 5,600,845
Proportionate Share of the net pension liability as percentage of covered payroll	438.42%	389.89%	335.06%	256.28%
Plan's fiduciary net position as a percentage of the total pension liability	73.31%	74.06%	78.40%	83.03%

Notes to Schedule:

* Fiscal year 2015 was the 1st year of implementation.

*Schedule of Contributions - Last 10 Fiscal Years**

	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 2,132,427	\$ 1,890,361	\$ 1,672,160	\$ 1,358,801
Contribution in relation to the actuarially determined contributions	(2,132,427)	(1,890,361)	(1,672,160)	(1,358,801)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 6,341,628	\$ 5,717,461	\$ 5,621,693	\$ 5,137,474
Contributions as a percentage of covered payroll	33.63%	33.06%	29.74%	26.45%

Note to Schedule

Valuation date: 6/30/2016 6/30/2015 6/30/2014 6/30/2013

* Fiscal year 2015 was the 1st year of implementation.

Central Fire Protection District of Santa Cruz County
Required Supplementary Information
For the years ended June 30, 2018 and 2017

3. OTHER POST EMPLOYMENT BENEFITS (OPEB)

Schedule of the Changes in the Net OPEB Liability and Related Ratios

<i>Measurement Period</i>	2017
Total OPEB Liability	
Service Cost	\$ 427,700
Interest on the total OPEB liability	1,242,700
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	(1,095,300)
Net change in total OPEB liability	575,100
Total OPEB liability - beginning	17,396,800
Total OPEB liability - ending (a)	\$ 17,971,900
 Plan Fiduciary Net Position	
Contributions - employer	\$ 1,519,400
Net investment income	75,607
Benefit payments, including refunds of employee contributions	(1,095,300)
Administrative expense	(507)
Net change in plan fiduciary net position	499,200
Plan fiduciary net position - beginning	856,500
Plan fiduciary net position - ending (b)	\$ 1,355,700
Net OPEB liability/(asset) - ending (a) - (b)	\$ 16,616,200
Plan fiduciary net position as a percentage of the total OPEB liability	8%
Covered-employee payroll	7,185,600
Net OPEB liability as a percentage of covered-employee payroll	231.24%

Notes to Schedule:

Changes in assumptions. Average per capita claims cost was updated to reflect actual 2017 premiums, the health care cost trend rate was updated to reflect 2018 industry survey data, and the mortality table was updated to reflect the most recent CalPERS studies.

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

Central Fire Protection District of Santa Cruz County
Required Supplementary Information
For the years ended June 30, 2018 and 2017

3. OTHER POST EMPLOYMENT BENEFITS (OPEB), Continued

*Schedule of Contributions - Last 10 Fiscal Years**

Fiscal Year Ended June 30	2018
Actuarially Determined Contribution (ADC)	\$ 1,561,000
Contributions in relation to the ADC	(1,513,700)
Contribution deficiency (excess)	\$ 47,300
Covered-employee payroll	\$ 7,185,600
Contributions as a percentage of covered-employee payroll	21.07%

Notes to Schedule:

Methods and assumptions used to determine contributions:

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Straightline Amortization
Asset Valuation Method	Market value
Inflation	3%
Payroll Growth	2% annual increases
Investment Rate of Return	7.28%
Healthcare cost-trend rates	7.70% decreasing to 5.00%
Retirement Age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	Pre-retirement mortality probability based on 2014 CalPERS 1997-2011 Experience Study covering CalPERS participants. Post-retirement mortality probability based on CalPERS Experience Study 2007-2011 covering participants in CalPERS.

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

Schedule of Funding Progress (GASB 45 Information for 2017)

Funded Status of Plan						
Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Actuarial Unfunded (Overfunded) Liability	Funded Ratio	Covered Payroll	Liability as Percentage of Covered Payroll
7/1/2015	496,800	17,073,500	16,576,700	3%	6,591,000	252%

SUPPLEMENTARY INFORMATION

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Central Fire Protection District of Santa Cruz County
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Vehicle Replacement Capital Project Fund
For the year ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Use of money and property:				
Interest general	\$ 9,000	\$ 9,000	\$ 27,846	\$ 18,846
Sub-total	9,000	9,000	27,846	18,846
Aid from other governmental agencies:				
State - other	-	77,842	-	(77,842)
Sub-total	-	77,842	-	(77,842)
Total revenues	9,000	86,842	27,846	(58,996)
EXPENDITURES:				
Capital outlay	1,253,137	1,330,979	3,373,337	(2,042,358)
Total expenditures	1,253,137	1,330,979	3,373,337	(2,042,358)
REVENUES OVER (UNDER) EXPENDITURES	(1,244,137)	(1,244,137)	(3,345,491)	(2,101,354)
OTHER FINANCING SOURCES (USES):				
Capital lease financing	-	-	2,181,772	2,181,772
Transfers in	690,000	690,000	690,000	-
Total other financing sources (uses)	690,000	690,000	2,871,772	2,181,772
Net change in fund balance	\$ (554,137)	\$ (554,137)	(473,719)	\$ 80,418
FUND BALANCE:				
Beginning of year			2,392,340	
End of year			\$ 1,918,621	

Central Fire Protection District of Santa Cruz County
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Capital Outlay Capital Project Fund
For the year ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Use of money and property:				
Interest general	\$ 2,500	\$ 2,500	\$ 9,359	\$ 6,859
Sub-total	2,500	2,500	9,359	6,859
Aid from other governmental agencies:				
State - other	-	9,131	-	(9,131)
Sub-total	-	9,131	-	(9,131)
Total revenues	2,500	11,631	9,359	(2,272)
EXPENDITURES:				
Capital outlay	244,829	244,829	218,182	26,647
Total expenditures	244,829	244,829	218,182	26,647
REVENUES OVER (UNDER) EXPENDITURES	(242,329)	(233,198)	(208,823)	24,375
OTHER FINANCING SOURCES (USES):				
Transfers in	95,000	95,000	95,000	-
Total other financing sources (uses)	95,000	95,000	95,000	-
Net change in fund balance	\$ (147,329)	\$ (138,198)	(113,823)	\$ 24,375
FUND BALANCE:				
Beginning of year			852,541	
End of year			\$ 738,718	

Central Fire Protection District of Santa Cruz County
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Fleet Maintenance Capital Project Fund
For the year ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Use of money and property:				
Interest general	\$ -	\$ -	\$ 859	\$ 859
Sub-total	-	-	859	859
Aid from other governmental agencies:				
State - other	-	12,193	-	(12,193)
Sub-total	-	12,193	-	(12,193)
Charges for current services				
Charges for current services	328,754	328,754	414,973	86,219
Sub-total	328,754	328,754	414,973	86,219
Total revenues	328,754	340,947	415,832	74,885
EXPENDITURES:				
Salaries and employee benefits				
Salaries	235,818	235,818	241,470	(5,652)
Retirement (Social Security and PERS)	39,399	39,399	32,738	6,661
Employee insurance and benefits	54,438	54,438	57,789	(3,351)
Unemployment insurance	500	500	378	122
Workers' compensation insurance	26,918	26,918	26,918	-
Sick leave reserve	8,500	8,500	13,096	(4,596)
Sub-total	365,573	365,573	372,389	(6,816)
Services and supplies:				
Telephone and telegraph	5,704	5,704	5,315	389
Other household expenses	11,305	11,305	9,865	1,440
Other insurance	9,800	9,800	9,800	-
Maintenance - mobile equipment	302,000	332,000	333,785	(1,785)
Maintenance - other equipment	3,535	3,535	4,608	(1,073)
Maintenance - structure and grounds	17,378	17,378	11,667	5,711

Central Fire Protection District of Santa Cruz County
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Fleet Maintenance Capital Project Fund
For the year ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Services and supplies (Continued):				
Memberships	80	80	80	-
PC software	16,615	16,615	14,430	2,185
Supplies	3,450	3,450	2,820	630
Professional and special services	2,195	2,195	2,195	-
Equipment lease and rent	8,100	8,100	-	8,100
Small tools and instruments	6,561	6,561	6,024	537
Education and/or training	3,500	3,500	1,186	2,314
Special district expense	4,502	4,502	3,906	596
Subscriptions, books and educational materials	3,060	3,060	3,060	-
Education and training	6,405	6,405	3,803	2,602
Gas, oil, and fuel	35,100	35,100	39,951	(4,851)
Utilities	11,893	11,893	14,210	(2,317)
Sub-total	451,183	481,183	466,705	14,478
Total expenditures	821,884	864,077	851,279	12,798
REVENUES OVER (UNDER) EXPENDITURES	(493,130)	(523,130)	(435,447)	87,683
OTHER FINANCING SOURCES (USES):				
Transfers in	(493,131)	493,131	435,447	(57,684)
Total other financing sources (uses)	(493,131)	493,131	435,447	(57,684)
Net change in fund balance	\$ (986,261)	\$ (29,999)	-	\$ 29,999
FUND BALANCE:				
Beginning of year			304,684	
End of year			\$ 304,684	