

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, 2020 and 2019

Central Fire Protection District of Santa Cruz County

Table of Contents

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Governmental Fund Financial Statements:	
Balance Sheet	21
Reconciliation of the Balance Sheet of Governmental Funds to the Government-Wide Statement of Net Position.....	23
Statement of Revenues, Expenditures and Changes in Fund Balances	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities	26
Notes to Basic Financial Statements	28
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund.....	56
Defined Benefit Pension Plan:	
Schedule of Proportionate Share of the Net Pension Liability and Related Ratios	64
Schedule of Contributions	65
Other Post-Employment Benefits (OPEB):	
Schedule of Changes in the Net OPEB Liability and Related Ratios.....	66
Schedule of Contributions	67
Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Vehicle Replacement Capital Project Fund.....	70
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Capital Outlay Capital Project Fund.....	71
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Fleet Maintenance Capital Project Fund.....	72

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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 years ended June 30, 2020 and 2019, 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, 2020 and 2019, 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.

Other Matters

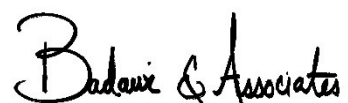
Required Supplementary Information

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 56-66 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 69-72 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedules on pages 69-72 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 69-72 are fairly stated in all material respects in relation to the basic financial statements as a whole.



Badawi & Associates, CPAs
Berkeley, California
August 19, 2021

**Central Fire Protection District of Santa Cruz County
Management's Discussion and Analysis
June 30, 2020, 2019 and 2018**

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, 2020 and 2019 with comparative totals for 2018.

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, 2020, 2019 and 2018**

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.

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, 2020, 2019 and 2018**

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			Variance (%)	Variance (%)
	Governmental Activities				
	2020	2019	2018	FY 20/19	FY 19/18
Asset					
Current assets	\$ 16,228,973	\$ 15,020,336	\$ 12,686,508	8%	18%
Noncurrent assets	11,469,988	11,936,836	12,222,010	-4%	-2%
Total assets	<u>27,698,961</u>	<u>26,957,172</u>	<u>24,908,518</u>	<u>3%</u>	<u>8%</u>
Deferred outflows	9,582,061	7,665,374	8,565,367	25%	-11%
Total assets and deferred outflows	<u>37,281,022</u>	<u>34,622,546</u>	<u>33,473,885</u>	<u>8%</u>	<u>3%</u>
Liabilities					
Current liabilities	1,480,199	1,866,329	1,235,285	-21%	51%
Noncurrent liabilities	48,087,094	45,555,306	44,783,072	6%	2%
Total liabilities	<u>49,567,293</u>	<u>47,421,635</u>	<u>46,018,357</u>	<u>8%</u>	<u>3%</u>
Deferred inflows	2,267,695	1,112,710	1,071,165	104%	4%
Net position:					
Net investment in capital assets	9,866,507	10,039,963	10,040,238	-2%	0%
Unrestricted	(24,420,473)	(23,951,762)	(23,655,875)	2%	1%
Total net position	<u>\$ (14,553,966)</u>	<u>\$ (13,911,799)</u>	<u>\$ (13,615,637)</u>	<u>5%</u>	<u>2%</u>
Total liabilities, deferred inflows, and net position	<u>\$ 37,281,022</u>	<u>\$ 34,622,546</u>	<u>\$ 33,473,885</u>	<u>116%</u>	<u>9%</u>

**Central Fire Protection District of Santa Cruz County
Management's Discussion and Analysis
June 30, 2020, 2019 and 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

	<u>Statement of Activities - Governmental Activities</u>			Variance (%)	Variance (%)
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>FY 20/19</u>	<u>FY 19/18</u>
Revenues					
Program revenues:					
Charges for services	\$ 1,711,000	\$ 895,260	\$ 673,238	91%	33%
Operating grants and contributions	721,024	1,016,171	995,591	-29%	2%
General revenues					
Property taxes	18,211,242	17,579,213	16,642,360	4%	6%
Interest income	217,791	221,798	126,248	-2%	76%
Other revenues	115,179	78,918	122,124	46%	-35%
Total revenues	<u>20,976,236</u>	<u>19,791,360</u>	<u>18,559,561</u>	<u>6%</u>	<u>7%</u>
Expenses					
Public safety:					
Total expenses	<u>21,618,403</u>	<u>20,087,522</u>	<u>17,782,933</u>	<u>8%</u>	<u>13%</u>
Change in net position	(642,167)	(296,162)	776,628	117%	-138%
Beginning of year , as restated	<u>(13,911,799)</u>	<u>(13,615,637)</u>	<u>(14,392,265)</u>	<u>2%</u>	<u>2%</u>
End of year	<u><u>\$ (14,553,966)</u></u>	<u><u>\$ (13,911,799)</u></u>	<u><u>\$ (13,615,637)</u></u>	<u><u>5%</u></u>	<u><u>5%</u></u>

Financial Analysis of the District as a whole

The net position of the District as of June 30, 2020 was negative \$14.6 million mainly due to the District's net pension and net other post-employment benefits "OPEB" long term liabilities that compromise majority of the District's noncurrent liabilities. Of the deficit of \$13.9 million in net position, \$9.9 million are invested in capital assets (net of accumulated depreciation and related debt). The net position of the District as of June 30, 2019 was negative \$13.9 million mainly due to implementation of GASB 68 and GASB 75 which requires recognition of the full net pension liability and net other post-employment benefits "OPEB" liability and associated deferrals. . Of the deficit of \$13.9 million in net position, \$10.0 million are invested in capital assets (net of accumulated depreciation and related debt).

The net position decreased by \$642,167 for the fiscal year ended June 30, 2020 and decreased by \$296,162 for the fiscal year ended June 30, 2019. The decrease in 2020 was mainly the result of higher pension and OPEB expense and increase in vacation and related liabilities offset by increases in property tax revenues. The decrease in 2019 was mainly the result of higher pension expense, higher salary expense, one time expenses for COVID-19 related equipment and supplies, and increase in vacation and related liabilities offset by increases in property tax and charges for services.

**Central Fire Protection District of Santa Cruz County
Management's Discussion and Analysis
June 30, 2020, 2019 and 2018**

Financial Analysis of the District's Funds

For the fiscal year 2020, Governmental Fund balances increased by \$1,597,766, mainly attributable to property taxes and other revenues being considerably higher than the District's annual expenditures. Increases in revenues included property taxes and charges for services that were higher than increases in salary and benefit cost, which accounts for 81% of the District's total annual expenditures. For the fiscal year 2019, Governmental Fund balances increased by \$2,040,407, mainly attributable to property taxes and other revenues being considerably higher than the District's annual expenditures. Decreases in expenditures were mainly due to one time expenditures incurred in 2018 for District fire engines acquired through lease financing and use of reserves.

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

Revenues and Expenditures Classified by Sources - Governmental Funds

	2020		2019		2018		Increase/(Decrease) FY 20/19		Increase/(Decrease) FY 19/18	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of change	Amount	% of change
	<u>Revenues by source</u>									
Property taxes	\$ 18,211,242	85%	\$ 17,579,213	86%	\$ 16,642,360	90%	\$ 632,029	4%	\$ 936,853	6%
Use of money/property	217,791	1%	221,799	1%	126,248	1%	(4,008)	-2%	95,551	76%
Aid from other governments	721,024	3%	1,016,171	5%	995,591	5%	(295,147)	-29%	20,580	2%
Charges for services	2,045,091	10%	1,453,549	7%	673,238	4%	591,542	41%	780,311	116%
Other revenue	115,179	1%	78,918	0%	122,124	1%	36,261	46%	(43,206)	-35%
Total	\$ 21,310,327	100%	\$ 20,349,650	100%	\$ 18,559,561	100%	\$ 960,677	5%	\$ 1,790,089	10%
<u>Expenditures by sources</u>										
Current:										
Public Safety										
Salaries and benefits	\$ 16,010,344	81%	\$ 14,784,648	81%	\$ 13,620,683	66%	\$ 1,225,696	8%	\$ 1,163,965	9%
Services and supplies	3,162,349	16%	2,854,946	16%	2,273,749	11%	307,403	11%	581,197	26%
Capital outlay	197,810	1%	296,745	2%	3,621,759	18%	(98,935)	-33%	(3,325,014)	-92%
Debt service:										
Principal	293,392	1%	337,899	2%	1,090,000	5%	(44,507)	-13%	(752,101)	-69%
Interest and fiscal charges	56,546	0%	65,829	0%	41,055	0%	(9,283)	-14%	24,774	60%
Total	\$ 19,720,441	100%	\$ 18,340,067	100%	\$ 20,647,246	100%	\$ 1,380,374	8%	\$ (2,307,179)	-11%

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

For the fiscal year 2020, total revenue increased by \$960,677 or 5% percent. The increase in revenues was primarily due to an increase in property tax revenue and charges for services, mainly personnel service charges. For the fiscal year 2019, total revenue increased by \$1,790,089 or 10% percent. The increase in revenues was primarily due to an increase in property tax revenue and charges for services.

**Central Fire Protection District of Santa Cruz County
Management's Discussion and Analysis
June 30, 2020, 2019 and 2018**

Financial Analysis of the District's Funds, Continued

Total expenditures increased by \$1,380,374 during fiscal year 2020. The increase in expenditures was due to higher salary and pension contribution requirements, and higher maintenance expenditures. Total expenditure decreased by \$2,307,179 during fiscal year 2019. The decrease in expenditures was due to an increase of \$1,163,965 in salary and benefits, offset by decrease of \$3,325,014 due to the purchase of new vehicles and the financing of four new fire apparatus in the prior year.

General Fund: In 2020, the District's General Fund fund balance increased by \$1,055,994 mainly attributable to increases in higher property tax revenues and higher charges for personnel services. In 2019, the District's General Fund fund balance increased by \$1,542,079. There were increases in property tax revenues and aid from other government agencies and increases in payroll expenditures from 2018.

Vehicle Replacement Capital Project Fund: In 2020, fund balance increased by \$266,721, mainly due to \$690,000 transferred from the General Fund that sufficiently covered annual expenditures and increased fund balance. In 2019, fund balance increased by \$233,095, mainly due to \$690,000 transferred from the General Fund that sufficiently covered annual expenditures and increased fund balance.

Capital Outlay Capital Project Fund: In 2020, fund balance increased by \$275,051, mainly due to \$305,000 transferred from the General Fund that sufficiently covered annual expenditures and increased fund balance. In 2019, fund balance increased by \$265,233, mainly due to \$305,000 transferred from the General Fund that sufficiently covered annual expenditures and increased fund balance.

Fleet Maintenance Capital Project Fund: In both 2020 and 2019, fund balance did not change.

Capital assets

The District's investment in capital assets for its governmental activities as of June 30, 2020, 2019, and 2018 totaled \$11,469,988, \$11,936,836, and \$12,222,010 (net of accumulated depreciation), respectively. This investment in capital assets includes land, construction in progress, structures and improvements, and equipment.

**Central Fire Protection District of Santa Cruz County
Management's Discussion and Analysis
June 30, 2020, 2019 and 2018**

Capital assets, Continued

Capital assets for the governmental activities are presented below to illustrate changes in Fiscal year 2020 and 2019:

	<u>Capital Assets</u>				
	<u>2020</u>	<u>2019</u>	<u>2018 Restated</u>	<u>Increase/(Decrease) FY 20/19</u>	<u>Increase/(Decrease) FY 19/18</u>
Land	\$ 1,740,500	\$ 1,740,500	\$ 1,740,500	\$ -	\$ -
Construction in progress	-	3,181,772	3,181,772	(3,181,772)	-
Structures and improvements	7,800,456	7,800,456	7,800,456	-	-
Equipment	10,291,577	7,031,614	7,347,668	3,259,963	(316,054)
Less accumulated depreciation	(8,362,545)	(7,817,506)	(7,848,386)	(545,039)	30,880
Total capital assets, net	<u>\$ 11,469,988</u>	<u>\$ 11,936,836</u>	<u>\$ 12,222,010</u>	<u>\$ (466,848)</u>	<u>\$ (285,174)</u>

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

Debt Administration

For the governmental activities, the District had long-term debt outstanding at June 30, 2020, of \$3,741,241 as compared to \$4,148,269 in the prior year, a decrease of \$104,890. During fiscal year end June 30, 2019. The District's long term debt decreased by \$293,392 and compensated absences increased by \$188,502. For the governmental activities, the District had long-term debt outstanding at June 30, 2019, of \$4,148,269 as compared to \$3,751,475 in the prior year, an increase of \$396,794. During fiscal year end June 30, 2019. The District's long term debt decreased by \$337,899 and compensated absences increased by \$734,693.

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

	<u>Governmental Activities</u>				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>% of Change FY 20/19</u>	<u>% of Change FY 19/18</u>
Loan payable-pension	\$ -	\$ -	\$ 53,000	0%	-100%
Capital lease agreements	1,301,343	1,896,873	2,181,772	-31%	100%
Compensated absences	2,439,898	2,251,396	1,516,703	8%	48%
Total	<u>\$ 3,741,241</u>	<u>\$ 4,148,269</u>	<u>\$ 3,751,475</u>	<u>-10%</u>	<u>11%</u>

**Central Fire Protection District of Santa Cruz County
Management's Discussion and Analysis
June 30, 2020, 2019 and 2018**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

On February 4, 2021, Aptos/La Selva Fire Protection District and Central Fire Protection District of Santa Cruz County officially consolidated into one District (Central Fire District of Santa Cruz County). The consolidation resulted in the transfer of assets and liabilities from both agencies into the newly formed entity, and the creation of one Board of Directors.

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Central Fire Protection District of Santa Cruz County
Statement of Net Position
June 30, 2020 and 2019

	2020	2019
ASSETS		
Current assets:		
Cash	\$ 16,076,301	\$ 14,647,005
Accounts receivable	152,672	82,241
Prepaid items	-	291,090
Total current assets	16,228,973	15,020,336
Noncurrent assets:		
Capital assets - non-depreciable	1,740,500	4,922,272
Capital assets - depreciable, net	9,729,488	7,014,564
Total capital assets	11,469,988	11,936,836
Total noncurrent assets	11,469,988	11,936,836
Total assets	27,698,961	26,957,172
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - pension	6,375,815	6,123,454
Deferred outflows of resources - OPEB	3,206,246	1,541,920
Total deferred outflows of resources	9,582,061	7,665,374
LIABILITIES		
Current liabilities:		
Accounts payable - claims	381,537	440,261
Accounts payable - payroll	85,097	415,502
Interest payable	15,933	21,680
Compensated absences, due within one year	695,494	695,494
Long term debt, due within one year	302,138	293,392
Total current liabilities	1,480,199	1,866,329
Noncurrent liabilities:		
Compensated absences, due in more than one year	1,744,404	1,555,902
Long term debt, due in more than one year	1,301,343	1,603,481
Net OPEB liability	17,613,600	16,975,800
Net pension liability	27,427,747	25,420,123
Total noncurrent liabilities	48,087,094	45,555,306
Total liabilities	49,567,293	47,421,635
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - pension	1,308,750	1,112,710
Deferred inflows of resources - OPEB	958,945	-
Total deferred inflows of resources	2,267,695	1,112,710
NET POSITION		
Net investment in capital assets	9,866,507	10,039,963
Unrestricted	(24,420,473)	(23,951,762)
Net position	\$ (14,553,966)	\$ (13,911,799)

See accompanying Notes to Basic Financial Statements.

Central Fire Protection District of Santa Cruz County
Statement of Activities
For the year ended June 30, 2020

	Expenses	Program Revenues			Total	Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Revenue and Changes in Net Position
						Governmental Activities
Governmental activities						
Public safety	\$ 21,618,403	\$ 1,711,000	\$ 721,024	\$ -	\$ 2,432,024	\$ (19,186,379)
Total governmental activities	<u>\$ 21,618,403</u>	<u>\$ 1,711,000</u>	<u>\$ 721,024</u>	<u>\$ -</u>	<u>\$ 2,432,024</u>	<u>(19,186,379)</u>
General Revenues:						
						18,211,242
						217,791
						115,179
						<u>18,544,212</u>
						Change in net position (642,167)
						Net position - beginning of year (13,911,799)
						<u>Net position - end of year \$ (14,553,966)</u>

See accompanying Notes to Basic Financial Statements.

Central Fire Protection District of Santa Cruz County
Statement of Activities
For the year ended June 30, 2019

	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	\$ 20,087,522	\$ 895,260	\$ 1,016,171	\$ -	\$ 1,911,431	\$ (18,176,091)
Total governmental activities	\$ 20,087,522	\$ 895,260	\$ 1,016,171	\$ -	\$ 1,911,431	(18,176,091)
General Revenues:						
						17,579,213
						221,798
						78,918
						17,879,929
						Change in net position (296,162)
						Net position - beginning of year (13,615,637)
						Net position - end of year \$ (13,911,799)

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, 2020

	General Fund	Vehicle Replacement Capital Project Fund	Capital Outlay Capital Project Fund	Fleet Maintenance Capital Project Fund	Total
ASSETS					
Cash	\$ 12,151,452	\$ 2,418,437	\$ 1,279,002	\$ 227,410	\$ 16,076,301
Accounts receivable	23,533	-	-	129,139	152,672
Total assets	\$ 12,174,985	\$ 2,418,437	\$ 1,279,002	\$ 356,549	\$ 16,228,973
LIABILITIES					
Accounts payable	\$ 333,290	\$ -	\$ -	\$ 48,247	\$ 381,537
Accrued salaries and benefits	81,479	-	-	3,618	85,097
Total liabilities	414,769	-	-	51,865	466,634
FUND BALANCES					
Assigned:					
Capital improvement and equipment	-	-	1,279,002	-	1,279,002
Compensated absences	313,364	-	-	-	313,364
Mobile equipment vehicle replacement	-	2,418,437	-	-	2,418,437
Fleet maintenance	-	-	-	304,684	304,684
Unassigned:					
Economic stability	937,221	-	-	-	937,221
Other	10,509,631	-	-	-	10,509,631
Total fund balances	11,760,216	2,418,437	1,279,002	304,684	15,762,339
Total liabilities, deferred inflows of resources, and fund balances	\$ 12,174,985	\$ 2,418,437	\$ 1,279,002	\$ 356,549	\$ 16,228,973

See accompanying Notes to Basic Financial Statements.

Central Fire Protection District of Santa Cruz County
Balance Sheet - Governmental Funds
June 30, 2019

	General Fund	Vehicle Replacement Capital Project Fund	Capital Outlay Capital Project Fund	Fleet Maintenance Capital Project Fund	Total
ASSETS					
Cash	\$ 11,373,731	\$ 1,903,365	\$ 1,061,412	\$ 308,497	\$ 14,647,005
Accounts receivable	32,400	870	-	48,971	82,241
Prepaid items	17,512	272,696	-	882	291,090
Total assets	\$ 11,423,643	\$ 2,176,931	\$ 1,061,412	\$ 358,350	\$ 15,020,336
LIABILITIES					
Accounts payable	\$ 315,689	\$ 25,215	\$ 57,461	\$ 41,896	\$ 440,261
Accrued salaries and benefits	403,732	-	-	11,770	415,502
Total liabilities	719,421	25,215	57,461	53,666	855,763
FUND BALANCES					
Nonspendable:					
Prepaid items	17,512	272,696	-	882	291,090
Assigned:					
Capital improvement	-	-	820,089	-	820,089
Equipment	-	-	183,862	-	183,862
Compensated absences	695,494	-	-	-	695,494
Mobile equipment vehicle replacement	-	1,879,020	-	-	1,879,020
Fleet maintenance	-	-	-	303,802	303,802
Unassigned:					
Economic stability	956,149	-	-	-	956,149
Other	9,035,067	-	-	-	9,035,067
Total fund balances	10,704,222	2,151,716	1,003,951	304,684	14,164,573
Total liabilities, deferred inflows of resources, and fund balances	\$ 11,423,643	\$ 2,176,931	\$ 1,061,412	\$ 358,350	\$ 15,020,336

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, 2020 and 2019

	2020	2019
Fund Balances of Governmental Funds	\$ 15,762,339	\$ 14,164,573
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.</p>	11,469,988	11,936,836
<p>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:</p>		
Deferred outflows of resources - pension	6,375,815	6,123,454
Deferred outflows of resources - OPEB	3,206,246	1,541,920
Deferred inflows of resources - pension and OPEB	(2,267,695)	(1,112,710)
<p>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.</p>	(15,933)	(21,680)
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore they are not reported in the governmental funds.</p>		
Long-term debt	(1,603,481)	(1,896,873)
Compensated absences	(2,439,898)	(2,251,396)
Net OPEB liability	(17,613,600)	(16,975,800)
Net pension liability	(27,427,747)	(25,420,123)
Net Position of Governmental Activities	\$ (14,553,966)	\$ (13,911,799)

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, 2020

	General Fund	Vehicle Replacement Capital Project Fund	Capital Outlay Capital Project Fund	Fleet Maintenance Capital Project Fund	Total
REVENUES:					
Property taxes	\$ 18,211,242	\$ -	\$ -	\$ -	\$ 18,211,242
Use of money and property	162,571	31,669	22,367	1,184	217,791
Aid from other government agencies	721,024	-	-	-	721,024
Charges for services	789,076	-	-	1,256,015	2,045,091
Other revenue	115,179	-	-	-	115,179
Total revenues	19,999,092	31,669	22,367	1,257,199	21,310,327
EXPENDITURES:					
Current:					
Public Safety					
Salaries and benefits	15,477,881	-	-	532,463	16,010,344
Services and supplies	2,437,613	-	-	724,736	3,162,349
Capital outlay	32,604	112,890	52,316	-	197,810
Debt service:					
Principal	-	293,392	-	-	293,392
Interest and fiscal charges	-	56,546	-	-	56,546
Total expenditures	17,948,098	462,828	52,316	1,257,199	19,720,441
REVENUES OVER (UNDER) EXPENDITURES	2,050,994	(431,159)	(29,949)	-	1,589,886
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	-	7,880	-	-	7,880
Transfer in	-	690,000	305,000	-	995,000
Transfer out	(995,000)	-	-	-	(995,000)
Total other financing sources (uses)	(995,000)	697,880	305,000	-	7,880
Net change in fund balances	1,055,994	266,721	275,051	-	1,597,766
FUND BALANCES:					
Beginning of year	10,704,222	2,151,716	1,003,951	304,684	14,164,573
End of year	\$ 11,760,216	\$ 2,418,437	\$ 1,279,002	\$ 304,684	\$ 15,762,339

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, 2019

	General Fund	Vehicle Replacement Capital Project Fund	Capital Outlay Capital Project Fund	Fleet Maintenance Capital Project Fund	Total
REVENUES:					
Property taxes	\$ 17,579,213	\$ -	\$ -	\$ -	\$ 17,579,213
Use of money and property	159,679	41,645	17,694	2,781	221,799
Aid from other government agencies	1,016,171	-	-	-	1,016,171
Charges for services	438,849	-	-	1,014,700	1,453,549
Other revenue	78,918	-	-	-	78,918
Total revenues	19,272,830	41,645	17,694	1,017,481	20,349,650
EXPENDITURES:					
Current:					
Public Safety					
Salaries and benefits	14,384,520	-	-	400,128	14,784,648
Services and supplies	2,237,593	-	-	617,353	2,854,946
Capital outlay	58,977	180,307	57,461	-	296,745
Debt service:					
Principal	53,000	284,899	-	-	337,899
Interest and fiscal charges	1,661	64,168	-	-	65,829
Total expenditures	16,735,751	529,374	57,461	1,017,481	18,340,067
REVENUES OVER (UNDER) EXPENDITURES	2,537,079	(487,729)	(39,767)	-	2,009,583
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	-	30,824	-	-	30,824
Transfer in	-	690,000	305,000	-	995,000
Transfer out	(995,000)	-	-	-	(995,000)
Total other financing sources (uses)	(995,000)	720,824	305,000	-	30,824
Net change in fund balances	1,542,079	233,095	265,233	-	2,040,407
FUND BALANCES:					
Beginning of year	9,162,143	1,918,621	738,718	304,684	12,124,166
End of year	\$ 10,704,222	\$ 2,151,716	\$ 1,003,951	\$ 304,684	\$ 14,164,573

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, 2020 and 2019

	2020	2019
Net Change in Fund Balances - Total Governmental Funds	\$ 1,597,766	\$ 2,040,407
 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.		
Acquisition of capital assets	187,003	213,497
Depreciation expense	(617,706)	(452,038)
Net book value of sales and disposals	(36,145)	(46,633)
 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.		
	3,022,355	2,513,002
 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.		
	1,522,471	1,496,601
 Pension expense is recorded as incurred in the Government-Wide Statement of Activities, however pension expense is not recognized in the governmental funds.		
	(4,973,658)	(3,834,491)
 OPEB expense is recorded as incurred in the Government-Wide Statement of Activities, however pension expense is not recognized in the governmental funds.		
	(1,454,890)	(1,829,713)
 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.		
	293,392	337,899
 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.		
	5,747	-
 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	(188,502)	(734,693)
Change in Net Position of Governmental Activities	\$ (642,167)	\$ (296,162)

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, 2020 and 2019

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 District'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, 2020 and 2019

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, 2020 and 2019

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, 2020 and 2019

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, 2019 and 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.

Central Fire Protection District of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Fund Balances, Continued

Restricted Debt Service - includes the funds held by trustees or fiscal agents for future payment of bond principal and interest, or otherwise are restricted by bond terms. These funds are not available for general operations.

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.

Central Fire Protection District of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2020 and 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Other Postemployment Benefits (OPEB), Continued

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 for 2020 and 2019:

Valuation Date	June 30, 2019 and 2018 respectively
Measurement Date	June 30, 2019 and 2018 respectively
Measurement Period	July 1, 2018 to June 30, 2019 and July 1, 2017 to June 30, 2018 respectively

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.

L. New Accounting Pronouncements

In 2020, the District adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* - The objective of this statement is to provide temporary relief to government and other stakeholders in light of the COVID-19 pandemic. That objective was accomplished by postponing the effective dates of certain provisions in statements and implementation guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 or later. There was no impact on the District's financial statements as a result of implementing this statement.

Central Fire Protection District of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2020 and 2019

1. CASH AND INVESTMENTS

The District maintains cash and investments as summarized below:

	<u>2020</u>	<u>2019</u>
Petty cash	\$ 300	\$ 300
County of Santa Cruz Investment Pool	16,076,001	14,646,705
Total cash and investments	\$ 16,076,301	\$ 14,647,005

A. Investment with Santa Cruz County Investment Pool

\$16,076,001 and \$14,646,705 at June 30, 2020 and 2019 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, 2020 and 2019, the District had the following investment maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturity (In Years)</u>		
		<u>Less than 1</u>	<u>1 to 2</u>	<u>2 to 3</u>
Santa Cruz County Investment Pool	\$ 16,076,001	\$ 16,076,001	\$ -	\$ -
Total	\$ 16,076,001	\$ 16,076,001	\$ -	\$ -

Central Fire Protection District of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2020 and 2019

2. CASH AND INVESTMENTS, Continued

B. Interest Rate Risk, Continued

<u>2019</u>	Investment Type	Fair Value	Investment Maturity (In Years)		
			Less than 1	1 to 2	2 to 3
	Santa Cruz County Investment Pool	\$ 14,646,705	\$ 14,646,705	\$ -	\$ -
	Total	\$ 14,646,705	\$ 14,646,705	\$ -	\$ -

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, 2020 and 2019

3. INTERFUND TRANSACTIONS - FUND FINANCIAL STATEMENTS

The District had the following transfers for the years ended June 30, 2019 and 2018:

	2020		2019	
	Transfers in	Transfers out	Transfers in	Transfers out
Governmental Funds				
General Fund	\$ -	\$ (995,000)	\$ -	\$ (995,000)
Capital Projects Fund:				
Vehicle Replaement Fund	690,000	-	690,000	-
Capital Outlay Fund	305,000	-	305,000	-
Total	\$ 995,000	\$ (995,000)	\$ 995,000	\$ (995,000)

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 2020 and 2019 follow:

	Balance at July 1, 2019	Addition	Deletion\ Reclassification	Balance at June 30, 2020
Non-depreciable assets:				
Land	\$ 1,740,500	\$ -	\$ -	\$ 1,740,500
Construction in progress	3,181,772	112,890	(3,294,662)	-
Total non-depreciable	4,922,272	112,890	(3,294,662)	1,740,500
Depreciable assets:				
Structures and improvements	7,800,456	-	-	7,800,456
Equipment	7,031,614	74,113	3,185,850	10,291,577
Total non-depreciable	14,832,070	74,113	3,185,850	18,092,033
Less accumulated depreciation	(7,817,506)	(617,706)	72,667	(8,362,545)
Total depreciable assets, net	7,014,564	(543,593)	3,258,517	9,729,488
Total capital assets	\$ 11,936,836	\$ (430,703)	\$ (36,145)	\$ 11,469,988

Central Fire Protection District of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2020 and 2019

4. CAPITAL ASSETS, Continued

	Balance at July 1, 2018	Addition	Deletion	Balance at June 30, 2019
Non-depreciable assets:				
Land	\$ 1,740,500	\$ -	\$ -	\$ 1,740,500
Construction in progress	3,181,772	-	-	3,181,772
Total non-depreciable	<u>4,922,272</u>	<u>-</u>	<u>-</u>	<u>4,922,272</u>
Depreciable assets:				
Structures and improvements	7,800,456	-	-	7,800,456
Equipment	7,347,668	213,497	(529,551)	7,031,614
Total non-depreciable	<u>15,148,124</u>	<u>213,497</u>	<u>(529,551)</u>	<u>14,832,070</u>
Less accumulated depreciation	<u>(7,848,386)</u>	<u>(452,038)</u>	<u>482,918</u>	<u>(7,817,506)</u>
Total depreciable assets, net	<u>7,299,738</u>	<u>(238,541)</u>	<u>(46,633)</u>	<u>7,014,564</u>
Total capital assets	<u><u>\$ 12,222,010</u></u>	<u><u>\$ (238,541)</u></u>	<u><u>\$ (46,633)</u></u>	<u><u>\$ 11,936,836</u></u>

5. NON CURRENT LIABILITIES

The following is a summary of changes in non-current liabilities transactions for the fiscal years ended June 30, 2020 and 2019:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year	Due More Than One Year
Governmental Activities:						
Capital lease agreements	\$ 1,896,873	\$ -	\$ (293,392)	\$ 1,603,481	\$ 302,138	\$ 1,301,343
Sub-total	<u>1,896,873</u>	<u>-</u>	<u>(293,392)</u>	<u>1,603,481</u>	<u>302,138</u>	<u>1,301,343</u>
Compensated absences	<u>2,251,396</u>	<u>188,502</u>	<u>-</u>	<u>2,439,898</u>	<u>695,494</u>	<u>1,744,404</u>
Total long-term liabilities	<u><u>\$ 4,148,269</u></u>	<u><u>\$ 188,502</u></u>	<u><u>\$ (293,392)</u></u>	<u><u>\$ 4,043,379</u></u>	<u><u>\$ 997,632</u></u>	<u><u>\$ 3,045,747</u></u>

Central Fire Protection District of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2020 and 2019

5. NON CURRENT LIABILITIES, Continued

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year	Due More Than One Year
Governmental Activities:						
Loan payable - pension	\$ 53,000	\$ -	\$ (53,000)	\$ -	\$ -	\$ -
Capital lease agreements	2,181,772	-	(284,899)	1,896,873	293,392	1,603,481
Sub-total	2,234,772	-	(337,899)	1,896,873	293,392	1,603,481
Compensated absences	1,516,703	734,693	-	2,251,396	695,494	1,555,902
Total long-term liabilities	<u>\$ 3,751,475</u>	<u>\$ 734,693</u>	<u>\$ (337,899)</u>	<u>\$ 4,148,269</u>	<u>\$ 988,886</u>	<u>\$ 3,159,383</u>

A. 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
2021	\$ 302,138	\$ 47,800	\$ 349,938
2022	311,145	38,793	349,938
2023	320,420	29,518	349,938
2024	329,971	19,966	349,938
2025	339,807	10,131	349,938
Total	<u>\$ 1,603,481</u>	<u>\$ 146,208</u>	<u>\$ 1,749,690</u>

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.

Central Fire Protection District of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2020 and 2019

6. DEFINED BENEFIT PENSION PLAN, Continued

A. Plan Description, Continued

The District sponsors six rate plans (three miscellaneous and three safety). Benefit provisions under the Plan are established by State statute and District 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, 2019 and 2018 are summarized as follows:

	<u>Safety Tier 1</u>	<u>Safety Tier 2</u>	<u>Safety PEPRA</u>
Hire Date	Prior to January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50 - 55	50 - 57
Monthly benefits, as a % of annual salary	3%	3%	2.0% to 2.7%
Required employee contribution rates (2020)	9.000%	9.000%	12.000%
Required employer contribution rates (2020)	21.927%	18.928%	13.034%
Required unfunded liability payment (2020)	\$ 1,621,571	\$ 11,864	\$ 7,810
Required employee contribution rates (2019)	9.000%	9.000%	12.000%
Required employer contribution rates (2019)	20.556%	17.614%	12.141%
Required unfunded liability payment (2019)	\$ 1,321,308	\$ 383	\$ 1,039

Central Fire Protection District of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2020 and 2019

6. DEFINED BENEFIT PENSION PLAN, Continued

B. Benefits Provided, Continued

	<u>Miscellaneous Tier 1</u>	<u>Miscellaneous Tier 2</u>	<u>Miscellaneous PEPRA</u>
Hire Date	Prior to January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	55	55	62
Monthly benefits, as a % of annual salary	2.5%	2.5%	2.0%
Required employee contribution rates (2020)	8.000%	8.000%	6.250%
Required employer contribution rates (2020)	11.432%	10.823%	6.985%
Required unfunded liability payment (2020)	\$ 60,544	\$ 3,624	\$ 8,356
Required employee contribution rates (2019)	8.000%	8.000%	6.250%
Required employer contribution rates (2019)	10.609%	10.022%	6.842%
Required unfunded liability payment (2019)	\$ 49,938	\$ 546	\$ 1,540

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, 2019 and 2018 were \$2,513,002 and \$2,132,427.

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

As of June 30, 2020 and 2019, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$27,427,747 and \$25,420,123.

Central Fire Protection District of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2020 and 2019

6. DEFINED BENEFIT PENSION PLAN, Continued

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

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, 2019 and June 30, 2018 respectively, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2018 and 2017 rolled forward to June 30, 2019 and 2018 respectively 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, 2017, 2018 and 2019 were as follows:

Proportion - June 30, 2018	0.26380%	Proportion - June 30, 2017	0.25276%
Proportion - June 30, 2019	<u>0.26767%</u>	Proportion - June 30, 2018	<u>0.26380%</u>
Change - Increase (Decrease)	<u>0.00387%</u>	Change - Increase (Decrease)	<u>0.01104%</u>

For the years ended June 30, 2020 and 2019, the District recognized pension expense of \$4,973,658 and \$3,834,491 respectively. At June 30, 2020 and 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,022,355	\$ -	\$ 2,513,002	\$ -
Changes of assumptions	1,130,837	228,195	2,508,534	349,811
Differences between expected and actual experience	1,789,580	-	549,827	2,171
Changes in employer's proportion	433,043	75,030	381,638	168,817
Differences between the employer's contribution and the employer's proportionate share of contributions	-	624,525	-	591,911
Net differences between projected and actual earnings on plan investments	-	381,000	170,453	-
Total	\$ 6,375,815	\$ 1,308,750	\$ 6,123,454	\$ 1,112,710

Central Fire Protection District of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2020 and 2019

6. DEFINED BENEFIT PENSION PLAN, Continued

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

\$3,022,355 and \$2,513,002 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, 2021 and 2020 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:	2020		2019	
2020	\$	-	\$	2,152,433
2021		1,812,223		1,220,138
2022		(134,012)		(696,886)
2023		292,239		(177,943)
2024		74,260		-

Actuarial assumptions

The total pension liabilities in the June 30, 2018 and 2017 actuarial valuations were determined using the following actuarial assumptions:

	2020	2019
Valuation Date	June 30, 2018	June 30, 2017
Measurement Date	June 30, 2019	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.75%
Projected Salary Increase	Varies by entry age and service	Varies by entry age and service
Investment Rate of Return ⁽¹⁾	7.15%	7.15%
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

Central Fire Protection District of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2020 and 2019

6. DEFINED BENEFIT PENSION PLAN, Continued

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

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2018 valuation were based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2017 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.

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 on the following page 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.

Central Fire Protection District of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2020 and 2019

6. DEFINED BENEFIT PENSION PLAN, Continued

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

Asset Class	2020			2019		
	New	Real Return	Real Return	New	Real Return	Real Return
	Strategic Allocation	Years 1 - 10 ^(a)	Years 11+ ^(b)	Strategic Allocation	Years 1 - 10(a)	Years 11+(b)
Global Equity	50.00%	4.80%	5.98%	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%	1.00%	0.00%	-0.92%
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.

Sensitivity of the Proportionate Share 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:

	2020	2019
1% Decrease	6.15%	6.15%
Net Pension Liability	\$ 40,345,427	\$ 37,779,539
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$ 27,427,747	\$ 25,420,123
1% Increase	8.15%	8.15%
Net Pension Liability	\$ 16,834,370	\$ 15,290,875

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. Reports are available from www.calpers.ca.gov.

Payable to the Pension Plan

At June 30, 2020 and 2019 the District reported a payable of \$0 for outstanding amount of contributions to the pension plan required for the year ended June 30, 2020 and 2019.

Central Fire Protection District of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2020 and 2019

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. Effective January 1, 2019 for IAFF Local-3605, and January 1, 2020 for Administrative and Management Group, benefits provided by the District change to a tiered system. Eligibility for District-paid benefits is now based on one or more of the following criteria: bargaining unit, date of hire, date of retirement, and years of service with the District.

B. Employees Covered

As of the June 30, 2019 actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB Plan:

Active employees	63
Inactive employees or beneficiaries currently receiving benefits	<u>62</u>
Total	125

C. Contributions

The District primarily finances the plan on a pay-as-you-go basis. The annual contribution is based on the actuarially determined contribution. For the measurement period ended June 30, 2019, the District's cash contributions were \$1,113,600 and payment to the trust of \$383,000 resulting in total payments of \$1,496,600. For the measurement period ended June 30, 2018, the District's cash contributions were \$757,600, payment to the trust of \$302,600, and the estimated implied subsidy was \$240,700 resulting in total payments of \$1,300,900.

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, 2020 and 2019

7. OTHER POSTEMPLOYMENT BENEFITS PLAN, Continued

D. Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2019 and 2018 respectively and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019 and 2017 respectively, that was based on the actuarial methods and assumptions:

Actuarial Assumptions		
Measurement Date	<u>6/30/2019</u>	<u>6/30/2018</u>
Discount Rate	7.59%	7.28%
Inflation	2.50%	3.00%
Salary Increases	2.75% per annum	2.00% per annum
Investment Rate of Return	7.59%	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	6.00% to 4.50%	4.00% to 3.00%

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	Measurement Date June 30, 2019		Measurement Date June 30, 2018	
	Target	Long-Term	Target	Long-Term
	Allocation	Expected Real Rate of Return	Allocation	Expected Real Rate of Return
Global Equity	59.00%	4.82%	57.00%	4.82%
Fixed Income	25.00%	1.47%	27.00%	1.47%
Treasury Inflation-Protected Securities (TIPS)	5.00%	1.29%	5.00%	1.29%
Commodities	3.00%	0.84%	3.00%	0.84%
Real Estate Investment Trusts	8.00%	3.76%	8.00%	3.76%
TOTAL	<u>100.00%</u>		<u>100.00%</u>	

Central Fire Protection District of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2020 and 2019

7. OTHER POSTEMPLOYMENT BENEFITS PLAN, Continued

E. Discount Rate

The discount rate used to measure the total OPEB liability was 7.59 percent for measurement date June 30, 2019 and 7.28% for measurement date June 30, 2018. 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.

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, 2019 (Measurement Date June 30, 2018)	\$ 18,704,000	\$ 1,728,200	\$ 16,975,800
Changes recognized for the measurement period:			
Service cost	440,500	-	440,500
Interest	1,353,200	-	1,353,200
Difference between expected and actual experience	(1,072,300)	-	(1,072,300)
Changes in benefit terms	(348,200)	-	(348,200)
Changes in Assumption	1,882,900	-	1,882,900
Contributions - employer	-	1,496,600	(1,496,600)
Net investment income	-	123,200	(123,200)
Benefit payment	(1,113,600)	(1,113,600)	-
Administrative expenses	-	(1,500)	1,500
Net Changes	1,142,500	504,700	637,800
Balance at June 30, 2020 (Measurement Date June 30, 2019)	\$ 19,846,500	\$ 2,232,900	\$ 17,613,600

Central Fire Protection District of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2020 and 2019

7. OTHER POSTEMPLOYMENT BENEFITS PLAN, Continued

F. Changes in the OPEB Liability, Continued

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2018 (Measurement Date June 30, 2017)	\$ 17,971,900	\$ 1,355,700	\$ 16,616,200
Changes recognized for the measurement period:			
Service cost	427,700	-	427,700
Interest	1,287,900	-	1,287,900
Difference between expected and actual experience	14,800	-	14,800
Changes in benefit terms	-	-	-
Changes in Assumption	-	-	-
Contributions - employer	-	1,300,900	(1,300,900)
Net investment income	-	70,227	(70,227)
Benefit payment	(998,300)	(998,300)	-
Administrative expenses	-	(327)	327
Net Changes	732,100	372,500	359,600
Balance at June 30, 2019 (Measurement Date June 30, 2018)	\$ 18,704,000	\$ 1,728,200	\$ 16,975,800

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, 2019:

	1% Decrease (6.59%)	Current Discount Rate (7.59%)	1% Increase (8.59%)
Net OPEB Liability	\$ 19,979,400	\$ 17,613,600	\$ 15,628,300

Central Fire Protection District of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2020 and 2019

7. OTHER POSTEMPLOYMENT BENEFITS PLAN, Continued

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

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, 2018:

	1% Decrease (6.28%)	Current Discount Rate (7.28%)	1% Increase (8.28%)
Net OPEB Liability	\$ 19,200,300	\$ 16,975,800	\$ 15,114,800

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

The following presents the net OPEB liability of the District if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2019:

	1% Decrease (5.00% Graded Down to 3.50%)	Current Rates (6.00% Graded Down to 4.50%)	1% Increase (7.00% Graded Down to 5.50%)
Net OPEB Liability	\$ 15,435,900	\$ 17,613,600	\$ 20,257,700

The following presents the net OPEB liability of the District if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018:

	1% Decrease (3.00% Graded Down to 2.00%)	Current Rates (4.00% Graded Down to 3.00%)	1% Increase (5.00% Graded Down to 4.00%)
Net OPEB Liability	\$ 14,874,200	\$ 16,975,800	\$ 19,530,000

Central Fire Protection District of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2020 and 2019

7. OTHER POSTEMPLOYMENT BENEFITS PLAN, Continued

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)

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

For the fiscal years ended June 30, 2020 and 2019, the District recognized OPEB expense of \$1,454,890 and \$1,829,713 respectively. For the fiscal year ended June 30, 2020 and 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,086	\$ 953,156	\$ 12,443	
Changes of assumptions or other input	1,673,689	-	-	
Net difference between projected and actual earnings on OPEB plan investments	-	5,789	32,876	
Contribution subsequent to the measurement date	1,522,471	-	1,496,601	
	<u>\$ 3,206,246</u>	<u>\$ 958,945</u>	<u>\$ 1,541,920</u>	

Central Fire Protection District of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2020 and 2019

7. OTHER POSTEMPLOYMENT BENEFITS PLAN, Continued

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

The \$1,522,471 and \$1,496,601 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2019 and 2018 measurement dates will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2021 and 2020 respectively. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended		
June 30:	2020	2019
2020	\$ -	\$ 10,684
2021	93,167	10,684
2022	93,167	10,684
2023	92,734	10,252
2024	84,838	2,357
2025	90,725	658
Thereafter	270,199	-
Total	<u>\$ 724,830</u>	<u>\$ 45,319</u>

K. Pension Plan Fiduciary Net Position

Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports. Reports are available from www.calpers.ca.gov.

L. Payable to the Pension Plan

At June 30, 2020 and 2019 the District reported a payable of \$0 for outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2020 and 2019.

M. Changes in Assumptions

Measurement Date June 30, 2019: The interest rate for discounting liabilities was updated to reflect the rate of return on CERBT strategy #1 assets. The plan enrollment assumption and premium increase rates were modified to better reflect anticipated experience. Demographic and economic assumptions, such as mortality, withdrawal, retirement, inflation, payroll growth, and the salary merit scale were revised to match (as closely as possible) those developed in the most recent experience study for CalPERS.

Measurement Date June 30, 2018: 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.

Central Fire Protection District of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2020 and 2019

8. 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 CPEIA joint power agreement and merge into the CSAC Excess Insurance Authority (CSAC-EIA) Joint Power Agreement. This change was predicated on the decision of CSAC-EIA to restructure their Bylaws and JPA agreements discontinuing the operation of CPEIA and allowing its members to become full participants in the CSAC-EIA programs. Being a CPEIA member granted automatic approval of inclusion into both the Primary and Excess EIA workers' compensation programs beginning with the July 1, 2007 policy renewals. The relationship between the Group and SCAC-EIA ("the JPA") is such that CSAC-EIA is not a component unit of the Group for reporting purposes.

CSAC-EIA is a joint powers agency (JPA) formed pursuant to Section 6500 et seq. of the California Government Code. Members are assessed a contribution for each program in which they participate. Members may be subject to additional supplemental assessments if it is determined that the contributions are insufficient. Members may withdraw from the CSAC-EIA only at the end of a policy 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 of 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.

The District paid \$744,756 and \$668,232, including the District's payment for workers' compensation portfolio transfer for workers' compensation to the Group for the years ended June 30, 2020 and 2019, respectively

Central Fire Protection District of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2020 and 2019

8. RISK MANAGEMENT, Continued

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. The JPA's separately published financial statements are available from the JPA.

Insurance Coverage

Insurance coverage at June 30, 2020 was as follows:

	<u>Limits</u>	<u>Deductible</u>
Coverage through FAIRA		
General liability		
General liability-per occurrence	\$ 1,000,000	\$ -
General liability-Aggregate	\$ 10,000,000	\$ -
Auto liability-combined single limit	\$ 1,000,000	\$ 5,000
Excess liability coverage-per occurrence	\$ 10,000,000	\$ -
Other Insurance:		
Personnel		
Workers' compensation (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	

Central Fire Protection District of Santa Cruz County
Notes to Basic Financial Statements
For the years ended June 30, 2020 and 2019

9. SUBSEQUENT EVENT

COVID-19 Pandemic

In March 2020, measures taken to contain the spread of the COVID-19 outbreak in the United States, including travel bans, quarantines, social distancing, and closures, triggered significant business disruption. While expected to be temporary, there is considerable uncertainty regarding the duration of the disruption.

Consolidation of Aptos/La Selva Fire Protection District

On February 4, 2021, Aptos/La Selva Fire Protection District and Central Fire Protection District of Santa Cruz County officially consolidated into one District (Central Fire District of Santa Cruz County). The consolidation resulted in the transfer of assets and liabilities from both agencies into the newly formed entity, and the creation of one Board of Directors.

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, 2020

1. BUDGETS AND BUDGETARY ACCOUNTING

The General Fund's budgetary comparison schedule for the year ended June 30, 2020 is as follows.

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes:				
Current secured	\$ 17,482,180	\$ 17,482,180	\$ 17,403,402	\$ (78,778)
Residual distribution	-	-	138,584	138,584
Current unsecured	353,090	353,090	341,684	(11,406)
Penalties and costs of delinquent taxes	3,000	3,000	4,763	1,763
Current supplemental - secured	380,000	380,000	253,459	(126,541)
Current supplemental - unsecured	10,000	10,000	3,328	(6,672)
Prior year	33,000	33,000	60,124	27,124
In lieu property tax	5,000	5,000	5,898	898
Sub-total	18,266,270	18,266,270	18,211,242	(55,028)
Use of money and property:				
Interest general	90,000	90,000	162,571	72,571
Sub-total	90,000	90,000	162,571	72,571
Aid from other governmental agencies:				
Homeowner's property tax relief	103,438	103,438	98,299	(5,139)
State - other	-	-	234,795	234,795
Federal grants	-	-	100,000	100,000
RDA's	365,000	365,000	287,930	(77,070)
Sub-total	468,438	468,438	721,024	252,586
Charges for current services				
Retiree charges	25,000	25,000	-	(25,000)
Copy charges/other revenue	-	-	495	495
Cost recovery - other	-	-	1,683	1,683
Charges for current services	616,536	616,536	621,054	4,518
Other charges for services	160,000	160,000	165,844	5,844
Sub-total	801,536	801,536	789,076	(12,460)

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, 2020

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Other revenue				
Insurance proceeds	-	-	112,264	112,264
Other revenue	-	-	2,915	2,915
Sub-total	-	-	115,179	115,179
Total revenues	19,626,244	19,626,244	19,999,092	372,848
EXPENDITURES:				
Salaries and employee benefits				
Salaries	8,583,821	8,583,821	8,838,684	(254,863)
Retirement (Social Security and PERS)	2,889,910	2,889,910	2,979,445	(89,535)
Employee insurance and benefits	2,725,652	2,725,652	2,622,179	103,473
Unemployment insurance	10,640	10,640	9,213	1,427
Workers' compensation insurance	744,756	744,756	744,756	-
Sick leave reserve	399,567	399,567	283,604	115,963
Sub-total	15,354,346	15,354,346	15,477,881	(123,535)
Services and supplies:				
Clothing and personal supplies	159,243	159,243	222,606	(63,363)
Radio	11,300	11,300	5,217	6,083
Telephone and telegraph	54,957	54,957	46,878	8,079
Food	11,125	11,125	6,904	4,221
Other household expenses	40,033	40,033	32,444	7,589
Other insurance	37,742	37,742	29,742	8,000
Maintenance - mobile equipment	19,500	19,500	4,580	14,920
Maintenance - office equipment	3,000	3,000	1,979	1,021
Maintenance - other equipment	101,360	101,360	61,162	40,198
Maintenance - structure and grounds	141,697	141,697	54,435	87,262
Medical, dental, and lab supplies	41,396	41,396	31,396	10,000
Memberships	14,840	14,840	7,212	7,628

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, 2020

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Services and supplies (Continued):				
PC software	52,906	52,906	50,785	2,121
Supplies	185,296	185,296	171,435	13,861
Accounting (County PR) and auditing fees	102,173	102,173	84,985	17,188
Directors' fees	18,620	18,620	15,898	2,722
Medical services - other	40,000	40,000	12,899	27,101
Professional and special services	1,010,145	1,435,023	1,306,450	128,573
Legal notices	4,350	4,350	2,999	1,351
Equipment lease and rent	13,500	13,500	9,350	4,150
Small tools and instruments	75,137	75,137	15,077	60,060
Education and/or training	293,291	293,291	98,740	194,551
Special district expense	19,566	19,566	8,003	11,563
Subscriptions, books and educational materials	9,600	9,600	5,595	4,005
Gas, oil, and fuel	68,276	68,276	56,939	11,337
Travel - other	3,000	3,000	2,029	971
Utilities	67,600	67,600	68,004	(404)
Contributions to other agencies	22,572	22,572	23,870	(1,298)
Sub-total	2,622,225	3,047,103	2,437,613	609,490
Capital outlay	87,600	87,600	32,604	54,996
Contingencies	100,000	100,000	-	100,000
Total expenditures	18,164,171	18,589,049	17,948,098	640,951
REVENUES OVER (UNDER) EXPENDITURES	1,462,073	1,037,195	2,050,994	1,013,799

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, 2020

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES):				
Transfers (out)	(1,419,878)	(995,000)	(995,000)	-
Total other financing sources (uses)	(1,419,878)	(995,000)	(995,000)	-
Net change in fund balance	\$ 42,195	\$ 42,195	1,055,994	\$ 1,013,799
FUND BALANCE:				
Beginning of year			10,704,222	
End of year			\$ 11,760,216	

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, 2019

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

The General Fund's budgetary comparison schedule for the year ended June 30, 2019 is as follows.

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes:				
Current secured	\$ 16,534,866	\$ 16,577,366	\$ 16,649,695	\$ 72,329
Residual distribution	-	-	134,652	134,652
Current unsecured	322,637	322,637	336,276	13,639
Penalties and costs of delinquent taxes	7,000	7,000	2,609	(4,391)
Current supplemental - secured	270,000	270,000	393,311	123,311
Current supplemental - unsecured	10,000	10,000	17,447	7,447
Prior year	48,000	48,000	40,391	(7,609)
In lieu property tax	5,000	5,000	4,833	(167)
Sub-total	17,197,503	17,240,003	17,579,214	339,211
Use of money and property:				
Interest general	60,000	60,000	159,679	99,679
Sub-total	60,000	60,000	159,679	99,679
Aid from other governmental agencies:				
Homeowner's property tax relief	103,639	103,639	98,512	(5,127)
State - other	-	448,337	441,934	(6,403)
Federal grants	4,000	4,000	-	(4,000)
RDA's	310,000	310,000	475,725	165,725
Sub-total	417,639	865,976	1,016,171	150,195
Charges for current services				
Retiree charges	26,700	26,700	28,342	1,642
Computer services	51,934	51,934	28,751	(23,183)
Copy charges/other revenue	350	350	365	15
Cost recovery - other	-	-	2,726	2,726
Charges for current services	82,452	201,124	209,956	8,832
Other charges for services	130,000	130,000	168,708	38,708
Sub-total	291,436	410,108	438,848	28,740

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, 2019

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Other revenue				
Insurance proceeds	-	-	67,393	67,393
Other revenue	-	-	11,525	11,525
Sub-total	-	-	78,918	78,918
Total revenues	17,966,578	18,576,087	19,272,830	696,743
EXPENDITURES:				
Salaries and employee benefits				
Salaries	7,938,734	8,492,071	8,387,519	104,552
Retirement (Social Security and PERS)	2,482,294	2,482,294	2,558,749	(76,455)
Employee insurance and benefits	2,640,417	2,640,417	2,544,541	95,876
Unemployment insurance	9,972	9,972	8,816	1,156
Workers' compensation insurance	668,232	668,232	668,232	-
Sick leave reserve	275,000	275,000	216,663	58,337
Sub-total	14,014,649	14,567,986	14,384,520	183,466
Services and supplies:				
Clothing and personal supplies	132,454	132,454	88,408	44,046
Uniform replacement	55,841	55,841	48,049	7,792
Radio	171,500	171,500	160,124	11,376
Telephone and telegraph	49,582	49,582	42,324	7,258
Food	8,825	8,825	5,391	3,434
Other household expenses	63,741	69,741	61,740	8,001
Other insurance	36,722	36,722	32,247	4,475
Maintenance - mobile equipment	10,500	10,500	3,473	7,027
Maintenance - office equipment	785	785	1,636	(851)
Maintenance - other equipment	61,105	61,105	34,209	26,896
Maintenance - structure and grounds	175,609	175,609	76,557	99,052
Medical, dental, and lab supplies	37,796	37,796	21,139	16,657
Memberships	7,588	7,588	5,731	1,857

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, 2019

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Services and supplies (Continued):				
PC software	75,119	75,119	57,768	17,351
Supplies	54,443	54,443	56,128	(1,685)
Accounting (County PR) and auditing fees	33,700	33,700	37,201	(3,501)
Directors' fees	19,404	19,404	19,073	331
Medical services - other	48,550	48,550	22,633	25,917
Professional and special services	625,124	588,599	1,005,311	(416,712)
Legal notices	4,250	4,250	927	3,323
Equipment lease and rent	8,850	8,850	5,290	3,560
Small tools and instruments	118,842	118,842	81,236	37,606
Education and/or training	117,750	117,750	52,864	64,886
Special district expense	110,961	84,961	61,307	23,654
Subscriptions, books and educational materials	10,020	10,020	3,112	6,908
Education and training	146,604	146,604	96,483	50,121
Gas, oil, and fuel	55,276	55,276	72,013	(16,737)
Travel - other	1,000	3,000	3,227	(227)
Utilities	65,000	65,000	60,018	4,982
Contributions to other agencies	21,635	21,635	21,974	(339)
Sub-total	2,328,576	2,274,051	2,237,593	36,458
Capital outlay	119,273	119,273	58,977	60,296
Debt service:				
Principal	1,019,717	1,019,717	53,000	966,717
Interest	92,232	92,232	1,661	90,571
Sub-total	1,111,949	1,111,949	54,661	1,057,288
Contingencies	100,000	100,000	-	100,000
Total expenditures	17,674,447	18,173,259	16,735,751	1,437,508
REVENUES OVER (UNDER) EXPENDITURES	292,131	402,828	2,537,079	2,134,251

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, 2019

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)	(995,000)	(297,700)
Total other financing sources (uses)	(697,300)	(688,800)	(995,000)	(306,200)
Net change in fund balance	\$ (405,169)	\$ (285,972)	1,542,079	\$ 1,828,051
FUND BALANCE:				
Beginning of year			9,162,143	
End of year			<u>\$ 10,704,222</u>	

Central Fire Protection District of Santa Cruz County
Required Supplementary Information
For the years ended June 30, 2020 and 2019

2. DEFINED BENEFIT PENSION PLAN

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

Fiscal Year	2020	2019	2018	2017	2016	2015
Measurement Date	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of the net pension liability	0.26767%	0.26380%	0.25276%	0.25331%	0.25078%	0.23067%
Proportionate share of the net pension liability	\$ 27,427,747	\$ 25,420,123	\$ 25,066,660	\$ 21,918,653	\$ 17,213,403	\$ 14,353,672
Covered payroll	\$ 6,953,792	\$ 6,341,628	\$ 5,717,461	\$ 5,621,693	\$ 5,137,474	\$ 5,600,845
Proportionate Share of the net pension liability as percentage of covered payroll	394.43%	400.85%	438.42%	389.89%	335.06%	256.28%
Plan's fiduciary net position as a percentage of the total pension liability	75.26%	75.26%	73.31%	74.06%	78.40%	83.03%

Notes to Schedule:

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

The CalPERS discount rate was increased from 7.5% to 7.65% in fiscal year 2016, and then decreased from 7.65% to 7.15% in fiscal year 2018.

The CalPERS mortality assumptions were adjusted in fiscal year 2019.

Central Fire Protection District of Santa Cruz County
Required Supplementary Information
For the years ended June 30, 2020 and 2019

2. DEFINED BENEFIT PENSION PLAN

*Schedule of Contributions - Last 10 Fiscal Years**

Fiscal Year	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 3,022,355	\$ 2,513,002	\$ 2,132,427	\$ 1,890,361	\$ 1,672,160	\$ 1,358,801
Contribution in relation to the actuarially determined contributions	(3,022,355)	(2,513,002)	(2,132,427)	(1,890,361)	(1,672,160)	(1,358,801)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 7,072,060	\$ 6,953,792	\$ 6,341,628	\$ 5,717,461	\$ 5,621,693	\$ 5,137,474
Contributions as a percentage of covered payroll	42.74%	36.14%	33.63%	33.06%	29.74%	26.45%

Note to Schedule

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

Methods and assumptions used to determine contribution rates:

	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
Valuation date:	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
Actuarial cost method:	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method:	(1)	(1)	(1)	(1)	(1)	(1)
Assets valuation method:	Market Value	Market Value	Market Value	Market Value	Market Value	15 Year Smoothed Market Method
Inflation:	2.63%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases:	(2)	(2)	(2)	(2)	(2)	(2)
Investment rate of return:	7.25%	7.375%	7.50%	7.50%	7.50%	7.50%
Retirement age:	(3)	(3)	(3)	(3)	(3)	(3)
Mortality:	(4)	(4)	(4)	(4)	(4)	(4)

(1) Level percentage of payroll, closed

(2) Depending on age, service, and type of employment

(3) 50 for all plans, with the exception of 52 for Miscellaneous PEPRA 2%@62

(4) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

Central Fire Protection District of Santa Cruz County
Required Supplementary Information
For the years ended June 30, 2020 and 2019

3. OTHER POST EMPLOYMENT BENEFITS (OPEB)

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

<i>Measurement Period</i>	2019	2018	2017
Total OPEB Liability			
Service Cost	\$ 440,500	\$ 427,700	\$ 427,700
Interest on the total OPEB liability	1,353,200	1,287,900	1,242,700
Changes in benefit terms	(348,200)	-	-
Differences between expected and actual experience	(1,072,300)	14,800	-
Changes of assumptions	1,882,900	-	-
Benefit payments, including refunds of employee contributor	(1,113,600)	(998,300)	(1,095,300)
Net change in total OPEB liability	1,142,500	732,100	575,100
Total OPEB liability - beginning	18,704,000	17,971,900	17,396,800
Total OPEB liability - ending (a)	\$ 19,846,500	\$ 18,704,000	\$ 17,971,900
Plan Fiduciary Net Position			
Contributions - employer	\$ 1,496,600	\$ 1,300,900	\$ 1,519,400
Net investment income	123,200	70,227	75,607
Benefit payments, including refunds of employee contributor	(1,113,600)	(998,300)	(1,095,300)
Administrative expense	(1,500)	(327)	(507)
Net change in plan fiduciary net position	504,700	372,500	499,200
Plan fiduciary net position - beginning	1,728,200	1,355,700	856,500
Plan fiduciary net position - ending (b)	\$ 2,232,900	\$ 1,728,200	\$ 1,355,700
Net OPEB liability/(asset) - ending (a) - (b)	\$ 17,613,600	\$ 16,975,800	\$ 16,616,200
Plan fiduciary net position as a percentage of the total OPEB liability	11%	9%	8%
Covered-employee payroll	8,644,226	8,236,268	7,185,600
Net OPEB liability as a percentage of covered-employee payroll	203.76%	206.11%	231.24%

Notes to Schedule:

Changes in assumptions

2018: 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.

2019: The interest rate for discounting liabilities was updated to reflect the rate of return on CERBT strategy #1 assets. The plan enrollment assumption and premium increase rates were modified to better reflect anticipated experience. Demographic and economic assumptions, such as mortality, withdrawal, retirement, inflation, payroll growth, and the salary merit scale were revised to match (as closely as possible) those developed in the most recent experience study for 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.

Central Fire Protection District of Santa Cruz County
Required Supplementary Information
For the years ended June 30, 2020 and 2019

3. OTHER POST EMPLOYMENT BENEFITS (OPEB), Continued

*Schedule of Contributions - Last 10 Fiscal Years**

Fiscal Year Ended June 30	2020	2019	2018
Actuarially Determined Contribution (ADC)	\$ 1,637,500	\$ 1,513,700	\$ 1,561,000
Contributions in relation to the ADC	(1,522,471)	(1,496,601)	(1,513,700)
Contribution deficiency (excess)	<u>\$ 115,029</u>	<u>\$ 17,099</u>	<u>\$ 47,300</u>
Covered-employee payroll	9,197,254	8,644,226	8,236,268
Contributions as a percentage of covered-emp	16.55%	17.31%	18.38%

Notes to Schedule:

Methods and assumptions used to determine ADC:

Valuation date:	6/30/2019	6/30/2017	6/30/2017
Actuarial cost method:	Entry Age Normal	Entry Age Normal	Entry Age Normal
Asset valuation method:	Market Value	Market Value	Market Value
Amortization method:	Level % of Pay	Level% of Pay	Level % of Pay
Amortization period:	28 years	29 years	30 years
Discount rate:	7.59%	7.28%	7.28%
Amortization growth rate:	2.75%	2.00%	2.00%
Inflation:	2.50%	3.00%	3.00%

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.

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SUPPLEMENTARY INFORMATION

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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Use of money and property:				
Interest general	\$ 25,000	\$ 25,000	\$ 31,669	\$ 6,669
Sub-total	25,000	25,000	31,669	6,669
Other revenue				
Other revenue	2,181,772	2,181,772	-	(2,181,772)
Sub-total	2,181,772	2,181,772	-	(2,181,772)
Total revenues	2,206,772	2,206,772	31,669	(2,175,103)
EXPENDITURES:				
Capital outlay	2,339,516	2,339,516	112,890	2,226,626
Debt service:				
Principal	284,899	284,899	293,392	(8,493)
Interest	65,039	65,039	56,546	8,493
Sub-total	349,938	349,938	349,938	-
Total expenditures	2,689,454	2,689,454	462,828	2,226,626
REVENUES OVER (UNDER) EXPENDITURES	(482,682)	(482,682)	(431,159)	51,523
OTHER FINANCING SOURCES (USES):				
Proceeds from sales of capital assets	-	-	7,880	7,880
Transfers in	690,000	690,000	690,000	-
Total other financing sources (uses)	690,000	690,000	697,880	7,880
Net change in fund balance	\$ 207,318	\$ 207,318	266,721	\$ 59,403
FUND BALANCE:				
Beginning of year			2,151,716	
End of year			\$ 2,418,437	

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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Use of money and property:				
Interest general	\$ 7,000	\$ 7,000	\$ 22,367	\$ 15,367
Sub-total	7,000	7,000	22,367	15,367
Total revenues	7,000	7,000	22,367	15,367
EXPENDITURES:				
Capital outlay	395,000	395,000	52,316	342,684
Total expenditures	395,000	395,000	52,316	342,684
REVENUES OVER (UNDER) EXPENDITURES	(388,000)	(388,000)	(29,949)	358,051
OTHER FINANCING SOURCES (USES):				
Transfers in	305,000	305,000	305,000	-
Total other financing sources (uses)	305,000	305,000	305,000	-
Net change in fund balance	\$ (83,000)	\$ (83,000)	275,051	\$ 358,051
FUND BALANCE:				
Beginning of year			1,003,951	
End of year			\$ 1,279,002	

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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Use of money and property:				
Interest general	\$ -	\$ -	\$ 1,184	\$ 1,184
Sub-total	-	-	1,184	1,184
Charges for current services				
Charges for current services	1,264,378	1,264,378	1,256,015	(8,363)
Sub-total	1,264,378	1,264,378	1,256,015	(8,363)
Total revenues	1,264,378	1,264,378	1,257,199	(7,179)
EXPENDITURES:				
Salaries and employee benefits				
Salaries	392,803	352,150	358,571	(6,421)
Retirement (Social Security and PERS)	59,535	59,535	57,243	2,292
Employee insurance and benefits	88,014	73,896	64,989	8,907
Unemployment insurance	700	700	756	(56)
Workers' compensation insurance	39,198	39,198	39,198	-
Sick leave reserve	6,985	6,985	11,706	(4,721)
Sub-total	587,235	532,464	532,463	1
Services and supplies:				
Clothing and personal supplies	800	800	731	69
Telephone and telegraph	9,331	9,331	7,677	1,654
Other household expenses	13,131	13,131	13,316	(185)
Other insurance	11,300	11,300	11,300	-
Maintenance - mobile equipment	483,000	537,771	563,141	(25,370)
Maintenance - other equipment	5,252	5,252	7,428	(2,176)
Maintenance - structure and grounds	16,075	16,075	8,667	7,408

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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Services and supplies (Continued):				
Memberships	80	80	120	(40)
PC software	10,748	10,748	10,281	467
Supplies	28,237	28,237	38,119	(9,882)
Professional and special services	1,089	1,089	1,044	45
Equipment lease and rent	8,450	8,450	336	8,114
Small tools and instruments	8,600	8,600	9,692	(1,092)
Education and/or training	24,248	24,248	10,673	13,575
Special district expense	4,512	4,512	3,780	732
Subscriptions, books and educational materials	1,500	1,500	-	1,500
Gas, oil, and fuel	35,100	35,100	22,063	13,037
Utilities	15,690	15,690	16,368	(678)
Sub-total	677,143	731,914	724,736	7,178
Total expenditures	1,264,378	1,264,378	1,257,199	7,179
Net change in fund balance	\$ -	\$ -	-	\$ -
FUND BALANCE:				
Beginning of year			304,684	
End of year			\$ 304,684	