

Central Fire District of Santa Cruz County

Santa Cruz, California

*Basic Financial Statements
and Independent Auditors' Report*

For the fiscal year ended June 30, 2024

Central Fire District of Santa Cruz County

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Central Fire District of Santa Cruz County, California (District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2024, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.⁵
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

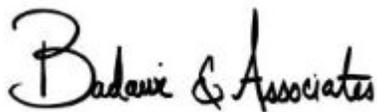
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

To the Board of Directors
of the Central Fire District of Santa Cruz County
Santa Cruz, California
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Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis, budgetary comparison information, pension schedules, and other post employment benefits (OPEB) schedules on pages 55-63 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



Badawi and Associates, CPAs
Emeryville, California
July 16, 2025

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**Central Fire Protection District Of Santa Cruz County
Management’s Discussion and Analysis
June 30, 2024**

In 1987, Central Fire Protection District was created from the consolidation of the Capitola, Live Oak and Soquel Fire Districts. In 1986, Aptos Fire District and La Selva Beach Fire District also consolidated, to become the Aptos/La Selva Fire Protection District. By 2018, Aptos/La Selva FPD and Central FPD entered into a Shared Services Agreement, combining services with their Administrative and Prevention/ Community Risk Reduction divisions. In February of 2021, Central Fire Protection District and Aptos/La Selva Fire Protection District consolidated into Central Fire District of Santa Cruz County.

Central Fire District serves the communities of Aptos, Capitola, La Selva Beach, Live Oak, Rio Del Mar, and Soquel. The resident population is approximately 90,500, with a seasonal influx during the summer, and covers an area of 55 square miles. The District responds to requests for service for fire, water rescue, emergency medical services, hazardous materials calls, and assorted alarms.

The District operates seven fire stations, an Administrative Office & Community Risk Reduction Division, Training Division and Fleet Services Facility. The District has several robust program areas including Community Risk Reduction, Community Education, Emergency Medical Services, Water Rescue, Fire Investigation, Hazardous Materials, Technical Rescue and Training. The District has a publicly elected Board of Directors consisting of five members who are elected to four-year, staggered terms.

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, 2024 with comparative totals for 2023.

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.

Central Fire Protection District Of Santa Cruz County
Management's Discussion and Analysis
June 30, 2024

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.

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.

Central Fire Protection District Of Santa Cruz County
Management's Discussion and Analysis
June 30, 2024

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

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.

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.

**Central Fire Protection District Of Santa Cruz County
Management's Discussion and Analysis
June 30, 2024**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Summary of Net Position
Governmental Activities**

	<u>2024</u>	<u>2023</u>	<u>Variance (%)</u>
Asset			
Current assets	\$ 38,561,617	\$ 38,296,400	1%
Noncurrent assets	20,461,350	17,123,628	19%
Total assets	<u>59,022,967</u>	<u>55,420,028</u>	<u>7%</u>
Deferred outflows	32,673,403	33,423,677	-2%
Total assets and deferred outflows	<u>91,696,370</u>	<u>88,843,705</u>	<u>3%</u>
Liabilities			
Current liabilities	1,975,889	1,432,013	38%
Noncurrent liabilities	85,464,481	83,754,817	2%
Total liabilities	<u>87,440,370</u>	<u>85,186,830</u>	<u>8%</u>
Deferred inflows	7,067,388	6,480,019	9%
Net position:			
Net investment in capital assets	20,121,543	16,453,850	22%
Unrestricted	(22,932,931)	(19,276,994)	19%
Total net position	<u>\$ (2,811,388)</u>	<u>\$ (2,823,144)</u>	<u>0%</u>
Total liabilities, deferred inflows, and net position	<u>\$ 91,696,370</u>	<u>\$ 88,843,705</u>	<u>16%</u>

**Central Fire Protection District Of Santa Cruz County
Management’s Discussion and Analysis
June 30, 2024**

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

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

	<u>2024</u>	<u>2023</u>	<u>Variance (%)</u>
Revenues			
Program revenues:			
Charges for services	\$ 1,008,073	\$ 1,416,084	-29%
Operating grants and contributions	1,648,431	2,014,507	-18%
General revenues			
Property taxes	41,568,555	40,277,993	3%
Interest income	1,228,010	549,913	123%
Other revenues	699,023	1,070,422	-35%
Total revenues	<u>46,152,092</u>	<u>45,328,919</u>	<u>2%</u>
Expenses			
Public safety:	46,140,336	36,603,457	26%
Total expenses	<u>46,140,336</u>	<u>36,603,457</u>	<u>26%</u>
Change in net position	11,756	8,725,462	-100%
Beginning of year	(2,823,144)	(11,548,606)	-76%
End of year	<u>\$ (2,811,388)</u>	<u>\$ (2,823,144)</u>	<u>0%</u>

Financial Analysis of the District as a whole

The net position of the District as of June 30, 2024 was negative \$2.8 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 \$2.81 million in net position, \$20.1 million are invested in capital assets (net of accumulated depreciation and related debt).

The net position increased by \$12 thousand for the fiscal year ended June 30, 2024 and increased by \$8.7 million for fiscal year ended June 30, 2023. The lower increase in fiscal year 2024 is primarily due to the increase in pension expense compared to prior year.

**Central Fire Protection District Of Santa Cruz County
Management’s Discussion and Analysis
June 30, 2024**

Financial Analysis of the District’s Funds

For the fiscal year 2024, Governmental Fund balances decreased by \$0.3 million, mainly attributable to higher District’s annual expenditures for capital projects. For the fiscal year 2023, Governmental Fund balances increased by \$2.7 million mainly attributable to property taxes and other revenues being considerably higher than the District’s annual expenditures. Projects also budgeted for the fiscal year were not completed due to timing and were re-budgeted for the next fiscal year.

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

	2024		2023		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	% of change
<u>Revenues by souce</u>						
Property taxes	\$ 41,568,555	89%	\$ 40,277,993	89%	\$ 1,290,562	3%
Use of money/property	1,228,009	3%	549,913	1%	678,096	123%
Aid from other governments	1,648,431	4%	2,014,507	4%	(366,076)	-18%
Charges for services	1,461,192	3%	1,416,084	3%	45,108	3%
Other revenue	699,023	1%	1,053,317	2%	(354,294)	-34%
Total	\$ 46,605,210	100%	\$ 45,311,814	100%	\$ 1,293,396	3%
<u>Expenditures by sources</u>						
Current:						
Public Safety						
Salaries and benefits	\$ 35,727,917	76%	\$ 33,962,350	80%	\$ 1,765,567	5%
Services and supplies	5,821,582	12%	5,795,070	14%	26,512	0%
Capital outlay	4,963,979	11%	2,459,260	6%	2,504,719	102%
Debt service:						
Principal	329,971	1%	320,420	1%	9,551	3%
Interest and fiscal charges	19,966	0%	29,518	0%	(9,552)	-32%
Total	\$ 46,863,415	100%	\$ 42,566,618	100%	\$ 4,296,797	10%

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

For the fiscal year 2024, total revenue increased by \$1,293,396 or 3% percent. The increase in revenues was primarily due to an increase in property tax revenue. Total expenditures increased by \$4,903,577 during fiscal year 2024 or 12% mainly due to large capital purchases. The District purchased several apparatus and vehicles to replace its ageing fleet.

**Central Fire Protection District Of Santa Cruz County
Management's Discussion and Analysis
June 30, 2024**

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2024 and 2023 totaled \$20,461,350 and \$17,123,628 (net of accumulated depreciation), respectively. This investment in capital assets includes land, construction in progress, structures and improvements, and equipment.

Capital assets for the governmental activities are presented below to illustrate changes in Fiscal year 2024 and 2023:

	<u>2024</u>	<u>2023</u>	<u>Increase/ (Decrease)</u>
Land	\$ 1,786,453	\$ 1,786,453	\$ -
Construction in progress	3,158,070	304,679	2,853,391
Structures and improvements	12,007,691	12,007,691	-
Equipment	18,283,337	16,876,378	1,406,959
Less accumulated depreciation	(14,774,201)	(13,851,573)	(922,628)
Total capital assets, net	<u>\$20,461,350</u>	<u>\$17,123,628</u>	<u>\$ 3,337,722</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, 2024, of \$4,274,242 as compared to \$4,465,253 in the prior year, a decrease of 4 percent. During fiscal year end June 30, 2024. The District's long term debt decreased by \$329,971 and compensated absences increased by \$138,960.

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

	<u>2024</u>	<u>2023</u>	<u>% of Change</u>
Finance purchase agreements	\$ 339,807	\$ 669,778	-49%
Compensated absences	3,934,435	3,795,475	4%
Total	<u>\$4,274,242</u>	<u>\$4,465,253</u>	<u>-4%</u>

Central Fire Protection District Of Santa Cruz County
Management's Discussion and Analysis
June 30, 2024

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District has developed a 20-year Master Plan along with a 5 Year Strategic Plan. These plans, in conjunction with the annual budget, will serve as foundational documents to guide the District's direction in the coming years. Presented below are the District's goals for the upcoming fiscal year, reflecting our commitment to achieving the objectives outlined in the Strategic Plan.

- Continue to work on the development of a long term facilities plan and determine funding options for relocating and improving fire stations.
- Conduct Fire Impact Fee Nexus Study to establish the legal and policy basis for the collection of a new fire impact fee ("Fee") on new developments within the District's boundaries and determine potential future revenue.
- Enhance emergency response capabilities by upgrading the District's radio infrastructure for use during natural disasters and special events. Additionally, improve District GIS and data analytics by selecting and implementing a Resource Management System (RMS), updating district maps to aid in disaster response, and developing a county Technical Rescue/special operations resource list and response plan.
- Increase recruitment efforts for underrepresented groups in the Fire Service by hosting Girls Fire Camp, continuing career fairs at local high schools and colleges, and increasing involvement with "Your Future is Our Business" group coordinate with local middle school.
- Develop role of Health & Safety Officer (HSO)/Designated Infection Control Officer (DICO) to better serve our 7 - station district. Partner with the Health & Wellness Program to improve the effectiveness of the Safety Committee. Better define the role and responsibilities of the HSO/DICO and identify training opportunities for individuals filling that position.
- Enhance capital replacement schedules to address current supply chain challenges within the industry. Capital replacement schedules are typically forecasted over a 10-year period and outline the District's equipment needs. Additionally, funding considerations are made to ensure adequate replacement of equipment as it reaches the end of its useful life.
- Continue to work with County elected officials to increase the allocation of ½ of 1% of voter approved Proposition 172, the *Local Public Safety Protection, and Improvement Act of 1993*, to fire services in Santa Cruz County, specifically for special fire protection districts.

The District develops its budget and long-term financial projections based on local external environment data, economic forecasts, and historical trends. These factors are continuously monitored to evaluate how economic changes may affect our services. During development, we follow fiscal policies and strive to maintain a strong financial position for the future.

Central Fire Protection District Of Santa Cruz County
Management's Discussion and Analysis
June 30, 2024

Major changes in service levels, fees, and taxes

- Property assessed valuation is projected to increase modestly. We have forecasted a 4.53 percent assessed valuation growth for the 2025-26 fiscal year. Over the past five years, the tax base within the District has exhibited consistent and modest growth, averaging a 4 percent annual increase. Residential and commercial construction remains robust and competitive. In Santa Cruz County, the median home price reached \$1.42 million in April 2024, nearly triple the \$495,000 recorded in January 2010. Additionally, the unsold inventory index has consistently remained around 3%, which has been the main factor in driving up current home prices.
- The District's call volume remained stable with 8,994 calls reported in 2024 compared to 9,055 calls reported in 2023. The call volume is distributed across seven stations, with Live Oak Station being the busiest location. Staff continues to analyze incident statistics to ensure the deployment of the most appropriate resources based on the nature of the incidents.
- The Consumer Price Index (CPI) tracks variations in the cost of living by evaluating prices for common goods and services. Historically, the Bay Area Index (used as a benchmark for Santa Cruz County) has exhibited higher inflation rates than the national average, primarily due to rising housing and energy costs. Inflation peaked at 5.6% in 2022, then dropped to 3.7% in 2023, and further declined to 2.8% in 2024. Despite these improvements, the Bay Area continues to face higher inflation rates compared to the previous decade, with ongoing cost pressures still impacting household budgets and public service delivery.

Economic Factors and Fiscal Uncertainties

- Supply Chain Issues & Inflationary Conditions – Supply chain issues and current inflationary conditions are expected to generally result in delays in receiving products, supplies, and equipment, while associated prices are likely to rise. The District has incorporated known and anticipated price increases into the FY 2025-26 budget, as well as the potential impacts of supply chain delays, both operationally and in estimated timing. Anticipated assembly line delays for fire apparatus, for example, require detailed planning and careful consideration regarding fleet management, with build out time estimated to be 18 months or longer. Tariffs on imported goods will significantly affect the fire service, particularly in terms of cost and supply chain issues. Increased costs of raw materials, such as steel and aluminum, can increase the price of fire-related equipment and components, potentially leading to higher prices. Supply chain disruptions can also result in delays and make it harder to secure necessary equipment promptly. In anticipation of these issues, the District has updated capital replacement schedules to account for these cost increases and supply chain issues to ensure timely receipt of equipment.

Central Fire Protection District Of Santa Cruz County
Management's Discussion and Analysis
June 30, 2024

- Increase in Housing Development - The County of Santa Cruz is actively increasing its housing development to meet California's state-mandated goals and address its own housing needs. The County plans to add thousands of new housing units, including student housing, downtown high-rises, and other projects. This increased housing supply aims to address the high cost of living and a shortage of affordable housing. The state of California has set Regional Housing Needs Allocation (RHNA) targets for the County of Santa Cruz, requiring plans for a significant increase in housing units. The plan, known as the housing element, is a state-mandated blueprint required of cities and counties across California to address the state's increasingly imbalanced housing supply and demand ratio. The state, in conjunction with the regional agency Association of Monterey Bay Area Governments, determined that the County of Santa Cruz must plan to accommodate 3,736 units between 2023 and 2031. In anticipation of an increase in housing, the District is considering an impact fee study for new construction within District boundaries. This will bring in an additional source of revenue for the District. Regarding service, the District will investigate the possibility of adding more fire units similar to Engine 3543 to improve response times and handle the projected increased demand for service due to more housing.
- Continue development of a long-term facilities plan - As part of the District's 5-Year Strategic Plan, one of the primary goals is to develop a comprehensive long-term facilities plan to identify needed capital improvements. Although the District has been proactive in setting aside funding for apparatus and capital replacement, large scale capital improvements are quite costly and challenging to fund from existing operating revenues. In August 2023, the District established a capital funding plan that prioritized capital needs and considered funding options. The District collaborated with a municipal advisor to identify funding options. In 2024, the District decided on a General Obligation Bond to fund this plan. The District proposed Measure R, which would authorize \$221,000,000 in bonds at legal rates, levying \$29 per \$100,000 of assessed property valuation. The bond would be used to maintain 911 response times, protect local medical emergency and fire protection services; and prepare for wildfires, floods, and earthquakes by upgrading and repairing aging lifesaving equipment and stations. However, Measure R did not pass in the 2024 election. With the purchase of land this past fiscal year, and the need to relocate or upgrade our existing facilities, the District will need to explore alternative funding sources to begin construction and improvements.

The annual budget is prepared to provide a realistic financial plan, ensuring the District will continue to deliver exceptional, yet cost-effective fire protection, emergency medical services, and community risk reduction services, while remaining receptive to our community and the current economy. As pension, healthcare, and workers compensation costs continue to rise over time, the District is committed to good financial stewardship through efficient operational and budgetary management processes, including cutting costs whenever feasible. Ultimately it is the District's goal to present and maintain a balanced budget while addressing changes to our operational needs.

Central Fire Protection District Of Santa Cruz County
Management's Discussion and Analysis
June 30, 2024

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.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

Central Fire District of Santa Cruz County
Statement of Net Position
June 30, 2024

ASSETS	
Current assets:	
Cash and investments	\$ 38,365,180
Accounts receivable	82,860
Total current assets	<u>38,561,617</u>
Noncurrent assets:	
Capital assets - non-depreciable	4,944,523
Capital assets - depreciable, net	15,516,827
Total capital assets	<u>20,461,350</u>
Total noncurrent assets	<u>20,461,350</u>
Total assets	<u>59,022,967</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pension	27,076,019
Deferred outflows of resources - OPEB	5,597,384
Total deferred outflows of resources	<u>32,673,403</u>
LIABILITIES	
Current liabilities:	
Accounts payable - claims	662,452
Accounts payable - payroll	576,809
Interest payable	3,377
Compensated absences, due within one year	393,444
Long term debt, due within one year	339,807
Total current liabilities	<u>1,975,889</u>
Noncurrent liabilities:	
Compensated absences, due in more than one year	3,540,991
Net OPEB liabilities	17,912,788
Net pension liability	64,010,702
Total noncurrent liabilities	<u>85,464,481</u>
Total liabilities	<u>87,440,370</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pension	2,193,792
Deferred inflows of resources - OPEB	4,873,596
Total deferred inflows of resources	<u>7,067,388</u>
NET POSITION	
Net investment in capital assets	20,121,543
Unrestricted	(22,932,931)
Net position	<u>\$ (2,811,388)</u>

See accompanying Notes to Basic Financial Statements.

Central Fire District of Santa Cruz County
Statement of Activities
For the year ended June 30, 2024

	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	\$ 46,140,336	\$ 1,008,073	\$ 1,648,431	\$ -	\$ 2,656,504	\$ (43,483,832)
Total governmental activities	<u>\$ 46,140,336</u>	<u>\$ 1,008,073</u>	<u>\$ 1,648,431</u>	<u>\$ -</u>	<u>\$ 2,656,504</u>	<u>(43,483,832)</u>
General Revenues:						
						41,568,555
						1,228,010
						699,023
						<u>43,495,588</u>
						11,756
						<u>(2,823,144)</u>
						<u>\$ (2,811,388)</u>

See accompanying Notes to Basic Financial Statements.

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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Central Fire District of Santa Cruz County
Balance Sheet - Governmental Funds
June 30, 2024

	General Fund	Capital Outlay Capital Project Fund	Fleet Maintenance Capital Project Fund	Total
ASSETS				
Cash and investments	\$ 33,224,424	\$ 4,782,869	\$ 357,887	\$ 38,365,180
Accounts receivable	82,860	-	-	82,860
Prepaid items	113,577	-	-	113,577
Total assets	\$ 33,420,861	\$ 4,782,869	\$ 357,887	\$ 38,561,617
LIABILITIES				
Accounts payable	\$ 431,730	\$ 184,759	\$ 45,963	\$ 662,452
Accrued salaries and benefits	576,809	-	-	576,809
Total liabilities	1,008,539	184,759	45,963	1,239,261
FUND BALANCES				
Nonspendable:				
Prepaid items	113,577	-	-	113,577
Assigned:				
Capital improvement and equipment	-	4,598,110	-	4,598,110
Fleet maintenance	-	-	311,924	311,924
Unassigned	32,298,745	-	-	32,298,745
Total fund balances	32,412,322	4,598,110	311,924	37,322,356
Total liabilities and fund balances	\$ 33,420,861	\$ 4,782,869	\$ 357,887	\$ 38,561,617

See accompanying Notes to Basic Financial Statements.

Central Fire District of Santa Cruz County
Reconciliation of the Balance Sheet of Governmental Funds
to the Government-Wide Statement of Net Position
June 30, 2024

Fund Balances of Governmental Funds \$ 37,322,356

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. 20,461,350

In the Government-Wide Financial Statements, employer contributions made subsequent to the measurement date for pension and OPEB, certain differences between actuarial amounts and actual results for pension are deferred and amortized or applied to the net pension liability or net OPEB liability in future periods, however these items do not impact the Governmental Funds Balance Sheet:

Deferred outflows of resources - pension	27,076,019
Deferred outflows of resources - OPEB	5,597,384
Deferred inflows of resources - pension	(2,193,792)
Deferred inflows of resources - OPEB	(4,873,596)

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. (3,377)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore they are not reported in the governmental funds.

Long-term debt	(339,807)
Compensated absences	(3,934,435)
Net OPEB liabilities	(17,912,788)
Net pension liability	(64,010,702)

Net Position of Governmental Activities \$ (2,811,388)

Central Fire District of Santa Cruz County
Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2024

	General Fund	Capital Outlay Capital Project Fund	Fleet Maintenance Capital Project Fund	Total
REVENUES:				
Property taxes	\$ 41,568,555	\$ -	\$ -	\$ 41,568,555
Use of money and property	1,005,981	222,919	(891)	1,228,009
Aid from other government agencies	1,121,441	526,990	-	1,648,431
Charges for services	24,000	-	1,437,192	1,461,192
Other revenue	678,327	20,696	-	699,023
Total revenues	44,398,304	770,605	1,436,301	46,605,210
EXPENDITURES:				
Current:				
Public Safety				
Salaries and benefits	34,985,370	-	742,547	35,727,917
Services and supplies	5,104,597	30,471	686,514	5,821,582
Capital outlay	250,496	4,713,483	-	4,963,979
Debt service:				
Principal	-	329,971	-	329,971
Interest and fiscal charges	-	19,966	-	19,966
Total expenditures	40,340,463	5,093,891	1,429,061	46,863,415
REVENUES OVER (UNDER) EXPENDITURES	4,057,841	(4,323,286)	7,240	(258,205)
OTHER FINANCING SOURCES (USES):				
Transfer in	-	2,100,000	-	2,100,000
Transfer out	(2,100,000)	-	-	(2,100,000)
Total other financing sources (uses)	(2,100,000)	2,100,000	-	-
Net change in fund balances	1,957,841	(2,223,286)	7,240	(258,205)
FUND BALANCES:				
Beginning of year	30,454,481	6,821,396	304,684	37,580,561
End of year	\$ 32,412,322	\$ 4,598,110	\$ 311,924	\$ 37,322,356

See accompanying Notes to Basic Financial Statements.

Central Fire 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 year ended June 30, 2024

Net Change in Fund Balances - Total Governmental Funds \$ (258,205)

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	4,961,131
Depreciation expense	(1,258,680)
Net book value of sales and disposals	(364,729)

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. 7,328,816

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. 2,311,953

Pension expense is recorded as incurred in the Government-Wide Statement of Activities, however pension expense is not recognized in the governmental funds. (11,071,071)

OPEB expense is recorded as incurred in the Government-Wide Statement of Activities, however pension expense is not recognized in the governmental funds. (1,831,748)

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. 329,971

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. 3,278

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	(138,960)
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Change in Net Position of Governmental Activities \$ 11,756

NOTES TO BASIC FINANCIAL STATEMENTS

Central Fire District Of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Central Fire 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*

In 1987, Central Fire Protection District was created from the consolidation of the Capitola, Live Oak and Soquel Fire Districts. In 1986, Aptos Fire District and La Selva Beach Fire District also consolidated, to become the Aptos/La Selva Fire Protection District. By 2018, Aptos/La Selva FPD and Central FPD entered into a Shared Services Agreement, combining services with their Administrative and Prevention/ Community Risk Reduction divisions. In February of 2021, Central Fire Protection District and Aptos/La Selva Fire Protection District consolidated into Central Fire District of Santa Cruz County.

Central Fire District serves the communities of Capitola, Live Oak, Soquel, Aptos, Rio Del Mar and La Selva Beach. The resident population is approximately 90,500, with a seasonal influx during the summer, and covers an area of 55 square miles. The District responds to requests for service for fire, water rescue, emergency medical services, hazardous materials calls, and assorted alarms.

The District operates seven fire stations, an Administrative Office, Community Risk Reduction Division, and Fleet Services Facility. The District has several robust program areas including Community Risk Reduction, Community Education, Emergency Medical Services, Water Rescue, Fire Investigation, Hazardous Materials, Urban Search and Rescue, and Training. The District has a publicly elected Board of Directors consisting of five members who are elected to four year, staggered terms.

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.

Central Fire District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting/Measurement Focus, Continued

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.

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.

Central Fire District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting/Measurement Focus, Continued

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.

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.

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).

Central Fire District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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."

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, 2022, 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 District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Fund Balances, Continued

Restricted- includes the funds held by trustees or fiscal agents for future payment of bond principal and interest, or otherwise are restricted by bond terms or are restricted by other law or contract. These funds are not available for general operations. The District does not have any restricted fund balances.

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 District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2024

1. 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 2023:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2023
Measurement Period	July 1, 2022 to June 30, 2023

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

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

GASB Statement No. 100, Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62 – This Statement enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. There was no impact on net position as a result of implementation of this statement.

Central Fire District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2024

2. CASH AND INVESTMENTS

The District maintains cash and investments as summarized below:

Petty cash	\$	300
California CLASS Investment Pool		10,250,673
County of Santa Cruz Investment Pool		<u>28,114,207</u>
Total cash and investments	\$	<u>38,365,180</u>

A. Investment with California CLASS Investment Pool

\$10,250,673 at June 30, 2024 respectively is part of the of the California CLASS Investment Pool. The California Cooperative Liquid Assets Securities System (California CLASS) is a joint exercise of powers entity authorized under Section 6509.7, California Government Code. California CLASS is a pooled investment option that was created via a joint exercise of powers agreement by and among California public agencies. California CLASS provides California public agencies with a convenient method for investing in high-quality, short- to medium-term securities carefully selected to optimize interest earnings while prioritizing safety and liquidity. The California CLASS Prime and Enhanced Cash funds offer public agencies the opportunity to strengthen and diversify their cash management programs in accordance with the safety, liquidity, and yield hierarchy that governs the investment of public funds. The District reports its investments in California CLASS at the fair value amounts provided by California CLASS, which is the same as the value of the pool share. The fair value approximated is the District cost.

B. Investment with Santa Cruz County Investment Pool

\$28,114,207 at June 30, 2024 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 investments in external investment pools are exempt from levelling disclosure.

B. Concentration of Credit Risk

The District's investments in external investment pools are exempt from disclosure.

Central Fire District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2024

2. CASH AND INVESTMENTS, Continued

C. Interest Rate Risk

At June 30, 2024, the District had the following investment maturities.

Investment Type	Total	Investment Maturity (In Years)		
		Less than 1	1 to 2	2 to 3
California CLASS Investment Pool	\$ 10,250,673	\$ 10,250,673	\$ -	\$ -
Santa Cruz County Investment Pool	28,114,207	28,114,207	-	-
Total	\$ 38,364,880	\$ 38,364,880	\$ -	\$ -

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 District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2024

3. INTERFUND TRANSACTIONS - FUND FINANCIAL STATEMENTS

The District had the following transfers for the year ended June 30, 2024:

	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ -	\$ 2,100,000
Capital Projects Fund:		
Capital Outlay Fund	<u>2,100,000</u>	<u>-</u>
Total	<u>\$ 2,100,000</u>	<u>\$ 2,100,000</u>

Transfers from the General Fund to the Capital Outlay Capital Projects Fund were to fund for future capital projects and vehicle and equipment acquisitions.

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 year 2024 follows:

	<u>Balance at July 1, 2023</u>	<u>Additions</u>	<u>Deletion\ Reclassification</u>	<u>Balance at June 30, 2024</u>
Non-depreciable assets:				
Land	\$ 1,786,453	\$ -	\$ -	\$ 1,786,453
Construction in progress	304,679	3,158,070	(304,679)	3,158,070
Total non-depreciable	<u>2,091,132</u>	<u>3,158,070</u>	<u>(304,679)</u>	<u>4,944,523</u>
Depreciable assets:				
Structures and improvements	12,007,691	-	-	12,007,691
Vehicles and Equipment	16,876,378	1,803,061	(396,102)	18,283,337
Total non-depreciable	<u>28,884,069</u>	<u>1,803,061</u>	<u>(396,102)</u>	<u>30,291,028</u>
Less accumulated depreciation	(13,851,573)	(1,258,680)	336,052	(14,774,201)
Total depreciable assets, net	<u>15,032,496</u>	<u>544,381</u>	<u>(60,050)</u>	<u>15,516,827</u>
Total capital assets	<u>\$ 17,123,628</u>	<u>\$ 3,702,451</u>	<u>\$ (364,729)</u>	<u>\$ 20,461,350</u>

Central Fire District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2024

5. NON CURRENT LIABILITIES

The following is a summary of changes in non-current liabilities transactions for the fiscal year ended June 30, 2024:

	Balance July 1, 2023	Addition	Deletions	Balance June 30, 2024	Due Within One Year	Due More Than One Year
Governmental Activities:						
Finance purchase agreement	\$ 669,778	\$ -	\$ (329,971)	\$ 339,807	\$ 339,807	\$ -
Sub-total	669,778	-	(329,971)	339,807	339,807	-
Compensated absences	3,795,475	138,960	-	3,934,435	393,444	3,540,991
Total long-term liabilities	<u>\$ 4,465,253</u>	<u>\$ 138,960</u>	<u>\$ (329,971)</u>	<u>\$ 4,274,242</u>	<u>\$ 733,251</u>	<u>\$ 3,540,991</u>

A. Finance Purchase Agreement

On February 28, 2018, the District entered into a finance purchase 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
2025	\$ 339,807	\$ 10,131	\$ 349,938
Total	<u>\$ 339,807</u>	<u>\$ 10,131</u>	<u>\$ 349,938</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 District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2024

6. DEFINED BENEFIT PENSION PLAN, Continued

A. Plan Description, Continued

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, 2024 are summarized as follows:

	<u>Safety Tier 1 (CFPD)*</u>	<u>Safety Tier 1 (Aptos)*</u>	<u>Safety Tier 2 (CFPD)*</u>	<u>Safety PEPR A</u>
Hire Date	Prior to January 1, 2013	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	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50	55	50 - 55	50 - 57
Monthly benefits, as a % of annual salary	3.0%	3.0%	3.0%	2.0% to 2.7%
Required employee contribution rates	9.000%	9.000%	9.000%	13.000%
Required employer contribution rates	27.110%	21.840%	20.640%	12.780%
Required unfunded liability payment	\$ 2,395,395	\$ 1,604,662	\$ -	\$ -

Central Fire District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2024

6. DEFINED BENEFIT PENSION PLAN, Continued

B. Benefits Provided, Continued

	Miscellaneous Tier 1 (CFPD)*	Miscellaneous Tier 1 (Aptos)*	Miscellaneous Tier 2 (CFPD)*	Miscellaneous PEPRA
Hire Date	Prior to January 1, 2013	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	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	55	60	55	62
Monthly benefits, as a % of annual salary	2.5%	3.0%	2.5%	2.0%
Required employee contribution rates	8.000%	8.000%	8.000%	6.750%
Required employer contribution rates	14.060%	15.250%	11.590%	7.680%
Required unfunded liability payment	\$ 88,365	\$ 50,465	\$ -	\$ -

* These tiers are for employees who were previously enrolled in CalPERS prior to consolidation of Central Fire Protection District of Santa Cruz County and Aptos-La Selva Fire Protection District.

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.

Employer contributions made to the Plan for the measurement period ended June 30, 2023 were \$7,003,897. Employer contributions made to the Plan for the fiscal year ended June 30, 2024 totaled \$7,328,816.

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

As of June 30, 2024, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$64,010,702.

Central Fire District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2024

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, 2023, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2022 rolled forward to June 30, 2023 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, 2022 and 2023 were as follows:

Proportion - June 30, 2022	0.50600%
Proportion - June 30, 2023	0.51310%
Change - Increase (Decrease)	0.00710%

For the year ended June 30, 2023, the District recognized pension expense of \$11,071,071. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 7,328,816	\$ -
Changes of assumptions	3,740,391	-
Differences between expected and actual experience	4,648,079	406,111
Changes in employer's proportion	1,895,352	-
Differences between the employer's contribution and the employer's proportionate share of contributions	645,763	1,787,681
Net differences between projected and actual earnings on plan investments	8,817,618	-
Total	\$ 27,076,019	\$ 2,193,792

Central Fire District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2024

6. DEFINED BENEFIT PENSION PLAN, Continued

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

\$7,328,816 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, 2025 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	
<u>Ending June 30:</u>	
2025	\$ 5,775,169
2026	4,138,997
2027	7,392,838
2028	246,407

Actuarial assumptions

The total pension liabilities in the June 30, 2022 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return	6.90%
Mortality	Derived by CalPERS membership data for all funds
Post-retirement benefit increase	Contract COLA up to 2.3% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

Central Fire District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2024

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, 2022 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.

Discount Rate - The discount rate used to measure the total pension liability as of the measurement date of June 30, 2023 for the Plan was 6.90. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A detailed report testing these projections can be obtained from the CalPERS website.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

The expected real rates of return by asset class are as follows:

Asset Class	Assumed Asset Allocation	Real Return ^{(a)(b)}
Global Equity - Cap-weighted	30.00%	4.54%
Global Equity - Non-cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
Total	100.00%	

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

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

Central Fire District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2024

6. DEFINED BENEFIT PENSION PLAN, Continued

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

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:

1% Decrease	5.90%
Net Pension Liability	\$ 93,819,266
Current Discount Rate	6.90%
Net Pension Liability	\$ 64,010,702
1% Increase	7.90%
Net Pension Liability	\$ 39,632,489

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, 2024, the District reported a payable of \$0 for outstanding amount of contributions to the pension plan required for the year ended June 30, 2024.

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

A. Plan Description

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. The District had participated in two agent multiple-employer defined benefit OPEB plans that were created by Aptos/La Selva Fire Protection District and Central Fire Protection District of Santa Cruz County, which become the responsibility of the District as part of its formation. These plans were consolidated in fiscal year 2022.

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. 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. For Aptos/La Selva existing retired Firefighters, the District contributes specified agreed upon amounts to the retiree’s CALGOVEBA account in addition to the PEMHCA minimum amount paid to CalPERS.

Central Fire District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2024

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS, Continued

B. Employees Covered

As of the June 30, 2023 actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB Plan:

Active employees	96
Inactive employees or beneficiaries currently receiving benefits	<u>105</u>
Total	201

C. Contributions

The District primarily finances the plan based on actuarially determined contribution recommendations. For the measurement period ended June 30, 2023, the District’s cash contributions were \$1,608,849 and payment to the trust of \$703,104 resulting in total payments of \$2,311,953.

D. Net OPEB Liability

The District’s net OPEB liability was measured as of June 30, 2023 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2023 that was based on the following actuarial methods and assumptions:

Measurement Date	June 30, 2023
Discount Rate	6.00%
Inflation	2.50%
Payroll growth	2.80% wage inflation plus seniority, merit, and promotion salary increases based on CalPERS Experience Study and Review of Actuarial Assumptions published in November 2021.
Investment Rate of Return	6.00%
Mortality Rate	Based on CalPERS Experience Study and Review of Actuarial Assumptions published in November 2021 for Public Agency Miscellaneous and Fire Members.
Retirement	Based on CalPERS Experience Study and Review of Actuarial Assumptions published in November 2021 for Public Agency Miscellaneous and Fire
Healthcare Trend Rate	Based on 2023 Getzen model that reflects actual premium increases from 2023 to 2024 followed by 7.00% (non-Medicare) / 6.00% (Medicare) in 2022, decreasing gradually to an ultimate rate of 3.94% in 2075.

Central Fire District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2024

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS, Continued

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

Investment Class	Target Allocation	Expected L/T Real Rates of Return
Global Equity	49.00%	4.56%
Fixed Income	23.00%	1.56%
Global Real Estate (REITs)	20.00%	4.06%
Treasury Inflation-Protected Securities (TIPS)	5.00%	-0.08%
Commodities	3.00%	1.22%
TOTAL	100.00%	

E. Discount Rate

The discount rate used to measure the total OPEB liability was 6.00 percent for measurement date June 30, 2023. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Central Fire District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2024

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS, Continued

F. Changes in the OPEB Liability

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

	Increase (Decrease)		Net OPEB Liability/(Asset) (c) = (a) - (b)
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	
Balance at June 30, 2023 (Measurement Date June 30, 2022)	\$ 26,763,589	\$ 5,211,279	\$ 21,552,310
Changes recognized for the measurement period:			
Service cost	750,706	-	750,706
Interest	1,606,555	-	1,606,555
Difference between expected and actual experience	(3,102,286)	-	(3,102,286)
Changes of benefit terms	-	-	-
Changes of assumption or other inputs	(386,289)	-	(386,289)
Contributions - employer	-	672,343	(672,343)
Net investment income	-	338,817	(338,817)
Benefit payment	(1,498,571)	-	(1,498,571)
Trust administrative expenses	-	(1,523)	1,523
Net Changes	(2,629,885)	1,009,637	(3,639,522)
Balance at June 30, 2024 (Measurement Date June 30, 2023)	\$ 24,133,704	\$ 6,220,916	\$ 17,912,788

Central Fire District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2024

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS, Continued

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, 2023:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Net OPEB Liability	\$ 20,859,772	\$ 17,912,788	\$ 15,463,112

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, 2023:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability	\$ 15,357,718	\$ 17,912,788	\$ 21,028,572

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.

Central Fire District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2024

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS, Continued

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

For the fiscal year ended June 30, 2024, the District recognized OPEB expense of \$1,831,748. For the fiscal year ended June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 367,091	\$ 4,531,076
Changes in assumptions or other input	2,496,074	342,520
Net difference between projected and actual earnings on OPEB plan investments	422,266	-
Employer contribution subsequent to the measurement date	2,311,953	-
	<u>\$ 5,597,384</u>	<u>\$ 4,873,596</u>

The \$2,311,953 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2023 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30:	
2025	\$ (171,537)
2026	(182,435)
2027	(29,226)
2028	(267,025)
2029	(65,799)
Thereafter	(872,143)

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, 2024 the District reported a payable of \$0 for outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2024.

Central Fire District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2024

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS, Continued

M. Changes in Assumptions

The following significant assumption changes were made in the District most recent valuation:

- The healthcare trend rates were updated from the 2021 Getzen model to 2023 Getzen model. The model is published annually by the Society of Actuaries.
- The updated expected healthcare costs were updated based on CalPERS health plan premium rates effective on June 30, 2023.

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 poly period and only if a sixty day written advance not is given. However, SCAC-EIA may cancel a membership at any time upon a two-thirds vote of the Board of Directors and with sixty days written notice. Upon withdrawal or cancellation, a member shall remain liable for additional assessments for the program periods they have participated. CSAC-EIA is governed by a board of directors. The Board controls the operations of CSAC-EIA, including adoption an annual budget.

Primary workers' compensation

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

Central Fire District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2024

8. RISK MANAGEMENT, Continued

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 \$1.75 million including the District's payment for workers' compensation portfolio transfer for workers' compensation to the Group for the year ended June 30, 2024, respectively

Insurance Coverage

Insurance coverage at June 30, 2024 was as follows:

	<u>Deductible</u>	<u>Amount</u>
Property:		
Property (buildings)	\$ 5,000	Guaranteed Repl Cost
Repl cost subject to scheduled limit		
Business personal property (including theft)	\$ 1,000	Repl. Cost
Earthquake:		
Buildings		Guaranteed Repl. Cost
Business personal property		Repl Cost
Deductible		Dollar amount varies by building
Flood:		
Buildings		Guaranteed Repl. Cost
Business personal property		Repl. Cost
Deductible		\$1000 per premises
Portable equipment insurance		
Blanket portable equipment		Guaranteed Repl. Cost
Business personal property		\$50,000
General liability:		
General aggregate		\$10,000,000
Personal injury		\$1,000,000
Each occurrence		\$1,000,000
Automobile:		
Auto - liability		\$1,000,000 (Each Accident)
Auto - uninsured motorist		\$1,000,000 (Each Accident)
Auto - physical damage (comprehensive)		Agreed value, actual cash value, or cost of repairs, whichever is less minus \$5,000 deductible
Auto - physical damage (collision)		Agreed value, actual cash value, or cost of repairs, whichever is less minus \$5,000 deductible
Management practices liability insurance:		
General aggregate		\$10,000,000
Each wrongful act		\$1,000,000
Personal property		Blanket coverage, limit \$2,109,120

REQUIRED SUPPLEMENTARY INFORMATION

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Central Fire 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, 2024

1. BUDGETS AND BUDGETARY ACCOUNTING

The General Fund's budgetary comparison schedule for the year ended June 30, 2023 is as follows.

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 42,021,446	\$ 42,021,446	\$ 41,568,555	(452,891)
Use of money and property	350,000	350,000	1,005,981	655,981
Aid from other government agencies	1,334,874	1,595,374	1,121,441	(473,933)
Charges for services	35,000	35,000	24,000	(11,000)
Other revenue	26,343	26,343	678,327	651,984
Total revenues	43,767,663	44,028,163	44,398,304	370,141
EXPENDITURES:				
Current:				
Public safety:				
Salaries and benefits	34,275,924	35,123,607	34,985,370	138,237
Services and supplies	6,104,702	6,535,619	5,104,597	1,431,022
Capital outlay	765,880	495,880	250,496	245,384
Total expenditures	41,146,506	42,155,106	40,340,463	1,814,643
REVENUES OVER (UNDER)				
EXPENDITURES	2,621,157	1,873,057	4,057,841	2,184,784
OTHER FINANCING SOURCES (USES):				
Transfer out	(2,100,000)	(2,100,000)	(2,100,000)	-
Total other financing sources (uses)	(2,100,000)	(2,100,000)	(2,100,000)	-
Net change in fund balances	\$ 521,157	\$ (226,943)	1,957,841	\$ 2,184,784
FUND BALANCES:				
Beginning of year			30,454,481	
End of year			32,412,322	

Central Fire District of Santa Cruz County
Required Supplementary Information
For the year ended June 30, 2024

2. DEFINED BENEFIT PENSION PLAN

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

Fiscal Year	2024	2023	2022	2021	2020
Measurement Date	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019
Proportion of the net pension liability	0.51310%	0.50600%	0.58409%	0.46194%	0.44752%
Proportionate share of the net pension liability	\$ 64,010,702	\$ 58,446,773	\$ 31,589,514	\$ 50,261,589	\$ 45,857,354
Covered payroll	\$ 14,216,467	\$ 13,984,955	\$ 12,338,060	\$ 11,978,699	\$ 12,162,424
Proportionate Share of the net pension liability as percentage of covered payroll	450.26%	417.93%	256.03%	419.59%	377.04%
Plan's fiduciary net position as a percentage of the total pension liability	76.68%	76.68%	88.29%	75.10%	75.26%

Notes to Schedule:

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.

Schedule presents combined plan information from former fire protection districts from prior to formation of the District for historical context.

2019	2018	2017	2016	2015
6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
0.43849%	0.42952%	0.43757%	0.43796%	0.50119%
\$ 42,253,391	\$ 42,596,736	\$ 37,863,059	\$ 30,061,470	\$ 31,186,940
\$ 11,221,928	\$ 10,926,105	\$ 9,841,362	\$ 9,804,916	\$ 10,132,342
376.53%	389.86%	384.73%	306.60%	307.80%
75.26%	73.31%	74.06%	78.40%	79.82%

Central Fire District of Santa Cruz County
Required Supplementary Information
For the year ended June 30, 2024

2. DEFINED BENEFIT PENSION PLAN

Schedule of Contributions - Last 10 Fiscal Years

Fiscal Year	2024	2023	2022	2021	2020
Contractually required contribution (actuarially determined)	\$ 7,328,816	\$ 7,003,897	\$ 6,518,755	\$ 5,494,714	\$ 4,964,149
Contribution in relation to the actuarially determined contributions	(7,328,816)	(7,003,897)	(6,518,755)	(5,494,714)	(4,964,149)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 14,642,961	\$ 14,216,467	\$ 13,984,955	\$ 12,338,060	\$ 11,978,699
Contributions as a percentage of covered payroll	50.05%	49.27%	46.61%	44.53%	41.44%

Note to Schedule

Schedule presents combined plan information from former fire protection districts from prior to formation of the District for historical context.

Methods and assumptions used to determine contribution rates:

Valuation date:	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Actuarial cost method:	Entry Age				
Amortization method:	(1)	(1)	(1)	(1)	(1)
Assets valuation method:	Market Value				
Inflation:	2.50%	2.50%	2.50%	2.50%	2.63%
Salary increases:	(2)	(2)	(2)	(2)	(2)
Investment rate of return:	7.00%	7.00%	7.00%	7.00%	7.25%
Retirement age:	(3)	(3)	(3)	(3)	(3)
Mortality:	(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.

2019	2018	2017	2016	2015
\$ 4,207,660	\$ 3,557,113	\$ 4,054,582	\$ 3,752,521	\$ 3,144,733
(4,207,660)	(3,557,113)	(4,054,582)	(3,752,521)	(3,144,733)
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 12,162,424	\$ 11,221,928	\$ 10,926,105	\$ 9,841,362	\$ 9,804,916
34.60%	31.70%	37.11%	38.13%	32.07%

6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
Entry Age				
(1)	(1)	(1)	(1)	(1)
Market Value	Market Value	Market Value	Market Value	15 Year Smoothed Market Method
2.75%	2.75%	2.75%	2.75%	2.75%
(2)	(2)	(2)	(2)	(2)
7.375%	7.50%	7.50%	7.50%	7.50%
(3)	(3)	(3)	(3)	(3)
(4)	(4)	(4)	(4)	(4)

Central Fire District of Santa Cruz County
Required Supplementary Information
For the year ended June 30, 2024

3. OTHER POST EMPLOYMENT BENEFITS (OPEB)

A. Schedule of the Changes in the Net OPEB Liability and Related Ratios - Last 10 Fiscal Years*

<i>Measurement Period</i>	2023	2022	2021	2020**
Total OPEB Liability				
Service Cost	\$ 750,706	\$ 737,260	\$ 689,785	\$ 660,081
Interest on the total OPEB liability	1,606,555	1,571,601	1,871,401	1,792,900
Changes in benefit terms	-	-	(1,084,746)	-
Differences between expected and actual experience	(3,102,286)	513,007	(2,284,658)	-
Changes of assumptions	(386,289)	2,078,898	305,026	-
Benefit payments	(1,498,571)	(1,343,854)	(1,511,805)	(1,356,515)
Net change in total OPEB liability	(2,629,885)	3,556,912	(2,014,997)	1,096,466
Total OPEB liability - beginning	26,763,589	23,206,677	25,221,674	24,125,208
Total OPEB liability - ending (a)	\$ 24,133,704	\$ 26,763,589	\$ 23,206,677	\$ 25,221,674
Plan Fiduciary Net Position				
Contributions - employer	\$ 2,170,914	\$ 2,148,725	\$ 2,255,738	\$ 1,813,715
Net investment income	338,817	(986,720)	1,034,869	122,353
Benefit payments	(1,498,571)	(1,343,854)	(1,511,805)	(1,356,515)
Administrative expense	(1,523)	(1,422)	(1,438)	(2,698)
Net change in plan fiduciary net position	1,009,637	(183,271)	1,777,364	576,855
Plan fiduciary net position - beginning	5,211,279	5,394,550	3,617,186	3,040,331
Plan fiduciary net position - ending (b)	\$ 6,220,916	\$ 5,211,279	\$ 5,394,550	\$ 3,617,186
Net OPEB liability/(asset) - ending (a) - (b)	\$ 17,912,788	\$ 21,552,310	\$ 17,812,127	\$ 21,604,488
Plan fiduciary net position as a percentage of the total OPEB liability	26%	19%	23%	11%
Covered-employee payroll	15,111,429	16,314,092	16,314,092	16,071,553
Net OPEB liability as a percentage of covered-employee payroll	118.54%	132.11%	109.18%	134.43%

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, and the mortality table was updated to most recent CalPERS studies.

2019: The discount rate was updated to reflect the rate of return on CERBT strategy #1 assets. The plan enrollment assumption and premium increase rates were modified. Demographic and economic assumptions were revised to closer match 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. Schedule presents information from former fire protection districts from prior to formation of the District for historical context.

**Prior year information has been consolidated due to merging of OPEB Plans for informational and comparative purposes.

2019**	2018**	2017**
\$ 510,781	\$ 495,934	\$ 493,700
1,519,040	1,449,579	1,399,700
1,481,835	-	-
(1,149,873)	14,800	-
1,872,733	-	-
(1,286,221)	(1,166,300)	(1,252,300)
2,948,295	794,013	641,100
21,176,913	20,382,900	19,741,800
<u>\$ 24,125,208</u>	<u>\$ 21,176,913</u>	<u>\$ 20,382,900</u>
\$ 1,669,221	\$ 1,471,900	\$ 1,679,400
170,682	126,133	142,607
(1,286,221)	(1,166,300)	(1,252,300)
(2,148)	(4,636)	(3,507)
551,534	427,097	566,200
2,488,797	2,061,700	1,495,500
<u>\$ 3,040,331</u>	<u>\$ 2,488,797</u>	<u>\$ 2,061,700</u>
\$ 17,613,600	\$ 16,975,800	\$ 16,616,200
11%	9%	8%
15,129,789	14,324,268	12,937,600
203.76%	206.11%	231.24%

Central Fire District of Santa Cruz County
Required Supplementary Information
For the year ended June 30, 2024

3. OTHER POST EMPLOYMENT BENEFITS (OPEB), Continued

B. Schedule of Contributions - Last 10 Fiscal Years*

Fiscal Year Ended June 30	2024	2023	2022	2021**
Actuarially Determined Contribution (ADC)	\$ 2,645,751	\$ 2,260,088	\$ 2,118,365	\$ 2,255,909
Contributions in relation to the ADC	(2,311,953)	(2,166,821)	(2,148,725)	(2,075,977)
Contribution deficiency (excess)	\$ 333,798	\$ 93,267	\$ (30,360)	\$ (50,392)
Covered-employee payroll	17,371,458	15,111,429	16,163,096	16,314,092
Contributions as a percentage of covered-employee pay	13.31%	14.34%	14.00%	18.28%

Notes to Schedule:

Methods and assumptions used to determine ADC:

Valuation date:	6/30/2023	6/30/2021	6/30/2021	6/30/2019
Actuarial cost method:	Entry Age	Entry Age	Entry Age	Entry Age
	Normal	Normal	Normal	Normal
Asset valuation method:	Market Value	Market Value	Market Value	Market Value
Amortization method:	Level % of Pay			
Amortization period:	18 years	26 years	26 years	27 years
Discount rate:	6.00%	6.75%	6.75%	7.59%
Inflation:	2.50%	2.50%	2.50%	2.50%

* Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available. Schedule presents information from former fire protection districts from prior to formation of the District for historical context.

** Prior year information has been consolidated due to merging of OPEB Plans.

2020**	2019**	2018**
\$ 2,164,491	\$ 1,717,700	\$ 1,760,000
(1,813,686)	(1,669,222)	(1,684,700)
<u>\$ 115,029</u>	<u>\$ 17,099</u>	<u>\$ 47,300</u>
16,071,553	15,129,789	14,324,268
16.55%	17.31%	18.38%

6/30/2019	6/30/2017	6/30/2017
Entry Age	Entry Age	Entry Age
Normal	Normal	Normal
Market Value	Market Value	Market Value
Level % of Pay	Level% of Pay	Level % of Pay
28 years	29 years	30 years
7.59%	7.28%	7.28%
2.50%	3.00%	3.00%