

PAJARO VALLEY FIRE PROTECTION DISTRICT
BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016
and
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS

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**Pajaro Valley Fire Protection District
Basic Financial Statements
June 30, 2017 and 2016**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Pajaro Valley Fire Protection District
Watsonville, California

We have audited the accompanying financial statements of the governmental activities and major fund of the Pajaro Valley Fire Protection District (District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information as listed in the Table of Contents 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.

Report on Summarized Comparative Information

The Pajaro Valley Fire Protection District's 2016 financial statements were audited by other auditors, who expressed an unmodified opinion on those audited financial statements in their report dated June 21, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it was derived.

Maze + Associates

Pleasant Hill, California
March 14, 2018

PAJARO VALLEY FIRE PROTECTION DISTRICT

Management's Discussion and Analysis

June 30, 2017

The District provides fire protection services to the land and areas covered by the former Freedom Fire Protection District and the Salsipuedes Fire Protection District.

Description of the Basic Financial Statements

The financial statements consist of the following parts: Management's discussion and analysis; the basic financial statements; government-wide and government fund financial statements; notes to the financial statements, and required supplementary information.

The basic government-wide and governmental fund financial statements present the financial results on the different methods of accounting. Included in the financial statements are reconciliations that explain the difference between the two methods.

Government-wide financial statements are prepared on the accrual basis of accounting and economic resource focus. The required financial statements are: Statement of Net Position and Statement of Activities. The Statement of Net Position reports all assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time increases or decreases in net position may serve as a useful indicator of whether the long term financial position of the District is improving or deteriorating. The Statement of Activities presents information on how the net position of the District changed during the most recent fiscal year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of when cash is paid or received.

Governmental Funds financial statements are prepared on the modified accrual basis of accounting and current financial resource focus. The required financial statements are: Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. The Balance Sheet shows only assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities are included. The Statement of Revenues, Expenditures, and Changes in Fund Balances reports revenues for which cash has been received during the year or soon after the end of the year.

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 Projects Fund- The District uses the Capital Projects fund to accumulate funds for and accounting for the purchase/constructing of Structures & improvements and equipment. During the fiscal years ended June 30, 2017 and 2016, the District transferred \$188,200 and \$108,200, respectively, into the Capital Projects Fund. During the fiscal years ended June 30, 2017 and 2016, the District expended \$66,061 (facilities improvement) and \$-0-, respectively, out of the Capital Projects Fund.

PAJARO VALLEY FIRE PROTECTION DISTRICT

Management's Discussion and Analysis

June 30, 2017

Condensed Government-Wide Financial Data

	<u>2017</u>	<u>2016</u>
Current assets	\$ 1,405,543	\$ 1,240,032
Stations and equipment, net of accumulated depreciation	1,695,312	1,879,254
Deferred outflows of resources	<u>18,513</u>	<u>55,988</u>
Total assets and deferred outflows of resources	<u>\$ 3,119,368</u>	<u>\$ 3,175,274</u>
Current liabilities	\$ 26,170	\$ 38,968
Net pension liability	368,852	59,480
Deferred inflows of resources	<u>-</u>	<u>178,527</u>
Total liabilities and deferred inflow of resources	<u>395,022</u>	<u>276,975</u>
Net position		
Net investment in capital assets	1,695,312	1,879,254
Unrestricted	<u>1,029,034</u>	<u>1,019,045</u>
Total net position	<u>2,724,346</u>	<u>2,898,299</u>
Total liabilities and net position	<u>\$ 3,119,368</u>	<u>\$ 3,175,274</u>
	<u>2017</u>	<u>2016</u>
Expenditures, net of program revenue	\$ 1,958,358	\$ 1,661,609
General Revenue		
Property tax	1,608,083	1,513,316
Fire suppression benefits assessment	141,882	141,962
Use of money and property (interest income)	11,070	8,005
Aid from other government agencies	10,355	10,462
Other revenue	<u>13,015</u>	<u>8,401</u>
Change in net position	<u>\$ (173,953)</u>	<u>\$ 20,537</u>

Financial Analysis of the District as a Whole

The District's net position decreased for the fiscal year ended June 30, 2017 by \$173,935 or 6.8 percent to a total of \$2,724,346. In 2016 net position increased by \$20,537 or 0.7 percent to a total of \$2,898,299. Of the \$2,724,346 in the net position as of June 30, 2017, \$1,695,312 are invested in capital assets (net of accumulated depreciation).

Financial Analysis of the District's Funds

Governmental fund balances increased for the fiscal year ended June 30, 2017 by \$178,309 or 15% to the total of \$1,379,373. In 2016 governmental fund balances increased by \$237,778 or 24.7% to a total of \$1,201,064. The main reasons for the difference between the change in the District net position and the change in fund balances for the years ended June 30, 2017 and 2016, is the difference in accounting for fixed asset additions/depreciation and pension asset/liability.

Budgetary Highlights

During the fiscal year ended June 30, 2017, the following highlights occurred:

1. Continued staffing a three-person engine company 24 hours a day.
2. Continued sharing the cost of the Fire Captain position in the fire Marshal's office with the Santa Cruz County Fire Department. The agreement is a 50/50 match, which resulted in a 50% reduction to the District.

Capital Assets

As of June 30, 2017, the District had invested \$3,556,373 in a broad range of capital assets including structures and improvements, and equipment. The District leases the land that the fire station is located on. Major capital asset additions include:

	<u>2017</u>	<u>2016</u>
Facility Improvements	\$ 61,530	\$ -
Equipment	\$ 4,531	\$ -
Total major capital asset additions	\$ 66,061	\$ -

PAJARO VALLEY FIRE PROTECTION DISTRICT

Management's Discussion and Analysis

June 30, 2017

Long – Term Debt

As of June 30, 2017, and 2016, the district had no long-term debt.

GASB 68 Net Pension Asset and Related Deferred Inflows and Outflows of Resources

As of June 30, 2017, and 2016, the District had (\$368,852) and (\$59,480), respectively in net pension (liability)/asset. As of June 30, 2017, and 2016, the District had \$18,513 and \$55,988, respectively in deferred outflows of resources and \$ 0 and \$178,527, respectively in deferred inflows of resources.

Economic Factors and Next Year's Budget

The District's main source of revenue is property taxes. The District expects property tax revenue to increase 2% for the fiscal year ending June 30, 2017, as recommend by the Santa Cruz County Auditor/Controller.

The District anticipates about a 5% increase in the Cooperative Services Agreement with CAL FIRE. The reason for the increase is due to an increase in the benefit rate, administrative fee and minimum wage.

Capital Outlay; the District has budgeted \$100,000 for building and improvements and \$855,800 for mobile equipment replacement. Funding is from \$900,000 fund balance as of June 30, 2017, projected \$5,800 of interest income, and a transfer \$20,000 into the Mobile Equipment Replacement account.

Contacting the District's Financial Management

These financial statements are designed to provide a general overview of the District's finances. If you have questions about these financial statements or need additional financial information, contact the District office at 562 Casserly Road, Watsonville, California 95076, telephone number (831) 722-6188.

Basic Financial Statements

PAJARO VALLEY FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
June 30, 2017
(With Comparative Totals for 2016)

	2017	2016
Assets		
Cash in County Treasury		
Santa Cruz County	\$ 1,398,647	\$ 1,236,385
Accounts receivable	6,896	3,647
Total Current Assets	1,405,543	1,240,032
Station and Equipment		
Structures and Improvements	2,385,818	2,359,288
Equipment	1,170,555	1,167,674
Total Station and Equipment	3,556,373	3,526,962
Accumulated Depreciation	(1,861,061)	(1,647,708)
Station and Equipment, Net of Accumulated Depreciation	1,695,312	1,879,254
Total Assets	3,100,855	3,119,286
Deferred Outflows of Resources		
Deferred Pension - Actuarial	18,513	55,988
Total Assets and Deferred Outflows of Resources	\$ 3,119,368	\$ 3,175,274
Liabilities		
Current Liabilities		
Accounts payable	\$ 26,170	\$ 38,968
Total Current Liabilities	26,170	38,968
Other Liabilities		
Net Pension Liability	368,852	59,480
Total Liabilities	395,022	98,448
Deferred Inflows of Resources		
Deferred Pension - Actuarial	-	178,527
Net Position		
Net investment in capital assets	1,695,312	1,879,254
Unrestricted		
General Fund	1,029,034	1,019,045
Total Net Position	2,724,346	2,898,299
Total Liabilities, Deferred Inflow of Resources and Net Position	\$ 3,119,368	3,175,274

See accompanying notes to financial statements

PAJARO VALLEY FIRE PROTECTION DISTRICT
STATEMENTS OF ACTIVITIES
For the Year Ended June 30, 2017
(With Comparative Totals for 2016)

	Expenditures	Program Revenues			Totals	
		Charges for Services (Plan Check)	Strike Team & Emergency Reimbursements	Operating Grants and Contributions	2017	2016
Expenditures						
Fire Protection						
Salaries and Benefits	\$ 1,089	\$ -	\$ -	\$ -	\$ 1,089	\$ 1,077
Pension Expense (GASB 68)	168,320	-	-	-	168,320	59,915
Services and Supplies	1,563,975	16,522	3,647	6,896	1,536,910	1,440,680
Contributions to Other Agencies	2,036	-	-	-	2,036	2,611
Depreciation	250,003	-	-	-	250,003	157,326
Total Governmental Activities	<u>1,985,423</u>	<u>16,522</u>	<u>3,647</u>	<u>6,896</u>	<u>1,958,358</u>	<u>1,661,609</u>
General Revenues						
Property Tax					1,608,083	1,513,316
Fire Suppression Benefit Assessment					141,882	141,962
Use of Money and Property Agencies					11,070	8,005
State Homeowners Property Tax Relief					10,355	10,462
Other Revenues						
Cost Recovery - Other					-	15
Fire Protection Services					13,015	191
Gain (Loss) on Sale/Surplus of Fixed Assets					-	8,195
Total General Revenues					<u>1,784,405</u>	<u>1,682,146</u>
Change in Net Position					(173,953)	20,537
Net Position, Beginning					<u>2,898,299</u>	<u>2,877,762</u>
Net Position, Ending					<u>\$ 2,724,346</u>	<u>\$ 2,898,299</u>

See accompanying notes to financial statements

PAJARO VALLEY FIRE PROTECTION DISTRICT

Balance Sheet - Governmental Funds

June 30, 2017 and 2016

	Governmental Fund Types		Total	
	General	Capital Projects	2017	2016
ASSETS				
Cash and Investments	\$ 500,514	\$ 898,133	\$ 1,398,647	\$ 1,236,385
Accounts receivable	6,896	-	6,896	3,647
Total Assets	<u>\$ 507,410</u>	<u>\$ 898,133</u>	<u>\$ 1,405,543</u>	<u>\$ 1,240,032</u>
LIABILITIES				
Accounts payable	\$ 26,170	-	\$ 26,170	\$ 38,968
Total Liabilities	<u>26,170</u>	<u>-</u>	<u>26,170</u>	<u>38,968</u>
FUND BALANCES				
Assigned Fund Balance				
Equipment and Facility Replacement	-	898,133	898,133	703,372
Unassigned				
Unreserved, Undesignated	481,240	-	481,240	497,692
Total Fund Balance	<u>481,240</u>	<u>898,133</u>	<u>1,379,373</u>	<u>1,201,064</u>
Total Liabilities and Fund Balances	<u>\$ 507,410</u>	<u>\$ 898,133</u>	<u>\$ 1,405,543</u>	<u>\$ 1,240,032</u>

See accompanying notes to financial statements

PAJARO VALLEY FIRE PROTECTION DISTRICT
 Reconciliation of the Governmental Fund Balance Sheet to the
 Government-Wide Statement of Net Position - Governmental Activities
 June 30, 2017
 (With Comparative Totals for 2016)

	2017	2016
Fund Balances - Total Governmental Funds	\$ 1,379,373	\$ 1,201,064
<p>Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:</p>		
<p>Capital assets used in Governmental Activities are not financial resources and, therefore, are not reported in the Governmental Funds.</p>		
Total Historical Cost of Capital Assets	3,556,373	3,526,962
Less: Accumulated Depreciation	(1,861,061)	(1,647,708)
<p>Deferred outflow of resources reported in the Statement of Net Position are not reported in governmental funds.</p>		
Deferred Pension - Actuarial	18,513	55,988
<p>Other liabilities, pension liabilities reported in the Statement of Net Position are reported in governmental funds.</p>		
Net Pension Liability	(368,852)	(59,480)
<p>Deferred inflow of resources reported in the Statement of Net Position are not reported in governmental funds.</p>		
Deferred Pension - Actuarial	-	(178,527)
Net Position of Governmental Activities	\$ 2,724,346	\$ 2,898,299

See accompanying notes to basic financial statements

PAJARO VALLEY FIRE PROTECTION DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017
(With Comparative Totals for 2016)

	General	Capital Projects	Total	
			2017	2016
REVENUES:				
Property taxes	\$ 1,608,083	\$ -	\$ 1,608,083	\$ 1,513,316
Other taxes	141,882	-	141,882	141,962
Use of money and property	4,509	6,561	11,070	8,005
Aid from other government agencies	10,355	-	10,355	10,462
Charges for current services	29,537	-	29,537	39,650
Other revenue	10,543	-	10,543	7,956
Total Revenues	<u>1,804,909</u>	<u>6,561</u>	<u>1,811,470</u>	<u>1,721,351</u>
EXPENDITURES:				
Salaries and employee benefits	1,089	-	1,089	1,077
Services and supplies	1,548,483	-	1,548,483	1,488,080
Fixed assets	81,553	-	81,553	-
Other charges	2,036	-	2,036	2,611
Total Expenditures	<u>1,633,161</u>	<u>-</u>	<u>1,633,161</u>	<u>1,491,768</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	171,748	6,561	178,309	229,583
OTHER FINANCING SOURCES (Uses)				
Sales of fixed assets	-	-	-	8,195
Transfers (to) from other funds	<u>(188,200)</u>	<u>188,200</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(188,200)</u>	<u>188,200</u>	<u>-</u>	<u>8,195</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	(16,452)	194,761	178,309	237,778
Fund Balance, Beginning	<u>497,692</u>	<u>703,372</u>	<u>1,201,064</u>	<u>963,286</u>
Fund Balance, Ending	<u><u>481,240</u></u>	<u><u>898,133</u></u>	<u><u>1,379,373</u></u>	<u><u>1,201,064</u></u>

See accompanying notes to basic financial statements

PAJARO VALLEY FIRE PROTECTION DISTRICT
 Reconciliation of the Governmental Fund Statement of Revenues, Expenditures,
 and Changes in Fund Balances to the Government-wide Statement of Activities
 Governmental Activities
 June 30, 2017
 (With Comparative Totals for 2016)

	2017	2016
Net Change in Fund Balances - Total Governmental Funds	\$ 178,309	\$ 237,778
<p>Amounts reported for governmental activities in the Statement of Activities are different because of the following:</p>		
<p>Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Current year capital outlays	66,061	-
Less: current year depreciation expense	(250,003)	(157,326)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Net pension income/(expense)	(168,320)	(59,915)
Change in Net Position of Governmental Activities	\$ (173,953)	\$ 20,537

See accompanying notes to basic financial statements

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PAJARO VALLEY FIRE PROTECTION DISTRICT
Notes to the Financial Statements
June 30, 2017

NOTE 1 – GENERAL INFORMATION

A. Organization

The Pajaro Valley Fire Protection Agency was a Joint Powers Agency (“JPA”) formed in September 1993 consisting of two members: Freedom Fire Protection District and Salsipuedes Fire Protection District. Effective July 1, 1995, the JPA was dissolved and Pajaro Valley Fire Protection District was formed to consolidate the Freedom Fire Protection District and the Salsipuedes Fire Protection District, under the authority of Section 56000 et seq of the California Government Code. The District operates under the provisions of the Fire Protection District Law of 1987, beginning with Health and Safety Code Section 13800, and provides fire protection services to the land areas covered by the former Freedom Fire Protection District and the Salsipuedes Fire Protection District.

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether it exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters). The District has determined that no outside entity meets the above criteria, and therefore, no agency has been included as a component unit in the District's financial statements. In addition, the District is not aware of any entity that would exercise such oversight responsibility that would result in the District being considered a component unit of that entity.

B. District Officials

The District is governed by a board of five elected directors. The following were in office at June 30, 2017:

	<u>Term Expires December</u>
David Martone, Chairperson	2020
Kendel White, Director	2018
Celeste Freedman, Director	2020
Sarah Chauvet, Director	2020
Jake Retz, Director	2018

Greg Estrada was the Battalion Chief at June 30, 2017.

The District entered into an agreement with the State of California (“State”) whereby the District will pay the State for fire protection services in an amount to be budgeted on an annual basis. The agreement is from July 1, 2015 through June 30, 2018. Under the terms of the agreement, either party may terminate the agreement with or without cause by giving a one year written notice.

Under the terms of the agreement, the District maintains the burden of the cost of operating and maintaining equipment and property under its ownership. In addition, the District is to maintain commercial insurance providing at least \$1,000,000 of general liability coverage at a combined single limit per occurrence.

In addition to the above contract with CAL FIRE, and in order to assure response to fire calls in borderline areas of the District, the District has entered into the following agreements:

PAJARO VALLEY FIRE PROTECTION DISTRICT
Notes to the Financial Statements
June 30, 2017

NOTE 1 - GENERAL INFORMATION (Continued)

Fire protection services

With the City of Watsonville.

Accounting records

The official accounting records of the District are maintained in the office of the County of Santa Cruz Auditor/Controller. Supporting documents are maintained by the District.

Minutes

Minutes were recorded for meetings and contained approvals for disbursements.

Budgetary procedure

The District prepares a fiscal year budget in accordance with applicable laws and regulations. The District's total Capital Fund and Capital Project Fund expenditures for the year ended June 2017 were under budget.

Appropriations limit

In accordance with the California Constitution, the District has adopted an appropriations limit for the fiscal year 2016/2017.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basic of Accounting and Measurement Focus

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accounting policies of the District conform to GAAP in the United States for local governmental units.

The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts which include its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues and expenses or expenditures, as appropriate. The District uses a chart of accounts based on the uniform accounting system prescribed by the State Controller.

PAJARO VALLEY FIRE PROTECTION DISTRICT
Notes to the Financial Statements
June 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Adoption of New Guidance

GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*, to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. The statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement did not have a significant impact to the District's financial statements.

C. Financial Statement Presentation

Government-Wide Financial Statements

The District's Government-Wide Financial Statements include a statement of net position and a statement of activities and changes in net position. These statements present summaries of governmental activities for the District.

The basic Government-Wide Financial Statements are presented on an economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets, liabilities, deferred inflows/outflows of resources, including capital assets, and long-term liabilities are included in the accompanying statement of net position. The statement of activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period the liability is incurred..

Governmental Funds Financial Statements

The District's Government Funds Financial Statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances for all major governmental funds and non-major funds. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements of net position presented in the Government-Wide Financial Statements.

All governmental funds are accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

PAJARO VALLEY FIRE PROTECTION DISTRICT
Notes to the Financial Statements
June 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year end) are recognized when due. Expenditures are recorded in the accounting period in which the related fund liability is incurred. Reconciliation of the Governmental Funds financial statements to the Government-Wide Financial Statements is provided to explain the differences created by the different measurement focus and basis of accounting.

The District's governmental fund balance is classified in the following categories:

- Nonspendable - Includes amounts that are not in a spendable form or are required to be maintained intact.
- Restricted - Includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation.
- Committed - Includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.
- Assigned - Includes amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

The District's governmental-wide net position is classified in the following categories:

- Net investment in capital assets- Includes amount of the net position that is invested in capital assets net of accumulated depreciation and any related debt.
- Restricted - Includes amounts that can be spent only for the specific purposes stipulated by a formal action of the government's highest level of decision-making authority, external resource providers, constitutionally, or through enabling legislation.
- Unrestricted - Includes amounts that are technically available for any purpose and includes all amounts not contained in other classifications.
- Unassigned - Includes amounts that are technically available for any purpose and includes all amounts not contained in other classifications.

D. Property Tax Revenue

The County of Santa Cruz assesses properties, bills, and collects property taxes for the District. Assessed values are determined annually by the County Assessor as of March 1, and become a lien on real property as of that date. Taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively. The County bills and collects property taxes whereby all local agencies including special districts, receive from the County their respective share of the amount of ad valorem taxes collected.

PAJARO VALLEY FIRE PROTECTION DISTRICT
Notes to the Financial Statements
June 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash in County Treasury

The District's cash is held in the Santa Cruz County ("County") Treasury Pool, which is not rated by national credit rating agencies. See Note 3 to these financial statements for information regarding the Pools investments, interest rate risk, concentration of credit risk and custodial credit risk. The County Treasurer pools cash with other County and Special District funds and invests to maximize income consistent with safe and prudent investment practices within the guidelines of the County's investment pool. The County routinely reviews its investment policy. The estimated fair value of investments in the pool is based on quoted market prices. The fair value of the District's position in the pool is the same as the value of the pool shares. The value of the pool shares may be withdrawn at any time based on an amortized cost basis, which is different than the fair value of the District's position in the pool. Information regarding the investments within the pool, including related risks, can be found in the County of Santa Cruz's Comprehensive Annual Financial Report.

F. Accounts Receivable

All accounts receivable, if any, are shown net of any allowance for uncollectible accounts. All receivables which have been remitted within 60 days subsequent to fiscal year end are considered measurable and available and recognized as income in the Government-Fund Financial Statements.

G. Inventory, Materials and Supplies

The inventory on hand at any time is small. Accordingly, purchases are charged directly to fixed assets or to maintenance costs, as applicable.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both the government-wide and government fund financial statements, as applicable.

I. Capital Assets

Capital assets, which include land, buildings, improvements, and equipment, are reported in the Government-Wide Financial Statements. Capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at their estimated fair value on the date donated. The District has set up capitalization thresholds for reporting capital assets as the follows:

	<u>Cost</u>	<u>Useful Lives</u>
Structures	\$3,000	30 – 40 years
Equipment	\$1,000	3 – 15 years

Depreciation is recorded on the straight-line method over the useful lives of the assets.

PAJARO VALLEY FIRE PROTECTION DISTRICT
Notes to the Financial Statements
June 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report deferred outflows of resources. Deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District currently has two items which qualify for reporting as deferred outflows of resources; both are related to GASB 68 Pension accounting and are reported on the Government-Wide Financial Statement.

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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The District currently has one two items which qualify for reporting as deferred inflows of resources; both are related to GASB 68 Pension accounting and are reported on the Government-Wide Financial Statement.

K. Fund Balance Designated

Fund balance designated indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use.

L. District Special Expense

Because fire hose couplings and nozzles are peculiar to fire districts, the manual of the State Controller provides that purchases of such items be charged to the expense account “District Special Expense”.

M. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 3 – POOLED CASH AND INVESTMENTS

A. Cash

The District's funds are held in the County of Santa Cruz pooled cash and investment pool. The following is information from the most recently available (June 30, 2016) audited financial statements of the County of Santa Cruz.

The County sponsors an investment pool that is managed by the County Treasurer for the purpose of increasing interest earnings through investment activities. Cash and investments for most County activities are included in the investment pool. Interest earned on the investment pool is distributed to the participating funds monthly using a formula based on the average daily cash balance of each fund. Interest earned through June 30, 2016 was distributed on the seventh business day during July 2016, and is shown as part of receivables on the financial statements.

PAJARO VALLEY FIRE PROTECTION DISTRICT
Notes to the Financial Statements
June 30, 2017

NOTE 3 – POOLED CASH AND INVESTMENTS (Continued)

The following is a summary of cash and investments at June 30, 2016:

	Government-Wide Statement of Net Positions			Component Unit Santa Cruz County Sanitation District
	Primary Governments			
	Governmental Activities	Business-Type Activities	Total	
Cash and Investments	\$ 190,296,596	\$ 9,131,611	\$ 199,428,207	\$ 14,081,483
Restricted Cash and Investments	15,028,168	7,223,325	22,251,493	969,937
Total cash and investments	\$ 205,324,764	\$ 16,354,936	\$ 221,679,700	\$ 15,051,420
	Agency Funds	Investment Trust Fund	Private Purpose Fund	County Total
Cash and Investments	\$ 56,285,557	\$ 425,895,722	\$ 13,725,531	\$ 709,416,500
Restricted Cash and Investments	-	-	9,080,134	32,301,564
Total cash and investments	\$ 56,285,557	\$ 425,895,722	\$ 22,805,665	\$ 741,718,064
		Cash and Investments	Restricted Cash & Investments	Total
Primary Government and Fiduciary Funds				
Cash on hand or imprest cash	\$ 686,643	\$ -	\$ 686,643	
Cash deposits in Treasury Pool	13,366,147	-	13,366,147	
Investments in Treasury Pool	681,312,227	-	681,312,227	
Restricted investments in other pools		24,870,379	24,870,379	
Restricted cash deposits in Treasury Pool			-	
Davenport County Sanitation District	-	16,585	16,585	
County Disposal Sites CSA 9C	-	6,444,663	6,444,663	
Total	695,365,017	31,331,627	726,696,644	
Component unit				
Investments in Treasury Pool	\$ 14,081,483	\$ -	\$ 14,081,483	
Restricted investments in toher banks	-	969,937	969,937	
Total	14,081,483	969,937	15,051,420	
Total cash and investments	\$ 14,081,483	\$ 969,937	\$ 15,051,420	

PAJARO VALLEY FIRE PROTECTION DISTRICT
Notes to the Financial Statements
June 30, 2017

NOTE 3 – POOLED CASH AND INVESTMENTS (Continued)

At June 30, 2016, the County's cash on hand, deposits, and investments consisted of:

	Treasury Pool	Other Banks/ Investment Pools	Total
Primary Government and Fiduciary Funds			
Cash on hand or imprest cash	\$ 167,221	\$ 519,422	\$ 686,643
Deposits	13,336,147	-	13,336,147
Investments	687,756,890	24,886,964	712,643,854
Total primary government	<u>701,260,258</u>	<u>25,406,386</u>	<u>726,666,644</u>
Component unit			
Investments	14,081,483	969,937	15,051,420
Total component unit	<u>14,081,483</u>	<u>969,937</u>	<u>15,051,420</u>
Total reporting unit	<u>\$ 715,341,741</u>	<u>\$ 26,376,323</u>	<u>\$ 741,718,064</u>

The carrying amounts of the County's cash deposits were \$13,366,147 at June 30, 2016, of which the bank balances were fully insured or collateralized with securities held by the pledging financial institutions in the County's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the County's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the County's name.

The market value of pledged securities must equal at least 110% of the County's cash deposits. California law also allows institutions to secure County deposits by pledging first trust deed mortgage notes having a value of 150% of the County's total cash deposits. The County may waive collateral requirements for cash deposits, which are fully insured up to \$250,000, by the Federal Deposit Insurance Corporation. The County, however, has not waived the collateralization requirements.

B. Investments

The table below identifies the investment types that are authorized for the County by the California Government Code or the County's investment policy, where more restrictive. The table also identifies certain provisions of the County's investment policy that address interest rate risk, credit risk, and concentration risk.

In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, investments were stated at cost, as the fair market value adjustment at the year-end was immaterial.

PAJARO VALLEY FIRE PROTECTION DISTRICT
Notes to the Financial Statements
June 30, 2017

NOTE 3 – POOLED CASH AND INVESTMENTS (Continued)

Investments of debt proceeds held by the bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code of the County's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local agency bonds	5 years	10%	None
U.S. Treasury obligations	5 years	100%	None
U.S. Government Agency obligations	5 years	100%	25%
Bankers' acceptances	180 days	40%	10%
Commercial paper	270 days	25%	10%
Negotiable certificates of deposit	5 years	30%	10%
Bank deposit	5 years	10%	10%
Repurchase Agreements	1 Year	100%	10%
Medium term notes	5 years	30%	10%
Mutual funds/money market mutual funds	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	\$50 Million	None
Joint Powers Authority investment funds	N/A	25%	None
Supranationals	5 years	30%	None

C. Interest Rate Risk

The County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five years or less in accordance with its investment policy.

At June 30, 2016, the County had the following investment maturities:

Investment Type	Fair Value	Investment Maturities (In Years)				
		Less than 1	1 to 2	2 to 3	3 to 4	More than 4
U.S. treasury securities	\$ 229,569,872	\$ 129,178,440	\$ 100,391,432	\$ -	\$ -	\$ -
Federal agency securities	279,771,397	124,216,160	84,214,880	71,340,357	-	-
Medium term notes - other	52,174,593	30,077,800	12,014,530	10,082,263	-	-
Money market mutual funds	10,000,000	10,000,000	-	-	-	-
Local Agency Investments Fund (LAIF)	38,060,159	38,060,159	-	-	-	-
Certificates of deposit	70,995,595	-	70,979,009	16,586	-	-
Investment Agreements	12,000,000	12,000,000	-	-	-	-
Supranationals	30,233,400	-	-	30,233,400	-	-
Total investments	<u>\$ 722,805,016</u>	<u>\$ 343,532,559</u>	<u>\$ 267,599,851</u>	<u>\$ 111,672,606</u>	<u>\$ -</u>	<u>\$ -</u>

D. Concentration of Credit Risk

At June 30, 2016, in accordance with State law and the County's Investment Policy, the County did not have 5% or more of its net investment in commercial paper, corporate bonds, or medium-term notes of a single organization, nor did it have 10% or more of its investment in any one money market mutual fund. Investments in obligations of the U.S. government, U.S. government agencies, or government sponsored enterprises are exempt from these limitations.

PAJARO VALLEY FIRE PROTECTION DISTRICT
Notes to the Financial Statements
June 30, 2017

NOTE 3 – POOLED CASH AND INVESTMENTS (Continued)

The following schedule is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of the County Investment Pool's fair value at June 30, 2016:

Investment Type	Standard & Poor's	Moody's	% of Portfolio
U.S. treasury securities	AA+	Aaa	31.31%
Federal agency securities	AA+	Aaa	38.19%
Supranational	AAA	A+	4.11%
Medium term notes - other	AA/AAA	Aaa/Aa1-Aa3	7.13%
Money market mutual funds	Unrated	Unrated	1.37%
Local Agency Investment Fund (LAIF)	Unrated	Unrated	5.21%
Certificates of deposit	A1+	P1	9.58%
Checking account	Unrated	Unrated	1.46%
Investment agreements	Unrated	Unrated	1.64%
Total			100%

E. Custodial Credit Risk

For investments and deposits held with fiscal agents, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or deposits that are in the possession of an outside party. At year end, the County's investment pool and cash with fiscal agents had no securities exposed to custodial credit risk.

F. Local Agency Investment Fund (LAIF)

The County is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The County's investments with LAIF at June 30, 2016, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities:

Structured Notes: Debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or have embedded forwards or options.

Asset-Backed Securities: Generally mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

At June 30, 2016, the County had \$38,060,159 invested in LAIF, which had invested 0.08% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 0.13% in the previous year. LAIF provided a fair value factor of 1.000621222 to calculate the fair value of the investments in LAIF. However, an adjustment was not made to reflect the fair market value of LAIF, as the fair market value adjustment was considered immaterial.

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute.

PAJARO VALLEY FIRE PROTECTION DISTRICT
Notes to the Financial Statements
June 30, 2017

NOTE 3 – POOL CASH AND INVESTMENTS (Continued)

G. Local Agency Investment Fund (LAIF)

The Pool categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. These principles recognize a three-tiered fair value hierarchy, as follows:

Level 1: Investments reflect prices quoted in active markets

Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active, and

Level 3: Investments reflect prices based on unobservable sources.

The Pool has the following recurring fair value measurements as of June 30, 2016:

Investment by Fair Value Level		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities:				
U.S. Treasury Securities	\$ 229,569,872	\$ 229,569,872	\$ -	\$ -
Federal Agency Securities	279,771,397	279,771,397	-	-
Medium-Term Notes - Other	52,174,593	52,174,593	-	-
Certificates of Deposit	70,009,072	70,009,072	-	-
Investment Agreements	12,000,000	12,000,000	-	-
Supranationals	30,233,400	30,233,400	-	-
Total Investments Measured at Fair Value	673,758,334	\$ 673,758,334	\$ -	\$ -
Investments Measured at Amortized Cost				
Money Market Mutual Funds	10,000,000			
LAIF	38,060,159			
Total Pooled and Directed Investments	\$ 721,818,493			

PAJARO VALLEY FIRE PROTECTION DISTRICT
Notes to the Financial Statements
June 30, 2017

NOTE 4 – CHANGES IN STATION AND EQUIPMENT

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Station and Improvements	\$ 2,359,288	\$ -	\$ -	\$ 2,359,288
Equipment	1,189,514	-	(\$21,840)	1,167,674
Total	3,548,802	-	(21,840)	3,526,962
Accumulated depreciated	(1,512,222)	(157,326)	(21,840)	(1,647,708)
Total, net of accumulated depreciation	<u>\$ 2,036,580</u>	<u>\$ (157,326)</u>	<u>\$ -</u>	<u>\$ 1,879,254</u>

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Station and Improvements	\$ 2,359,288	\$ 61,530	\$ (35,000)	\$ 2,385,818
Equipment	1,167,674	\$4,531	(\$1,650)	1,170,555
Total	3,526,962	66,061	(36,650)	3,556,373
Accumulated depreciated	(1,647,708)	(250,003)	(36,650)	(1,861,061)
Total, net of accumulated depreciation	<u>\$ 1,879,254</u>	<u>\$ (183,942)</u>	<u>\$ -</u>	<u>\$ 1,695,312</u>

NOTE 5 – RISK MANAGEMENT

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

A. Workers' Compensation Coverage

The District is a member of the Santa Cruz County Fire Agencies Insurance Group (“Group”). In a board meeting on June 19, 2002, the Group approved the return of its self-insurance certificates to the State and to accept a proposal from California Public Entity Insurance Authority (CPEIA) a joint powers authority for both primary and excess workers compensation coverage. In a resolution dated September 20, 2007, the Santa Cruz County Fire Agencies Insurance Group's Board of Directors opted to terminate the CPEIA joint power agreement and merge into the CSAC Excess Insurance Authority (CSAC-EIA) Joint Power Agreement. This change was predicated on the decision of CSAC-EIA to restructure their by-laws and JPA agreements discontinuing the operation of CPEIA and allowing its members to become full participants in the CSAC-EIA programs. Being a CPEIA member granted automatic approval of inclusion into both the Primary and Excess EIA workers' compensation programs beginning with the July 1, 2007 policy renewals. The relationship between the Group and CSAC-EIA (“JPA”) is such that CSAC-EIA is not a component unit of the Group for reporting purposes.

PAJARO VALLEY FIRE PROTECTION DISTRICT
Notes to the Financial Statements
June 30, 2017

NOTE 5 – RISK MANAGEMENT (Continued)

CSAC-EIA is a joint powers agency (JPA) formed pursuant to Section 6500 et seq. of the California Government Code. Members are assessed a contribution for each program in which they participate. Members may be subject to additional supplemental assessments if it is determined that the contributions are insufficient. Members may withdraw from the CSAC-EIA only at the end of a policy period and only if a sixty day written advance notice is given. However, CSAC-EIA may cancel a membership at any time upon a two-thirds vote of the Board of Directors and with sixty days written notice. Upon withdrawal or cancellation, a member shall remain liable for additional assessments for the program periods they have participated. CSAC-EIA is governed by a board of directors. The Board controls the operations of CSAC-EIA, including adopting an annual budget.

B. Primary Workers' Compensation

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

C. Excess Workers' Compensation

CPEIA retains responsibility for payment of claims in excess of \$125,000 for each member who also participates in the primary workers' compensation program. Claim liabilities are recognized based on the actuarial estimate of expected ultimate claim cost discounted at 6%.

D. Liability Insurance

The District has joined the Fire Agencies Insurance Risk Authority, a joint powers authority (JPA) with other California special districts as members. The relationship between the District and the JPA is such that the JPA is not a component unit of the District for reporting purposes. The Authority, as administrator, maintains general liability insurance for its members. The purpose of the joint protection program is to reduce the amount and frequency of their losses, pool their self-insured losses, and jointly purchase general liability insurance. For the fiscal year ended June 30, 2017, FAIRA maintained a fully-insured program.

Insurance coverage as of June 30, 2017 is as follows:

	Deductible	Limit
Property		
Property (building and contents)	\$ 1,000	\$ 10,000,000
Automobile physical damage	\$ 1,000	\$ 1,000,000
Liability		
Comprehensive general and automobile bodily injury, property damage, person injury, single limit	\$ 1,000	\$ 1,000,000
General liability - each	None	\$ 1,000,000
General liability - aggregate		\$ 20,000,000

PAJARO VALLEY FIRE PROTECTION DISTRICT
Notes to the Financial Statements
June 30, 2017

NOTE 6 – DRY PERIOD FUNDING

As of June 30, 2017, the District had received authorization for a temporary transfer of funds with the County of Santa Cruz for an amount up to \$300,000. This loan is in anticipation of tax revenues for the operation and maintenance of the District until the tax revenues are collected. Any advances under this loan are to be repaid by April 30, 2018. During the fiscal year ended June 30, 2017, the District did not borrow any funds under the tax anticipation agreement.

NOTE 7 – ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

Accounts receivable as of June 30, 2017 and 2016, consisted of \$6,896 (Volunteer Fire Assistance Grant reimbursement) and \$3,647 (strike team fire reimbursement), respectively.

Accounts payable consist of the following items as of June 30, 2017 and 2016:

	2017	2016
Operations		
Services and Supplies	\$ -	\$ 4,045
CAL FIRE Contract	15,944	18,980
Vehicle	9,824	-
City of Watsonville	-	15,943
Other	402	-
	\$ 26,170	\$ 38,968

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Ground lease

The District leases the real property on which the District's fire station is located. During the year ended June 30, 2003, the District constructed a new fire station and entered into a ground lease. The ground lease is for 50 years, rent is payable in one \$50 payment, due upon commencement of the lease.

NOTE 9 – DEFINED BENEFIT PENSION PLAN

A. Plan Description

The Plan is a cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provision under the Plans are established by State statute and the District's resolution. CalPERS issues publically available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

PAJARO VALLEY FIRE PROTECTION DISTRICT
Notes to the Financial Statements
June 30, 2017

NOTE 9 – DEFINED BENEFIT PENSION PLAN

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 service, age, and final compensation.

The Safety Plan's provisions and benefits in effect at June 30, 2017, are summarized as follows:

Hire Date	Prior to January 1, 2013
Benefits formula	2% @50
Benefits vesting schedule	5 years' service
Benefit payments	Monthly for life
Retirement age	50
Monthly benefits, as a % of eligible compensation	2.00%
Required employee contributions rates	9.00%
Required employer contribution rates	0.00%

C. Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans 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.

D. Net Pension Liability

As of June 30, 2017, the District reported net pension liability for its proportionate shares of the net pension liability in the amount of \$368,852.

The District's June 30, 2017 net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability as of June 30, 2017 was as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at: 6/30/15 (MD)	\$ 4,695,389	\$ 4,635,909	\$ 59,480
Balance at: 6/30/16 (MD)	<u>4,791,514</u>	<u>4,422,662</u>	<u>368,852</u>
Net Changes during 2015-16	\$ (96,125)	\$ 213,247	\$ (309,372)

PAJARO VALLEY FIRE PROTECTION DISTRICT
Notes to the Financial Statements
June 30, 2017

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

E. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the District recognized pension expense of \$168,320. At June 30, 2017, the District reported deferred outflows of resources in the amount of \$18,513 which represents pension contribution made subsequent to measurement date.

F. Actuarial Assumptions

For the measurement period ended June 30, 2016 (the measurement date), total pension liability was determined by rolling forward following the June 30, 2015 total pension liability determined in the June 30, 2015 actuarial accounting valuation. The June 30, 2016 total pension liability was based on the following actuarial methods and assumptions:

Actuarial cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.65% Net of Pension Plan Investment Expenses,
Mortality Rate Table ¹	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

¹The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2015 CalPERS Experience Study Report.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

G. Change of assumptions

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.5 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2016 measurement date is without reduction of pension plan administrative expense.

PAJARO VALLEY FIRE PROTECTION DISTRICT
Notes to the Financial Statements
June 30, 2017

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

H. Discount rate

The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.65% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.80 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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

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

PAJARO VALLEY FIRE PROTECTION DISTRICT
Notes to the Financial Statements
June 30, 2017

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 ¹	Real Return Years 11+ ²
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive Assets	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

¹ An expected inflation of 2.5% used for this period

² An expected inflation of 3.0% used for this period

I. Sensitivity of the Net Pension Liability to the 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:

	Discount Rate 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Plan's Net Pension Liability/(Asset)	\$ 1,019,270	\$ 368,852	\$ (165,074)

J. Pension Plan Fiduciary Net Position

The plan fiduciary net position disclosed in the District's CalPERS GASB Statement No. 68 accounting valuation report may differ from the plan assets reported in the District's CalPERS funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included in fiduciary net position. These amounts are excluded for rate setting purposes in the District's funding actuarial valuation. In additions, differences may result from early CAFR closing and final reconciled reserves.

<u>Measurement period: June 30, 2016</u>	<u>Safety</u>
Total pension liability	\$ 4,791,514
Fiduciary net position	\$ 4,422,662
Net pension liability	\$ 368,852

PAJARO VALLEY FIRE PROTECTION DISTRICT
Notes to the Financial Statements
June 30, 2017

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

K. Payable to the Pension Plan

At June 30, 2017, there is no outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

NOTE 10 – SUBSEQUENT EVENTS

The District's management has evaluated additional events and transactions subsequent to June 30, 2017, for potential recognition or disclosure in the financial statements. Subsequent events have been evaluated through March 14, 2018, the date the financial statements became available to be issued. The entity has not evaluated subsequent events after March 14, 2018.

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Required Supplemental Information

PAJARO VALLEY FIRE PROTECTION DISTRICT
 Budgetary Comparison Schedule - Revenues - Budget and Actual - General Fund
 For the Year Ended June 30, 2017

	Final Budget	Amended Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property taxes				
Current secured	\$ 1,484,000	\$ 1,484,000	\$ 1,549,539	\$ (65,539)
Current unsecured	32,000	32,000	31,072	928
Prior year - unsecured	3,500	3,500	3,051	449
Penalties for delinquent taxed	-	-	136	(136)
Redemption penalties for delinquent taxes	-	-	205	(205)
Current supplemental	15,000	15,000	22,485	(7,485)
Prior year - supplemental	1,000	1,000	1,595	(595)
Total property taxed	<u>1,535,500</u>	<u>1,535,500</u>	<u>1,608,083</u>	<u>(72,583)</u>
Other taxes				
Fire suppression benefit assessment	141,000	141,000	141,882	(882)
Total other taxes	<u>141,000</u>	<u>141,000</u>	<u>141,882</u>	<u>(882)</u>
Use of money and property				
Interest	3,000	3,000	4,509	(1,509)
Total use of money and property	<u>3,000</u>	<u>3,000</u>	<u>4,509</u>	<u>(1,509)</u>
Aid from other government agencies				
Homeowner property tax relief	5,000	5,000	10,355	(5,355)
Total aid from other government agencies	<u>5,000</u>	<u>5,000</u>	<u>10,355</u>	<u>(5,355)</u>
Charges for current services				
Plan checking fees	30,000	30,000	16,372	13,628
Cost recovery - other	-	-	13,015	(13,015)
Fire protection services	500	500	150	350
Total charges for current services	<u>30,500</u>	<u>30,500</u>	<u>29,537</u>	<u>963</u>
Other revenue				
Other revenue	7,000	7,000	10,543	(3,543)
Unclaimed money - escheated	7,000	7,000	10,543	(3,543)
Total other revenue	<u>7,000</u>	<u>7,000</u>	<u>10,543</u>	<u>(3,543)</u>
Total revenue	<u>\$ 1,722,000</u>	<u>\$ 1,722,000</u>	<u>\$ 1,804,909</u>	<u>\$ (82,909)</u>

PAJARO VALLEY FIRE PROTECTION DISTRICT
 Budgetary Comparison Schedule - Expenditures - Budget and Actual - General Fund
 For the Year Ended June 30, 2017

	Final Budget	Amended Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures				
Salaries and employee benefits				
OASDI - Social Security	\$ 100	\$ 100	\$ 89	\$ 11
Workers' compensation insurance	1,000	1,000	1,000	-
Total salaries and employee benefits	<u>1,100</u>	<u>1,100</u>	<u>1,089</u>	<u>11</u>
Services and supplies				
Clothing and personal supplies	20,000	20,000	17,620	2,380
Radio	2,000	2,000	1,161	839
Telephone	6,500	6,500	4,693	1,807
Food	1,000	1,000	902	98
Other household expense - services	2,500	2,500	1,887	613
Other insurance	6,700	6,700	5,264	1,436
Maintenance - mobile equipment	38,000	38,000	33,022	4,978
Maintenance - other equipment	7,700	7,700	4,012	3,688
Maintenance - structure and grounds	4,000	4,000	3,884	116
Medical, dental and lab supplies	2,400	2,400	1,374	1,026
Memberships	2,500	2,500	2,240	260
PC software	300	300	-	300
Postage	500	500	198	302
Supplies	2,200	2,200	1,955	245
Accounting and auditing fees	25,000	25,000	21,369	3,631
Attorney	2,500	2,500	448	2,052
Directors' fee	1,500	1,500	1,160	340
Professional services	1,695,000	1,695,000	1,424,066	270,934
Publication printing costs	2,000	2,000	611	1,389
Legal notices	500	500	258	242
Small tools and instruments	10,500	10,500	4,973	5,527
Election expense	-	-	125	(125)
Special district expense	-	-	-	-
Education and training	4,000	4,000	1,020	2,980
Gas, oil and fuel	10,000	10,000	5,359	4,641
Lodging	4,000	4,000	-	4,000
Utilities	9,000	9,000	10,882	(1,882)
Total services and supplies	<u>1,860,300</u>	<u>1,860,300</u>	<u>1,548,483</u>	<u>311,817</u>
Fixed assets				
Buildings and improvements	100,000	100,000	81,553	18,447
Equipment	-	-	-	-
Mobile equipment	-	-	-	-
Total fixed assets	<u>100,000</u>	<u>100,000</u>	<u>81,553</u>	<u>18,447</u>
Other charges				
Interest - other	300	300	-	300
Contribution to other agencies (LAFCO)	2,100	2,100	2,036	64
Total other charges	<u>2,400</u>	<u>2,400</u>	<u>2,036</u>	<u>364</u>
Contingencies				
	-	-	-	-
Total expenditures	<u>\$ 1,963,800</u>	<u>\$ 1,963,800</u>	<u>\$ 1,633,161</u>	<u>\$ 330,639</u>
Other financing sources (uses)				
Transfer to capital projects fund	<u>\$ (188,200)</u>	<u>\$ (188,200)</u>	<u>\$ (188,200)</u>	<u>\$ -</u>

PAJARO VALLEY FIRE PROTECTION DISTRICT
 Budgetary Comparison Schedule - Revenues and Expenditures -
 Budget and Actual - Capital Project Fund
 For the Year Ended June 30, 2017

	Final Budget	Amended Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Use of money and property				
Interest	\$ 3,000	\$ 3,000	\$ 6,561	\$ (3,561)
Other financing sources				
Sales of fixed assets - non taxable	-	-	-	-
Total revenues	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ 6,561</u>	<u>\$ (3,561)</u>
Expenditures				
Services and supplies				
Maintenance - structure and grounds	\$ -	\$ -	\$ -	\$ -
Contingencies	-	-	-	-
Fixed assets				
Buildings and improvements	100,000	100,000	-	100,000
Equipment	-	-	-	-
Mobile Equipment	794,200	794,200	-	794,200
Total expenditures	<u>\$ 894,200</u>	<u>\$ 894,200</u>	<u>\$ -</u>	<u>\$ 894,200</u>
Other financing sources (uses)				
Transfer from general fund	<u>\$ 188,200</u>	<u>\$ 188,200</u>	<u>\$ 188,200</u>	<u>\$ -</u>

PAJARO VALLEY FIRE PROTECTION DISTRICT
Schedule of Proportionate Share of Net Pension Liability/(Asset) and Related Ratios
June 30, 2017
Last 10 Years *

Fiscal year	2016-17	2015-16	2014-15
Measurement period**	2015-16	2014-15	2013-14
Entity's proportion of net pension liability (asset)	0.00426%	0.025896%	0.0203%
Entity's proportionate share of net pension liability (asset)	\$ 368,852	\$ 59,480	\$ (126,121)
Entity's covered-employee payroll (Measurement Year)	-	-	-
Entity's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A	N/A
Plan's fiduciary net position as a percentage of the Plan's total pension liability	74.06%	102.66%	78.40%
Proportionate share of the aggregate employer contributions	\$ -	\$ -	\$ -

Notes to Schedule:

*Fiscal year 2016-17 was the 3rd year of implementation; therefore only three years are shown.
Additional years presented as they become available

**Measurement date for the June 30, 2015 is June 30, 2014, June 30, 2016 is June 30, 2015
and June 30, 2017 is June 30, 2016

PAJARO VALLEY FIRE PROTECTION DISTRICT
 Schedule of Contributions
 June 30, 2017
 Last 10 Years*

Fiscal Year	2017	2016
Actuarially Determined Contribution	\$ 18,513	\$ -
Contributions in Relation to the Actuarially Determined Contribution	(18,513)	-
Contribution Deficiency (Excess)	\$ -	\$ -
Covered Payroll	\$ -	\$ -
Contributions as a Percentage of Covered Employee Payroll	N/A	N/A

*Fiscal year 2016-17 was the 3rd year of implementation; therefore only three years are shown.
 Additional years presented as they become available

MEMORANDUM ON INTERNAL CONTROL

To the Board of Directors of
Pajaro Valley Fire Protection District
Watsonville, California

In planning and performing our audit of the basic financial statements of the Pajaro Valley Fire Protection District (District), in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control included on the Schedule of Material Weaknesses to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

This communication is intended solely for the information and use of management, Board of Directors, others within the organization, and agencies and pass-through entities requiring compliance with *Government Auditing Standards*, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Maze + Associates". The signature is written in a cursive, flowing style.

Pleasant Hill, California
March 14, 2018

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**PAJARO VALLEY FIRE PROTECTION DISTRICT
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF MATERIAL WEAKNESSES

2017-01 – Preparation of the Financial Statements

Condition – The District did not prepare internal financials statements including related notes disclosures in accordance with generally accepted accounting principles.

Criteria – The District does not have in place controls that would assure the preparation of internal financial statements and related notes disclosures in accordance with generally accepted accounting principles.

Cause – Due to the size and financial resources, the District does not have the personnel to prepare the financial statements, including the related notes in accordance with generally accepted accounting principles.

Effect – As part of the audit process the independent auditors drafted the financial statements and related disclosures, as well as performing procedures to ensure that the related disclosures were complete. Draft financial statements were submitted to the District for review and approval.

Recommendation – We recommend that the District review this material weakness annually to determine if it is effective to have a staff member prepare the financial statements.

Status – This material weakness is ongoing from prior years. The District has decided that it is not cost effective to hire additional staff to mitigate this issue.

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REQUIRED COMMUNICATIONS

To the Board of Directors
Pajaro Valley Fire Protection District
Watsonville, California

We have audited the basic financial statements of the Pajaro Valley Fire Protection District (District) for the year ended June 30, 2017. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards.

Significant Audit Findings

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year, except as follows:

The following Governmental Accounting Standards Board (GASB) pronouncements became effective, but did not have a material effect on the financial statements:

GASB Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*

GASB Statement No. 74 – *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*

GASB Statement No. 77 – *Tax Abatement Disclosures*

GASB Statement No. 80 – *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*

GASB Statement No. 82 – *Pension Issues- an amendment of GASB Statements No. 67, No.68, and No. 73*

Unusual Transactions, Controversial or Emerging Areas

We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

Estimated Net Pension Liabilities and Pension-Related Deferred Outflows and Inflows of Resources: Management's estimate of the net pension liabilities and deferred outflows/inflows of resources are disclosed in Note 9 to the financial statements and are based on actuarial studies determined by a consultant, which are based on the experience of the District. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Estimate of Depreciation: Management's estimate of the depreciation is based on useful lives determined by management. These lives have been determined by management based on the expected useful life of assets as disclosed in Note 4 to the financial statements. We evaluated the key factors and assumptions used to develop the depreciation estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Disclosures

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Professional standards require us to accumulate all known and likely uncorrected misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the Board of Directors.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in a management representation letter dated March 14, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the District’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information Accompanying the Financial Statements

We applied certain limited procedures to the required supplemental information that accompanies and supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the required supplementary information and do not express an opinion or provide any assurance on the required supplementary information.

We were engaged to report on the supplemental information which accompany the financial statements, but are not required supplementary information. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the Introductory and Statistical Sections which accompany the financial statements, but are not required supplementary information. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

This information is intended solely for the use of the Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Mazz + Associates

Pleasant Hill, California
March 14, 2018

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