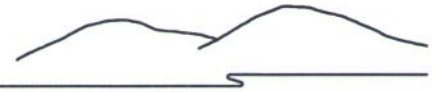


Ben Lomond Fire Protection District

FINANCIAL STATEMENTS

AUDIT REPORT

**June 30, 2016
and
June 30, 2017**



October 30, 2017

Ben Lomond Fire Protection District

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Ben Lomond Fire Protection District as of and for the year-ended June 30, 2016 and June 30, 2017, as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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 applicable to financial audits contained in Governmental Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

We believe that our 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 financial position of Ben Lomond Fire Protection District as of June 30, 2016 and June 30, 2017, and the respective changes in financial position, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information and Budget VS. Actual comparison 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 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 principally of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with managements 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 assurances on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide an assurance.

Pehling & Pehling, CPA's
An Accountancy Corporation

Ben Lomond Fire Protection District

**Audit Report
June 30, 2016
and
June 30, 2017**

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Ben Lomond Fire Protection District

Management's Discussion and Analysis for Fiscal Years Ended June 30, 2016 and June 30, 2017

As management of the Ben Lomond Fire Protection District ("the District"), our discussion and analysis of the financial performance of the District offers readers of these financial statements an overview of the District's financial activities for the year ended June 30, 2016 and June 30, 2017, based on currently known facts, decisions, or conditions, as well as a comparative analysis of changes in the District's financial position between FY 2015-16 and FY 2016-17. We encourage readers to consider the information presented here in conjunction with the District's financial statements.

Financial Highlights

- The assets of the District exceeded its liabilities by \$2,295,069 (net position) at the close of fiscal June 30, 2016. Unrestricted net position, which is normally used to meet the District's ongoing obligations to its creditors, was \$1,736,620 at June 30, 2016.
- The assets of the District exceeded its liabilities by \$2,617,248 (net position) at the close of fiscal June 30, 2017. Unrestricted net position, which is normally used to meet the District's ongoing obligations to its creditors, was \$1,937,193 at June 30, 2017.
- The District's total net position increased by \$256,489 and 322,179 for 2016 and 2017 respectively.
- Short-term liabilities (accounts payable, interest and accrued expenses) increased \$437. The District's long-term liabilities decreased \$199,722.

Using This Annual Report - Overview of the Financial Statements

This report consists of several basic financial statements. The Statement of Net Position and the Statement of Activities provide information about the financial activities of the District and present a longer-term view of the District's finances. These statements provide information about the financial activities of the District in a manner similar to private sector companies.

Financial statement notes are an important part of the basic financial statements. They provide the readers additional information required by Generally Accepted Accounting Principles.

Government-wide Financial Statements

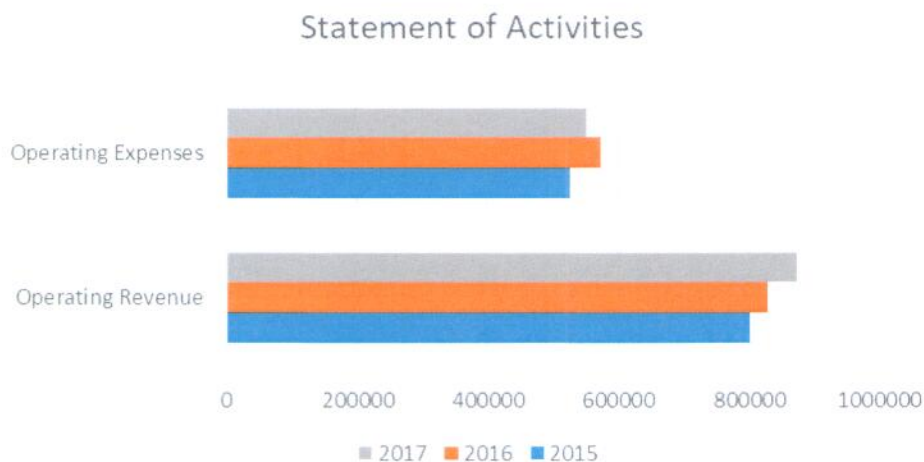
The financial provide readers with a broad overview of the District as a whole and about its activities for the current period. They include all assets and liabilities using the accrual basis of accounting. In this method, all the current year's revenues and expenses are considered regardless of when cash is paid or received.

The Statement of Net Position represents the difference between all the District's assets and liabilities and the Statement of Activities reports the changes in net position during the fiscal year. Examining net position is an effective way to measure the District's financial health or position. Increases and decreases in net position is a good indicator of whether the District's financial position is improving or deteriorating



For the fiscal year 2016-17, net position was \$2,617,248, a increase of \$322,179.

Total Revenues for fiscal year 2016-17 were higher than the prior year, while expenses stayed level. Fiscal year 2016-17.



Budget vs Actual

The Statement of Revenues, Expenses and Changes in Fund Net Position Budget and Actual shows a comparison. The budget is based on anticipated cash flows.

Capital Asset and Debt Administration

Capital Assets

At the end of fiscal year 2016-17, the District had \$3,137,935 invested in a range of capital assets, including land, structures, vehicles and equipment.

Economic Factors and Next Year's Budget

The goal for FY 2017-18 is to continue providing for the safety of the community, safety of District employees and being good stewards of District assets. The FY 2017-18 budgets reflect such by projecting continued expenditures in personal protective equipment, training, and maintenance of facilities, equipment and vehicles.

Although the District experienced financial growth, the District needs to be aware of external factors that affect the largest cost; wages and benefits. There also is the continuing need to replace vehicles, equipment, and major maintenance projects. The long-term effect of these concerns is routinely reviewed and analyzed when preparing extended projections. The board and staff members use the projections as a basis to gain efficiencies on a number of different levels.

Other Fiscal Matters

As always, the District actively pursues as many sources of funding as are available to us (including grants) to ensure that during these challenging economic times our level of service to the public remains at the high level we have all come to expect.

Requests for Information

This financial report is designed to provide a general overview of the Ben Lomond Fire Protection 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 information should be addressed to the General Manager, Ben Lomond Fire Protection District, 9430 Highway 9, PO Box, 27, Ben Lomond, CA 95005

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GOVERNMENT FUNDS FINANCIAL STATEMENTS

Ben Lomond Fire Protection District

**Balance Sheet
June 30, 2016
and
June 30, 2017**

	<u>2016</u>	<u>2017</u>
<u>ASSETS</u>		
<u>Assets:</u>		
Cash	\$ 1,793,291	\$ 1,995,005
Accounts Receivable	-	-
	<u>1,793,291</u>	<u>1,995,005</u>
TOTAL ASSETS	<u>1,793,291</u>	<u>1,995,005</u>
<u>LIABILITIES & FUND BALANCES</u>		
<u>Liabilities:</u>		
Accounts Payable	7,100	6,878
Accrued Payroll	38,843	40,050
	<u>45,943</u>	<u>46,928</u>
TOTAL LIABILITIES	<u>45,943</u>	<u>46,928</u>
<u>Fund Balances:</u>		
Unassigned	520,979	741,708
Committed		
Building Improvement	168,000	148,000
Mobile Equipment	504,502	504,502
Workers Comp	345,389	345,389
Calpers	104,239	104,239
Contingencies	69,239	69,239
Clothing	35,000	35,000
	<u>1,747,348</u>	<u>1,948,077</u>
Total Fund Balance	<u>1,747,348</u>	<u>1,948,077</u>
<u>TOTAL LIABILITIES & FUND BALANCE</u>	<u>\$ 1,793,291</u>	<u>\$ 1,995,005</u>

The accompanying notes are an integral part of these financial statements.

Ben Lomond Fire Protection District

**Statement of Revenues, Expenditures & Change in Fund Balance
For the Year Ended
June 30, 2016
and
June 30, 2017**

<u>REVENUE</u>	<u>2016</u>	<u>2017</u>
Tax Revenue	\$ 759,863	\$ 809,635
Charges for Service	752	-
Interest & Investment Earnings	10,208	15,027
Grants & Contributions	12,893	3,111
Other income	3,978	2,436
Rental Income	41,010	42,694
TOTAL REVENUE	828,704	872,903
<u>EXPENDITURES</u>		
Capital Assets	1,033	-
Debt Service:		
Principle	189,043	196,111
Interest	33,387	26,330
Salaries and Employee Benefits	237,714	250,627
Services, Supplies and Refunds	214,744	199,106
TOTAL EXPENDITURES	675,921	672,174
Excess (Deficit) Revenues over Expenditures	152,783	200,729
<u>CHANGE IN FUND BALANCE</u>	152,783	200,729
<u>FUND BALANCE, BEGINNING OF YEAR</u>	1,594,565	1,747,348
<u>FUND BALANCE, END OF YEAR</u>	\$ 1,747,348	\$ 1,948,077

The accompanying notes are an integral part of these financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Ben Lomond Fire Protection District

**Statement of Net Position
June 30, 2016
and
June 30, 2017**

<u>ASSETS</u>	<u>2016</u>	<u>2017</u>
<u>Current Assets:</u>		
Cash	\$ 1,793,291	\$ 1,995,005
Accounts Receivable	-	-
Deposits & Prepaid Expenses	-	-
Total Current Assets	1,793,291	1,995,005
<u>Capital Assets:</u>		
Land	521,432	521,432
Buildings & Improvements	571,194	571,194
Firefighting Equipment	2,045,309	2,045,309
Construction in Progress	-	-
Less: Accumulated Depreciation	(1,730,439)	(1,809,259)
Total Capital Assets	1,407,496	1,328,676
TOTAL ASSETS	3,200,787	3,323,681
<u>DEFERRED OUTFLOW</u>	-	-
TOTAL DEFERRED OUTFLOW	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	3,200,787	3,323,681
<u>LIABILITIES</u>		
<u>Current Liabilities:</u>		
Accrued Interest	15,631	11,360
Current Portion of Long-Term Debt	196,245	199,812
Accounts Payable	7,100	6,878
Accrued Payroll Liabilities	38,843	40,050
Accrued Compensated Absences	10,728	10,884
Total Current Liabilities	268,547	268,984
<u>Long-term Liabilities:</u>		
Long-Term Debt	637,171	437,449
Total Long-term Liabilities	637,171	437,449
TOTAL LIABILITIES	905,718	706,433
<u>DEFERRED INFLOWS</u>	-	-
TOTAL DEFERRED INFLOWS	-	-
TOTAL LIABILITIES AND DEFERRED INFLOWS	905,718	706,433
<u>NET POSITION</u>		
Net Investment in Capital Assets	558,449	680,055
Unrestricted	1,736,620	1,937,193
TOTAL NET POSITION	\$ 2,295,069	\$ 2,617,248

The accompanying notes are an integral part of these financial statements.

**BEN LOMOND FIRE PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION**

June 30, 2016
and
June 30, 2017

	June 30, 2016	June 30, 2017
Total Fund Balances - Governmental Funds	\$ 1,747,348	\$ 1,948,077
Capital Assets used in Governmental Funds are not financial resources and therefore are not reported as assets in the Governmental Funds.		
Total Historical Cost of Capital Assets	3,137,935	3,137,935
Less: Accumulated Depreciation	<u>(1,730,439)</u>	<u>(1,809,259)</u>
Prepaid expenses, some expenditures not due & payable within the current period were paid, those amounts are shown as expended in the governmental funds	-	-
Compensated Absences are reported in the Government-Wide Statement of Net Assets, but they do not require the use of current financial resources. Therefore, the liability is not reported in Governmental Funds.	(10,728)	(10,884)
Deferred Outflows not due and receivable in the current period and therefore are not reported as an asset in the governmental funds. This is comprised of GASB 68 Pension Outflows. Deferred Outflows at June 30 was:	-	-
Deferred Inflows are not due in the current period and therefore, are not reported as liabilities in the governmental funds. This is comprised of GASB 68 Pension Inflows. Deferred Inflows at June 30 was:	-	-
Accrued Interest is not due in the current period and therefore, are not reported as liabilities in the governmental funds.	(15,631)	(11,360)
Long-term liabilities are not due in the current period and therefore, are not reported as liabilities in the governmental funds.	(833,416)	(637,261)
Net Position	<u>\$ 2,295,069</u>	<u>\$ 2,617,248</u>

The accompanying notes are an integral part of these financial statements

Ben Lomond Fire Protection District**Statement of Activities****For the Year-Ended****June 30, 2016****and****June 30, 2017**

2016					
	Expenses	Operating Revenues			Excess of Revenues/(Expenses)
		Charges for Services	Strike Team Reimbursements	Grants and Contributions	
<u>Governmental Activities</u>					
Public Protection	\$ 480,162	\$ 752	\$ -	\$ 12,893	\$ (466,517)
Depreciation (Unallocated)	92,054			-	(92,054)
Total Governmental Activities					(558,571)
General Revenues:					
Tax Revenue					759,864
Interest & Investment Earnings					10,208
License, Permits & Rents					41,010
Miscellaneous					3,978
Total General Revenues					815,060
NET CHANGE IN NET POSITION					256,489
NET POSITION, BEGINNING OF YEAR					2,038,580
NET POSITION, END OF YEAR					\$ 2,295,069
2017					
	Expenses	Operating Revenues			Excess of Revenues/(Expenses)
		Charges for Services	Strike Team Reimbursements	Grants and Contributions	
<u>Governmental Activities</u>					
Public Protection	\$ 471,904	\$ -	\$ -	\$ 3,111	\$ (468,793)
Depreciation (Unallocated)	78,820			-	(78,820)
Total Governmental Activities					(547,613)
General Revenues:					
Tax Revenue					809,635
Interest & Investment Earnings					15,027
License, Permits & Rents					42,694
Miscellaneous					2,436
Total General Revenues					869,792
NET CHANGE IN NET POSITION					322,179
NET POSITION, BEGINNING OF YEAR					2,295,069
NET POSITION, END OF YEAR					\$ 2,617,248

The accompanying notes are an integral part of these financial statements.

BEN LOMOND FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

June 30, 2016 and June 30, 2017

	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Net Change in Fund Balances - Total Governmental Funds	152,783	200,729
Amounts reported for governmental activities in the Statement of Activities are different as follows:		
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets are allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense during the year		
Current Year Capital Outlays	1,033	-
Less: Current Year Depreciation Expense	(92,054)	(78,820)
In the Governmental Funds interest expenditures are measured by the amount of financial resources used, which is the amounts actually paid. In the Government-Wide Statement of Activities, interest expense is measured by the amounts used during the year	5,681	4,000
In the Governmental Funds compensated absences (sick pay and vacation) are measured by the amount of financial resources used, which is the amounts actually paid. In the Government-Wide Statement of Activities, compensated absences are measured by the amounts used during the year	3	159
Repayment of principle on long-term liabilities is an expenditure for Governmental funds, but the repayment reduces long-term liabilities on the Government-Wide Statement of Net Position. Principle payments made on long-term liabilities during the year consist of:	189,043	196,111
Change in Net Position of Governmental Activities	<u>\$ 256,489</u>	<u>\$ 322,179</u>

The accompanying notes are an integral part of these financial statements

Ben Lomond Fire Protection District

NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Background: The Ben Lomond Fire Protections District was organized June 15, 1923, in conformity with the Deering Act 2593, Statutes of 1881, since codified in the State of California Health and Safety Code, Sections 14001 et seq.

The District was reorganized in September 1966 in conformity with the Health and Safety Code, Sections 13801 et seq. It is governed by a five-member Board of Directors who are elected to four-year terms by area residents. The District provides fire protection in the Town of Ben Lomond and surrounding areas.

Note 1 - Significant Accounting Policies

Accounting Principles

The financial statements of the Ben Lomond Fire Protection District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The most significant accounting policies of the District are described below.

Basis of Accounting and Measurement Focus

The accounts of the District are organized on the basis of funds, or account groups, each of which is considered 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.

Financial Statement Presentation

Government-Wide Financial Statements

The District 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 and Business-Type Activities for the District accompanied by a total column.

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the District’s assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the District are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Ben Lomond Fire Protection District

NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

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

Net Investment in Capital Assets - Includes amount of the fund balance that is invested in capital assets net of 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.

Fund Financial Statements

Governmental Fund 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 aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide financial statements. The District has presented all major funds that met those qualifications.

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 Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the District, are property tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

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.

Ben Lomond Fire Protection District

NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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 take 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 authority.

Unassigned - Includes amounts that are technically available for any purpose and includes all amounts not contained in other classifications.

Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District's policy is to apply restricted net position first.

Budgets and Budgetary Accounting

The District prepares a fiscal year budget in accordance with applicable laws and regulations.

Pooled Cash and Investments

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 balance of each fund

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 a collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the County's name.

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 yearend was immaterial.

Accounts Receivable

On an accrual basis, revenues are recognized in the fiscal year in which the services are rendered. The District has not established an allowance for uncollectable receivables for Governmental or Grant Funds since prior experience has shown that uncollectable receivables are not significant.

Prepaid Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures in the period benefited.

Ben Lomond Fire Protection District

NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Capital Assets

Capital assets purchased or acquired are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

General Capital Assets	\$300 and or a serviceable life greater than 5 years
------------------------	--

Depreciation on all assets is provided on the straight-line basis over and estimated useful life.

Buildings	40 years
Equipment	5-20 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred outflow/inflows of resources, represents an acquisition/disposition of net position that applies to future period(s) and will not be recognized as an outflow/inflow of resources until that time.

Liability for Compensated Absences

The District is required to recognize a liability for employees' rights to receive compensation for future absences. All vacation and vested sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position

Property Taxes

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Ben Lomond Fire Protection District

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Pensions

The District provides retirement benefits through a Defined Contribution Benefit Plan managed by the Public Agency Retirement Services (PARS).

Note 2 – Cash

Summary of Cash

	2016	2017
County Cash	\$ 1,793,191	\$ 1,994,905
Petty Cash	100	100
Total	\$ 1,793,291	\$ 1,995,005

Investment Policy: California statutes authorize districts to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The District does not have an investment policy that addresses its interest rate risk, credit risk, and concentration of credit risk.

Investment in the County of Santa Cruz's Investment Pool: The District maintains its cash in County of Santa Cruz's cash and investment pool which is managed by the Santa Cruz County Treasurer. The District's cash balances invested in the Santa Cruz County Treasurer's cash and investment pool are stated at amortized cost, which approximates fair value. Santa Cruz County does not invest in any derivative financial products. The Santa Cruz County Treasury Investment Oversight Committee (Committee) has oversight responsibility for Santa Cruz County's cash and investment pool. The value of pool shares in Santa Cruz County that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the District's position in the pool. Investments held in the County's investment pool are available on demand to the District and are stated at cost, which approximates fair value. This investment is not subject to categorization under GASB No. 3.

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating issued by a nationally recognized statistical rating organization. The County's investment pool does not have a rating provided by a nationally recognized statistical rating organization.

Custodial Risk: Custodial risk is the risk that the government will not be able to recover its deposits or the value of its investments that are in the possession of an outside party. Custodial credit risk does not apply to a local government's indirect deposits or investment in securities through the use of government investment pools (such as the County's investment pool).

Ben Lomond Fire Protection District

NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The District's deposits were covered by FDIC insurance at June 30, 2017.

Note 3 –Accounts Receivable

On June 30, 2017, the District had \$0 in Accounts Receivable.

On June 30, 2016, the District had \$0 in Accounts Receivable.

Note 4 – Capital Assets

The District believes that sufficient detail of Capital assets balances is provided in the financial statements to avoid obscuring of significant components by aggregation

Note 5 – Compensated Absences

On June 30, 2017, the liability for compensated absences was \$10,884

On June 30, 2016, the liability for compensated absences was \$10,728

Note 6 – Long-Term Debt

Note Payable, Henfling building: Santa Cruz Bank dated January 26, 2009, due in 19 semi-annual payments of \$36,725, including interest at 4.950%. Final payment due January 1, 2019.

Capital Lease agreement for fire engine: dated January 30, 2015 from Osh Kosh Capital. Due in 7 annual payments of \$81,773, including interest at 2.860% per annum. Final payment due February 25, 2022.

Calpers termination liability, due in 4 annual payments of \$67,207, including interest at 3.400% per annum. Final payment due July 1, 2018.

Ben Lomond Fire Protection District

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

FUTURE MINIMUM LEASE PAYMENTS

	Santa Cruz Bank	Osh Kosh Capital	CalPERS Termination Liability	TOTAL
6/30/2018	\$ 65,933	\$ 71,019	62,860	\$ 199,812
6/30/2019	70,950	73,050	64,997	208,998
6/30/2020	-	75,140	-	75,140
6/30/2021	-	77,289	-	77,289
6/30/2022	-	71,676	-	71,676
THEREAFTER	-	-	-	-
TOTAL	136,883	368,174	127,857	632,914
NET PRINCIPAL	\$ 136,883	\$ 368,174	127,857	\$ 632,914
S/T PORTION	\$ 65,933	\$ 71,019	62,860	\$ 199,812
L/T PORTION	\$ 70,950	\$ 297,155	64,997	\$ 433,102

Note 7 - Public Employees' retirement Plan:

The following description provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

Effective May 13, 2015, Ben Lomond Fire Protection District adopted a Defined Contribution Plan through Public Agency Retirement Services; PARS Participant-Directed 401(a) Trust. The Plan meets the requirements of a pension trust under California Government Code Sections 53215-53224, or their successor sections.

Eligibility

An eligible employee shall participate in this plan if he or she is the Fire Chief of the Employer on or After May 13, 2015.

Termination of participation.

A participant shall cease to be a participant on the date of his or her termination of employment as determined by the employer.

Effect of Transfer to Ineligible Employment

If a participant is no longer an eligible employee and becomes an ineligible employee, such employee will participate immediately upon returning to the eligible class of employees. Such participation shall commence as of the first day of such eligible employment.

Vesting

Employer contributions are fully vested upon contribution.

Employer contributions shall be 100% vested upon completion of five years of service with the employer or upon attainment of normal retirement age. If the vesting requirements are not met upon termination of employment with the employer, the percent vested in the employer contribution

Ben Lomond Fire Protection District

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

account shall be determined by the following schedule, calculated as of the last day of employment with the employer.

	Vesting Percentage For
<u>Year(s) of Service</u>	<u>Employer Contributions</u>
Less than 1 year	0%
1	20%
2	40%
3	60%
4	80%
5	100%

Funding Policy

Employer Contributions

For each day that an employee remains a participant under the plan, the employer contribution shall be equal to 21.533% of compensation. The amount shall be made before the close of the plan year and credited to the employer contribution account.

Employee Contributions

For each day that an employee remains a participant under the plan, the employee will make a mandatory contribution to the plan equal to 7.0% of compensation. The amount shall be made before the close of the plan year and credited to the employee contribution account.

Note 8 – Risk Management

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) and joint powers authority for both primary and excess workers' compensation coverage. In a resolution dated September 20, 2007 the Santa Cruz Fire Agencies Insurance Group's Board of Directors opted to terminate the CPEA joint power agreement and merge into the CSAC Excess Insurance Authority (CSAC-EIA) Joint Power Agreement. This change was predicted on the decision of CSAC-EIA to restructure their bylaws and JPA agreements, discontinuing the operation of CPEIA member granted automatic approval of inclusion into both the Primary and Excess EIA workers' compensation programs beginning with the July 1, 2007 policy renewals. The relationship between the Group and CSAC-EIA ("the JPA") is such that CSAC0EIA is not a component unit of the Group for reporting purposes.

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

Ben Lomond Fire Protection District

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 and 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 purchased stop loss insurance.

Excess Workers' Compensation - CSAC 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%.

Insurance coverage as of June 30, 2016 and 2017 is as follows:

Property	Deductible	Limits
Real Property, Including Code Upgrade and On-site Equipment Breakdown	\$1,000	Guaranteed Replacement Cost Included
Building Contents and Personal Property	\$1,000	
Building and Contents Sublime, Earthquake and Flood	\$1,000	\$1,000,000 Each loss and each location
Electronic Data Processing		
Business - Personal Property Included	\$500	\$250,000
Equipment	\$500	\$250,000
Software	\$500	\$250,000
Emergency Services		
Commandeered and Impounded Property		Larger of Actual Value or Liability
Scheduled Equipment Floater:	\$250	Guaranteed Replacement Cost (Unlimited)
Miscellaneous Portable Equipment		\$250,000
Public Employee Dishonesty/Fidelity Bond		\$1,000,000
Employee Benefits Liability		Agreed Value or ACV
Automobile Comprehensive	\$250/1,000	Agreed Value or ACV
Automobile Collision	\$250/1,000	
Liability		
Commercial/General Liability Each Occurrence		\$1,000,000
General Aggregate Limit		\$10,000,000
Automobile Coverage -		
Combined Single Limit		\$1,000,000
Uninsured/Underinsured Motorists		\$1,000,000
Excess Liability Coverage -		
Operation, Aggregate, Automobile and Public Offices Errors and Omissions, Occurrence		\$5,000,000 Each Occurrence \$10,000,000 Aggregate

Ben Lomond Fire Protection District

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Public Officials Errors and Omissions/Management Liability including Emergency Services Liability - Occurrence, Aggregate - Primary			\$1,000,000 Each Wrongful Act \$10,000,000 Aggregate
Medical Expense (Any one person)			\$5,000
Valuable Papers/Records			\$250,000
Loss of Income - Extra Expense			Actual Cost
Money and Securities	\$250		\$25,000
Uncollected Funds			\$250,000
Personnel:			
Workers' Compensation			Statutory
PERS Health to 12/31/05, FDAC EBA from 1/1/06 to current			Per Policy
Dental			Per Policy
Term Life Insurance			Per Policy

Note 9 – Subsequent Events

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

Ben Lomond Fire Protection District

Supplemental Information

June 30, 2017

Ben Lomond Fire Protection District

**Statement of Revenues, Expenditures & Change in Fund Balance
Budget and Actual - General Fund
For the Year Ended
June 30, 2016**

<u>REVENUE</u>	<u>Final Budget</u>	<u>General Fund</u>	<u>Variance</u>
Tax Revenue	\$ 696,218	\$ 759,863	\$ 63,645
Charges for Service	-	752	752
Interest & Investment Earnings	-	10,208	10,208
Grants & Contributions	-	12,893	12,893
Other income	-	3,978	3,978
Rental Income	40,500	41,010	510
TOTAL REVENUE	736,718	828,704	91,986
<u>EXPENDITURES</u>			
Capital Assets	6,350	1,033	5,317
Debt Service:			
Principle	13,500	189,043	(175,543)
Interest	137,773	33,387	104,386
Salaries and Employee Benefits	328,357	237,714	90,643
Services, Supplies and Refunds	326,313	214,744	111,569
TOTAL EXPENDITURES	812,293	675,921	136,372
Excess (Deficit) Revenues over Expenditures	(75,575)	152,783	77,208
<u>CHANGE IN FUND BALANCE</u>	(75,575)	152,783	
<u>FUND BALANCE, BEGINNING OF YEAR</u>	1,594,565	1,594,565	
<u>FUND BALANCE, END OF YEAR</u>	\$ 1,518,990	\$ 1,747,348	

Ben Lomond Fire Protection District

**Statement of Revenues, Expenditures & Change in Fund Balance
Budget and Actual - General Fund
For the Year Ended
June 30, 2017**

<u>REVENUE</u>	<u>Final Budget</u>	<u>General Fund</u>	<u>Variance</u>
Tax Revenue	\$ 760,455	\$ 809,635	\$ 49,180
Charges for Service	-	-	-
Interest & Investment Earnings	-	15,027	15,027
Grants & Contributions	-	3,111	3,111
Other income	-	2,436	2,436
Rental Income	42,180	42,694	514
TOTAL REVENUE	802,635	872,903	70,268
<u>EXPENDITURES</u>			
Capital Assets	11,350	-	11,350
Debt Service:			
Principle	65,000	196,111	(131,111)
Interest	90,773	26,330	64,443
Salaries and Employee Benefits	332,500	250,627	81,873
Services, Supplies and Refunds	323,780	199,106	124,674
TOTAL EXPENDITURES	823,403	672,174	151,229
Excess (Deficit) Revenues over Expenditures	(20,768)	200,729	179,961
<u>CHANGE IN FUND BALANCE</u>	(20,768)	200,729	
<u>FUND BALANCE, BEGINNING OF YEAR</u>	1,747,348	1,747,348	
<u>FUND BALANCE, END OF YEAR</u>	\$ 1,726,580	\$ 1,948,077	

The accompanying notes are an integral part of these financial statements.