

GONZALES RURAL FIRE PROTECTION DISTRICT

FINANCIAL STATEMENTS

June 30, 2018



GONZALES RURAL FIRE PROTECTION DISTRICT
FINANCIAL STATEMENTS
June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Gonzales Rural Fire Protection District

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

Management's Responsibility for the Financial Statements

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

Auditors' 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. 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 judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 each major fund of the District as of June 30, 2018, and the respective changes in financial position for the year 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 budgetary comparison information on pages 3 – 6 and 15 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 the financial reporting for placing the basic financial statements in an appropriate operations, economic, or historical context. We have applied certain limited procedures to the required supplemental 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.



David Farnsworth, CPA
Milpitas, CA
December 12, 2018

GONZALES RURAL FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
June 30, 2018

This section of the annual financial report of the Gonzales Rural Fire Protection District (District) presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2018. The Management's Discussion and Analysis (MD&A) should be read in conjunction with the District's financial statements, including the notes and the supplementary information that immediately follow this section.

FINANCIAL HIGHLIGHTS

The following summarizes the District's financial highlights for the year ended June 30, 2018.

- In total, government-wide net position was \$3,954
- General revenues accounted for \$215,131 or 100 percent of total revenues
- Total government-wide assets were \$24,456
- Total program expenses were \$215,131

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements including notes to the financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are the governmental funds that focus on individual parts of the District, reporting the District operation in more detail than the government-wide statements.

The fund financial statements are composed of:

- Government fund statements, which tell how basic services were financed in the short-term, as well as what remained for future spending.

Statement of Net Position and the Statement of Activities

The Statement of Net Position and the Statement of Activities report information about the District as a whole and its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets and liabilities, which is one way to measure the District's financial health, or financial position. Overtime, increases or decreases in the District net position are one indicator of whether its financial health is improving or deteriorating.

GONZALES RURAL FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
June 30, 2018

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

To assess the overall health of the District you need to consider additional non-financial factors including the condition the District's capital assets including facilities.

REPORTING DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide more detailed information about the District most significant funds - not the District as a whole. Funds are accounting devices the District uses to record specific sources of funding and spending on particular programs:

- Some funds are required by law and covenants.
- The District establishes other funds to control and manage money for specific purposes or to show that certain revenues have been properly used.

Governmental Funds

The District's basic services are reported in governmental funds which generally focus on how money flows into and out of these funds and balances left at year end that are available for spending. These funds are reporting using the modified accrual accounting, which measures cash, and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's program.

Because this information does not encompass the additional long-term focus of the government-wide statement, we provide additional information of the governmental fund statements that explain the relationship (or differences) between them.

GONZALES RURAL FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
 June 30, 2018

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The following table presents a summary of the District's statement of net position by category as of June 30, 2018.

TABLE 1: STATEMENT OF NET POSITION

Assets	June 30, 2018	June 30, 2017	Difference
Current and other assets	<u>\$ 24,456</u>	<u>\$ 17,637</u>	<u>\$ 6,819</u>
 Total assets	 <u><u>\$ 24,456</u></u>	 <u><u>\$ 17,637</u></u>	 <u><u>\$ 6,819</u></u>
 Liabilities			
Current and other liabilities	<u>\$ 20,502</u>	<u>\$ 13,683</u>	<u>\$ 6,819</u>
 Net Position			
Unrestricted	<u>3,954</u>	<u>3,954</u>	<u>-</u>
 Total net position	 <u><u>\$ 3,954</u></u>	 <u><u>\$ 3,954</u></u>	 <u><u>\$ -</u></u>

**GONZALES RURAL FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
June 30, 2018**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

A summary of total District revenues, expenses and changes in net position is present in the table below.

TABLE 2: ACTIVITIES

Revenues	June 30, 2018	June 30, 2017	Difference
General revenues	<u>\$ 215,131</u>	<u>\$ 215,187</u>	<u>\$ (56)</u>
Total revenues	<u>215,131</u>	<u>215,187</u>	<u>(56)</u>
 Program expenses			
Program expenses	<u>215,131</u>	<u>215,187</u>	<u>(56)</u>
Total expenses	<u>215,131</u>	<u>215,187</u>	<u>(56)</u>
Change in net position	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

General Fund Budgetary Highlights

As finalized by the Board of Directors, budgeted revenues totaled \$0, expenditures totaled \$205,900 and expenditures were projected to exceed revenues by \$205,900.

Capital Assets and Debt Administration

As of June 30, 2018, the District does not own any capital assets.

Long Term Debt

The District does not have any debt as of June 30, 2018.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions regarding this report or need additional financial information, contact Victor Lanini, Gonzales Rural Fire Protection District, 31950 Gloria Rd, Gonzales, CA 93926.

GONZALES RURAL FIRE PROTECTION DISTRICT

Governmental Funds Balance Sheet and

Statement of Net Position

June 30, 2018

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets			
Cash and cash equivalents	<u>\$ 24,456</u>	<u>\$ -</u>	<u>\$ 24,456</u>
Total assets	<u><u>\$ 24,456</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 24,456</u></u>
Liabilities			
Accounts payable	<u>20,502</u>	<u>-</u>	<u>20,502</u>
Total liabilities			
Fund Balances / Net Position			
Fund Balance			
Unassigned	<u>3,954</u>	<u>(3,954)</u>	<u>-</u>
Total fund balances	<u>3,954</u>	<u>(3,954)</u>	<u>-</u>
Total liabilities and fund balances	<u><u>\$ 24,456</u></u>		
Net Position			
Unrestricted		<u>3,954</u>	<u>3,954</u>
Total net position		<u><u>\$ -</u></u>	<u><u>\$ 3,954</u></u>

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

GONZALES RURAL FIRE PROTECTION DISTRICT

Statement of Revenues, Expenditures, and
Changes in Fund Balances and Statement of Activities
For the Year Ended June 30, 2018

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenditures/Expenses -			
Operations:			
Contractual services	\$ 211,819	\$ -	\$ 211,819
County collection fees	2,634	-	2,634
Election fees	27	-	27
Insurance	651	-	651
	<u>215,131</u>	<u>-</u>	<u>215,131</u>
General Revenues:			
Property taxes	178,177	-	178,177
Interest	902	-	902
Proposition 172	36,052	-	36,052
	<u>215,131</u>	<u>-</u>	<u>215,131</u>
Net change in fund balances	-	-	-
Change in net position		-	-
Fund balances / Net Position:			
Beginning of year	<u>3,954</u>	<u>-</u>	<u>3,954</u>
End of year	<u>\$ 3,954</u>	<u>\$ -</u>	<u>\$ 3,954</u>

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

GONZALES RURAL FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Gonzales Rural Fire Protection District (District) was organized in 1950 which is under agreement with the City of Gonzales to provide fire protection services to property and residents within the District's boundaries. The District is supported primarily through revenues from property taxes.

The District management considered all potential component units for inclusion in the reporting entity by applying the criteria set forth in accounting principles generally accepted in the United States of America. The District concluded that there are no potential component units which should be included in the reporting entity.

Government-wide financial statements

The government-wide financial statements (i.e., the Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include the financial activities of the overall District government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental, revenues, and other non-exchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the District's governmental activities.

Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program, and (c) fees, grants, and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes are presented as general revenues.

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into one major category: governmental. The District presently has no fiduciary funds. An emphasis is placed on major funds within the governmental. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

GONZALES RURAL FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nature of Business (Continued)

1. Total asset, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental funds - The General Fund is the primary operating fund of the District and is always classified as a major fund.

Measurement Focus

In the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resources measurement focus and accrual basis of accounting.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities of governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transaction are recognized when the exchange takes place.

GONZALES RURAL FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.”

Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgements, and compensated absences, which are recognized as expenditures to the extent that they have been matured.

Cash and Cash Equivalents

For the purpose of financial reporting “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

Accounts Receivable

There were no accounts receivables as of June 30, 2018.

Net Position

Equity in the government-wide financial statements is classified as net position and displayed in three components as follows:

1. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to these assets.
3. Unrestricted - Amounts not required to be reported in other components of net position.

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

GONZALES RURAL FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

In the fund financial statements, fund balance for governmental fund is reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose of which amounts in the funds can be spent. Fund balance is reported in five components, nonspendable, restricted, committed, assigned, and unassigned.

Nonspendable - Amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted - Amounts constrained regarding use from restrictions externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or by restrictions imposed by law through constitutional provision or enabling legislation.

Committed - Amounts constrained regarding use for specific purposes pursuant to requirements imposed by formal action of the District's highest level of decision making authority.

Assigned - Amounts constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. The authority for assigning fund balance is expressed by the Board of Directors, District manager or their designee.

Unassigned - Amounts that have not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

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

GONZALES RURAL FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Accounting

The District prepares and legally adopts a final operating budget by October 1 of each year. Until adoption of the final budget, operations are governed by the adopted proposed budget adopted by the Board of Directors.

Operating budgets are adopted for the general fund on the modified-accrual basis of accounting. Budgetary control and the legal level of control are at the object level which classifies expenditures by the types of goods purchased and the services obtained. The comparative statement of revenues, expenditures, and changes in fund balances – budget to actual present revenues at the source levels and expenditures at the function level. Any changes to the budget need to be approved by the Board of Directors.

Property Taxes

The County of Monterey is responsible for the collection of the District's property taxes. The District recognizes property tax revenue only as it is collected from the County, property taxes are payable in equal installments, November 1 and March 1. They become delinquent on December 10 and April 10, respectively.

The assessment date for the year is July 1, and the lien date is January 1.

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumption 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 amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

NOTE 2. SUBSEQUENT EVENTS

In preparing the financial statements, the District has evaluated events and transactions for potential recognition or disclosure through December 12, 2018, the date the financial statements were available to be issued.

GONZALES RURAL FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 3. CASH AND CASH EQUIVALENTS

The District's cash is included within the Monterey County Treasurer's cash and investment pool (an external investment pool) which is described in the County Annual Financial Report and is available at the Auditor-Controller's Office. Investment income is transferred to the District periodically. Investment income earned, but not received is shown as a receivable until paid. The amount of cash and pooled investments is carried at current value.

The cash and cash equivalents as of June 30, 2018 were \$24,456.

NOTE 4. ACCOUNTS PAYABLE

Accounts payable – Accounts payable at June 30, 2018 consisted of the following:

Excess revenue over expenditures payable to City of Gonzales	<u>\$ 20,502</u>
Total accounts payable	<u>\$ 20,502</u>

SUPPLEMENTAL INFORMATION

GONZALES RURAL FIRE PROTECTION DISTRICT

Statement of Revenues, Expenditures, and Changes in

Fund Balances - Budget and Actual

Governmental Funds

For the Year Ended June 30, 2018

	General Fund		
	Budgeted Amounts Original/Final	Actual Amounts	Variance with Final Budget Positive/(Negative)
Revenues			
Property taxes	\$ -	\$ 178,177	\$ 178,177
Interest	-	902	902
Proposition 172	-	36,052	36,052
Total revenues	-	215,131	215,131
Expenditures			
Contractual services	200,000	211,819	(11,819)
Professional fees	2,500	-	2,500
County collection fees	2,350	2,634	(284)
Election fees	250	27	
Insurance	800	651	149
Total expenditures	205,900	215,131	(9,454)
Net change in fund balances	(205,900)	-	205,900
Fund balances, beginning of year	3,954	3,954	-
Fund balances, end of year	\$ (201,946)	\$ 3,954	\$ 205,900