

**GONZALES RURAL
FIRE PROTECTION
DISTRICT**

ANNUAL FINANCIAL REPORT

June 30, 2023

GONZALES RURAL FIRE PROTECTION DISTRICT
Annual Financial Report
For the Fiscal Year Ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Gonzales Rural Fire Protection District
Gonzales, California

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Gonzales Rural Fire Protection District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Gonzales Rural Fire Protection District's basic financial statements as listed in the table of contents.

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 Gonzales Rural Fire Protection District, as of June 30, 2023, 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Gonzales Rural Fire Protection District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Gonzales Rural Fire Protection District's ability to continue as a going concern for a reasonable period of time.

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

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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Milpitas, California
December xx, 2025

GONZALES RURAL FIRE PROTECTION DISTRICT

Management's Discussion and Analysis

June 30, 2023

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, 2023. 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, 2023.

- In total, government-wide net position was \$3,785
- General revenues accounted for \$262,778 or 100 percent of total revenues
- Total government-wide assets were \$118,467
- Total program expenses were \$262,778

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.

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.

GONZALES RURAL FIRE PROTECTION DISTRICT

Management's Discussion and Analysis

June 30, 2023

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.

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, 2023.

TABLE 1: STATEMENT OF NET POSITION

	2023	2022	Dollar Difference	Percent Difference
ASSETS				
Current assets	<u>\$ 118,467</u>	<u>\$ 110,952</u>	<u>\$ 7,515</u>	<u>6.77%</u>
Total assets	<u>118,467</u>	<u>110,952</u>	<u>7,515</u>	<u>6.77%</u>
LIABILITIES				
Current liabilities	<u>114,682</u>	<u>107,167</u>	<u>7,515</u>	<u>7.01%</u>
Total liabilities	<u>114,682</u>	<u>107,167</u>	<u>7,515</u>	<u>7.01%</u>
NET POSITION				
Unrestricted	<u>3,785</u>	<u>3,785</u>	<u>-</u>	<u>0.00%</u>
Total net position	<u>\$ 3,785</u>	<u>\$ 3,785</u>	<u>\$ -</u>	<u>0.00%</u>

The current assets increased by \$7,515 and this is due to an increase in investments. Current liabilities increased by \$7,515 and this is due to an increase in accounts payable.

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

GONZALES RURAL FIRE PROTECTION DISTRICT

Management's Discussion and Analysis

June 30, 2023

TABLE 2: STATEMENT OF ACTIVITIES

	<u>2023</u>	<u>2022</u>	<u>Dollar Difference</u>	<u>Percent Difference</u>
REVENUES				
General revenues	<u>\$ 262,778</u>	<u>\$ 252,183</u>	<u>\$ 10,595</u>	<u>4.20%</u>
Total revenues	<u>262,778</u>	<u>252,183</u>	<u>10,595</u>	<u>4.20%</u>
PROGRAM EXPENSES				
Public safety	<u>262,778</u>	<u>252,183</u>	<u>10,595</u>	<u>4.20%</u>
Total expenses	<u>262,778</u>	<u>252,183</u>	<u>10,595</u>	<u>4.20%</u>
Change in net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

The general revenues increased by \$10,595. The increase is due to an increase in property taxes of \$6,423, an increase in safety sales tax of \$3,018, a decrease in intergovernmental revenues of \$48, and an increase in investment earnings of \$1,202.

General Fund Budgetary Highlights

As finalized by the Board of Trustees, budgeted revenues totaled \$249,000, expenditures totaled \$249,000. Expenditures were budgeted to exceed revenues by \$0.

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 Lanni, Gonzales Rural Fire Protection District, P.O. Box 867, Gonzales, CA 93926.

FINANCIAL STATEMENTS

GONZALES RURAL FIRE PROTECTION DISTRICT
Governmental Funds Balance Sheet and Statement of Net Position
June 30, 2023

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Current Assets			
Investments	\$ 118,467	\$ -	\$ 118,467
Total Assets	<u>118,467</u>	<u>-</u>	<u>118,467</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	114,682	-	114,682
Total Liabilities	<u>114,682</u>	<u>-</u>	<u>114,682</u>
FUND BALANCES / NET POSITION			
Fund Balances			
Unassigned	3,785	(3,785)	-
Total fund balances	<u>3,785</u>	<u>(3,785)</u>	<u>-</u>
 Total liabilities and fund balances	 <u>\$ 118,467</u>		
 Net Position			
Unrestricted		3,785	3,785
Total net position		<u>\$ 3,785</u>	<u>\$ 3,785</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, 2023

EXPENDITURES / EXPENSES	General Fund	Adjustments	Statement of Activities
Public Safety:			
Services and supplies	\$ 262,778	\$ -	\$ 262,778
Total expenditures and expenses	<u>262,778</u>	<u>-</u>	<u>262,778</u>
 GENERAL REVENUES			
Property taxes	215,818	-	215,818
Sales tax	44,682	-	44,682
Intergovernmental revenues	747	-	747
Investment earnings	1,531	-	1,531
Total general revenues	<u>262,778</u>	<u>-</u>	<u>262,778</u>
 Net change in fund balances	-	-	-
 Change in net position		-	-
 FUND BALANCES / NET POSITION			
Beginning	3,785	-	3,785
Ending	<u>\$ 3,785</u>	<u>\$ -</u>	<u>\$ 3,785</u>

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

GONZALES RURAL FIRE PROTECTION DISTRICT
Notes to Financial Statements
June 30, 2023

Note 1—Summary of Significant Accounting Policies

The Gonzales Rural Fire Protection District (District) was organized in 1950 which is under agreement with the District 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 financial statements of the District have been prepared in conformity with the accounting principles generally accepted in the United States of America ("GAAP"), as specified by the Governmental Accounting Standards Board ("GASB"). The more significant of the District's accounting policies are described below.

Financial Statement Presentation

The District's financial report is prepared in accordance with GAAP which prescribes that the following sections be presented:

- Management's Discussion and Analysis - GAAP requires the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of management's discussion and analysis ("MD&A").
- Government-Wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Primary Government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the Primary Government is reported separately from certain legally separate component units for which the Primary Government is financially accountable.

Statement of Net Position - The Statement of Net Position is designed to display the financial position of the Primary Government (government and business-type activities) and its discretely presented component units. Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Statement of Activities - The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are not included among program revenues as they are not levied for a particular program.

Separate financial statements are provided for governmental funds Major individual governmental funds are reported as separate columns in the fund financial statements.

- Required Supplementary Information ("RSI") - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way

GONZALES RURAL FIRE PROTECTION DISTRICT
Notes to Financial Statements
June 30, 2023

or another in the process of establishing the annual operating budgets of state and local governments and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GAAP reporting model, governments provide budgetary comparison information in their annual reports including the original budget, final budget and actual results.

- Financial Reporting Entity - The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a Primary Government's reporting entity for the basic financial statements is financial accountability wherein the entity is both fiscally dependent on the Primary Government and provides either a benefit or creates a burden on the Primary Government. The District does not have any component units.

1. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accompanying financial statements are prepared in accordance with GAAP as applicable to governmental units. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue in the fiscal year when all eligibility requirements imposed by the provider have been satisfied. Fiduciary funds financial statements are reported on the accrual basis of accounting and do not measure operations.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (general government and culture and recreation) which are otherwise being supported by general government revenues, (property certain intergovernmental revenues, permits, and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (culture and recreation.) or a business-type activity.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenues are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting; however, debt service expenditures as well as expenditures related to compensated absences and claims, and judgments are recorded only when payment is due. Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues. Licenses, permits, are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state, and other grants for the purpose of funding specific expenditures, are recognized when all eligibility requirements have been satisfied. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

In the fund financial statements, financial transactions and accounts of the District are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances and changes therein, which are segregated for the purpose of carrying

GONZALES RURAL FIRE PROTECTION DISTRICT
Notes to Financial Statements
June 30, 2023

on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

1. Governmental Funds - Governmental Funds are those through which most governmental functions typically are financed. The District reports the General Fund as major governmental funds.

General Fund - The General Fund is the primary operating fund of the District. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income.

2. Budgetary Information

1. Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund.

Budget revisions are prepared by the governing board during the year to consider unanticipated income and expenditures. The original and final revised budgets for the General Fund are presented as Required Supplementary Information. There were no budget amendments adopted by the governing board.

3. Use of Estimates

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

4. Assets, liabilities, deferred outflows/inflows, and net position/fund balance

1. Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

2. Net Position

For government-wide reporting, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- *Restricted* net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- *Unrestricted* net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

GONZALES RURAL FIRE PROTECTION DISTRICT
Notes to Financial Statements
June 30, 2023

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bonds or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

3. Fund Balance

In the governmental fund financial statements, fund balance may be composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and lastly unassigned fund balance. The governmental fund types classify fund balances as follows:

- **Nonspendable Fund Balance** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form (e.g., inventory) or (b) legally or contractually required to be maintained intact (e.g., long-term amount of loans/note receivable)
- **Restricted Fund Balance** – This classification includes amounts that are restricted to specific purposes by external parties, constitutional provisions, or imposed by creditors (e.g., bond covenants).
- **Committed Fund Balance** – This portion of fund balance can only be used for specific purposes determined by a formal action of the District's highest level of decision-making authority. Any changes or removal of specific purpose requires majority action by the governing body.
- **Assigned Fund Balance** – The portion of fund balance that the District intends to use for specific purposes as expressed by the governing body itself, the budget document, or delegated official, the District Manager. Fund balances in the General Fund are assigned by resolution of the Board of Directors.
- **Unassigned Fund Balance** – The portion of the fund balance available for any purpose. Includes all spendable amounts not classified as nonspendable, restricted, committed, or assigned. The General Fund is the only fund that would report a positive amount in the unassigned fund balance.

As previously mentioned, sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the sample purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

5. Revenues and expenditures/expenses

1. Program revenues

Amounts reported as program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided or fines imposed by a given function, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

GONZALES RURAL FIRE PROTECTION DISTRICT
Notes to Financial Statements
June 30, 2023

2. Property taxes

The District receives property tax revenue from Monterey County (the County). The County is responsible for assessing, collecting and distributing property taxes in accordance with state law. Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The counties apportion secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California Revenue and Taxation Code. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll - approximately October 1 of each year. Taxes are levied annually on July 1st, and one-half are due by November 1st and one-half by February 1st. Taxes are delinquent after December 10th and April 10th, respectively. Supplemental property taxes are levied on a pro-rata basis when changes in assessed valuation occur due to the completion of construction or sales transactions. Liens on real property are established on January 15th for the ensuing fiscal year.

Note 2—Investments

Gonzales Rural Fire Protection District invests its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District and conforming to all state and local statutes governing the investment of public funds, using the “prudent person” standard for managing the overall portfolio. The primary objective of the policy is safety (preservation of capital, liquidity, and yield).

The District has authorized staff to invest cash with the Monterey County Treasurer in a series of pooled accounts with cash from various other governmental entities within the County, for investment purposes. State statutes govern the County’s investment policies.

In addition, the County has an investment committee, which prescribes written investment policies regarding the types of investments that may be made. The policies limit amounts that may be invested in any one financial institution or amounts which may be invested in long-term instruments. Interest earned from such time deposits and investments is allocated quarterly to the District based on its average daily cash balances. The fair value of the account at June 30, 2023 was provided by the County Treasurer.

The District is a voluntary participant in the Monterey County Investment Pool (MCCIP) that is regulated by California Government Code Section 53600 under the oversight of the treasurer of the County of Monterey. The balance available for withdrawal is based on the accounting records maintained by MCCIP, which are recorded on an amortized cost basis. The pool is not registered with the SEC and is unrated.

The District’s investments consisted of the following as of June 30, 2023:

Government-wide Statement of Net Position

Governmental activities:

Investment with Monterey County Investment Pool	\$ 118,467
Total carrying amount of cash and investments	\$ 118,467

Investments in the Monterey County Treasury – Monterey County is a fiscal agent of the District. The fair value of the District's investment in the county pool is reported at amounts based on the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of the portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized costs basis. Monterey County investment pool funds were available for withdrawal on demand and had an average maturity date of 337 days. All cash and investments are stated at amortized cost.

Investment Policy – The District does not have an investment policy. However, California Government Code allow the District to invest in the following provided the credit ratings of the issuers are acceptable to the District and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the

GONZALES RURAL FIRE PROTECTION DISTRICT
Notes to Financial Statements
June 30, 2023

California Government Code or the District's Investment Policy where it is more restrictive:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Required Rating
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations CA and Others	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	None
Banker's Acceptances	5 years	None	None
Commercial Paper – Selected Agencies	270 Days	None	None
Commercial Paper – Other Agencies	270 Days	None	None
Negotiable Certificates of Deposit	5 years	None	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium Term Corporate Notes	5 years	30%	A
Money Market Mutual Funds & Mutual Funds	N/A	20%	Multiple
Collateralized Bank Deposits	5 years	None	None
Mortgage pass-Through Securities	5 years	20%	AA
Bank/Time Deposits	5 years	None	None
County pooled Investment Funds	5 years	None	None
Joint Powers Authority	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Voluntary Investment Program Fund	N/A	None	None

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. The District manages its exposure to interest rate risk by investing in the MCCIF, which had fair values of approximately \$3.0 billion as of June 30, 2023. The sensitivity of the fair values of the District's investments to market interest rate fluctuation is measured as the weighted average maturity of the investment portfolio, which was less than one-year on June 30, 2023.

As of June 30, 2023, the District had the following investments:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less than 1 Year	1-5 Years
Monterey County Investment Pool	\$ 118,467	\$ 118,467	\$ -
Total investments	\$ 118,467	\$ 118,467	\$ -

Credit Risk. – Generally, credit Risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The summary of investments table above shows the minimum rating under the actual rating of the District's investments at year end. The investment with the County's investment pool is governed by the County's general investment policy. The County's investments in 2022-23 included U.S. government securities or obligations explicitly guaranteed by the U.S. government that are not considered to have credit risk exposure. The District's investment in the Monterey County Investment Pool is not rated.

Custodial Credit Risk – Investments – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government code requires that a financial institution secure deposit 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 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

GONZALES RURAL FIRE PROTECTION DISTRICT
Notes to Financial Statements
June 30, 2023

Concentration of Credit Risk – The concentration of credit risk is the risk of loss that may be caused by the District’s investment in a single issuer. The District’s does not have a policy to provide guidance about concentration of credit risk.

Note 3—Risk Management

The Gonzales Rural Fire Protection District is exposed to various risks of loss related to tors; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District uses Fire Agencies Insurance Risk Authority to account for and finance risks for general liability and property damage. Insurance policy is purchased for the following exposures with the deductible, or the amount of risk retention indicated in parenthesis: public officials and employment practices liability (\$1,000,000/\$7,500 deductible), boiler and machinery (\$5,000 deductible, and an excess liability insurance policy (District retains risks up to \$10,000,000). There were no settlements in excess of the insurance coverage in any of the three prior fiscal years.

Note 4—Litigation

At June 30, 2023, there were no matters of litigation involving the District or which would materially affect the District’s financial position should any court decisions on pending matters not be favorable to such entities.

Note 5—Stewardship, Compliance, and Accountability

Expenditures in Excess of Appropriations. Expenditures in the general fund exceed appropriations in the current year by \$13,778.

REQUIRED SUPPLEMENTARY INFORMATION

GONZALES RURAL FIRE PROTECTION DISTRICT

General Fund

Budgetary Comparison Schedule

For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Property taxes	\$ 205,000	\$ 205,000	\$ 215,818	\$ 10,818
Sales tax	40,000	40,000	44,682	4,682
Intergovernmental revenues	-	-	747	747
Investment earnings	4,000	4,000	1,531	(2,469)
Total revenues	<u>249,000</u>	<u>249,000</u>	<u>262,778</u>	<u>13,778</u>
 EXPENDITURES				
Public Safety:				
Services and supplies	249,000	249,000	262,778	(13,778)
Total expenditures	<u>249,000</u>	<u>249,000</u>	<u>262,778</u>	<u>(13,778)</u>
 Net change in fund balances	-	-	-	-
 FUND BALANCES				
Fund balances - beginning of year	3,785	3,785	3,785	-
Fund balances - end of year	<u>\$ 3,785</u>	<u>\$ 3,785</u>	<u>\$ 3,785</u>	<u>\$ -</u>

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