

Vista Fire Protection District

Annual Financial Report

For the Fiscal Year Ended June 30, 2020



Vista, California

Mission Statement

“Our mission is to protect life and property with fire and medical emergency services through effective prevention, response, and education.”

Vista Fire Protection District

Board of Directors as of June 30, 2020

<u>Name</u>	<u>Title</u>	<u>Elected/Appointed</u>	<u>Term Expiration</u>
Read Miller	President	Elected	11 / 2022
Robert Fougner	Vice-President	Elected	11 / 2020
James Elliott	Director	Elected	11 / 2022
Jerry Hill	Director	Elected	11 / 2020
Wallace Stewart	Director	Elected	11 / 2020

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Vista, CA 92084 • (760) 758-3815
www.vistafireprotectiondistrict.org

Vista Fire Protection District

Annual Financial Report

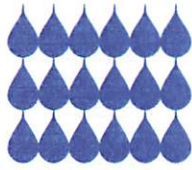
For the Fiscal Year Ended June 30, 2020

**Vista Fire Protection District
Annual Financial Report
For the Fiscal Year Ended June 30, 2020**

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Financial Section



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Independent Auditor's Report

Board of Directors
Vista Fire Protection District
Vista, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of the Vista Fire Protection District (District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Vista Fire Protection District as of June 30, 2020, and the respective changes in financial position and the respective budgetary comparison for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Independent Auditor's Report, continued

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7, and the required supplementary information on page 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 9, 2021, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance. This report can be found on pages 31 and 32.

Fedak & Brown LLP

Fedak & Brown LLP

Cypress, California

June 9, 2021

Vista Fire Protection District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
With comparative amounts for June 30, 2019

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Vista Fire Protection District (District), provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2020 (with comparative information for fiscal year ended June 30, 2019). We encourage readers to consider the information presented here with additional information that we have furnished in the accompanying basic financial statements and related notes, which follow this section.

The District funds its operations from the property tax revenues assessed and allocated by the County of San Diego (County) from District residents. A portion of these tax revenues, which vary according to each resident's property location, are then allocated by the County to the District, net of County administrative fees.

The District uses its portion of the County's tax revenues to provide fire protection and emergency medical services to residents located within the District boundaries. The services are provided by the City of Vista's Fire Department under a twenty-five-year contract executed in 2010 between the District and the City of Vista (the City). The cost of services is fixed at a fee equal to 90% of District revenues, excluding investment income. Under this contractual fee arrangement, the District is guaranteed in each fiscal year to have sufficient revenue to pay for the City's services.

Financial Highlights

- Net position increased 4.26% or \$487,490 to \$11,921,945.
- Total revenues increased 3.16% or \$122,214 to \$3,990,545.
- Program revenues increased 12.32% or \$13,476 to \$122,869.
- General revenues increased 2.89% or \$108,738 to \$3,867,676.
- Total expenses increased 6.10% or \$201,489 to \$3,503,055.

Required Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the District's investments in resources (assets) and deferred outflows of resources and the obligations to creditors (liabilities) and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Activities. This statement measures the success of the District's operations over the past year and can be used to determine the District's profitability and credit worthiness.

District Activities

The Vista Fire Protection District is adjacent to the City of Vista in San Diego County. The District is organized under the Fire Protection District Law of 1987 (Health and Safety Code Section 13800 et. Seq) to provide fire protection services within the Vista Fire Protection District. An elected board of directors makes all policy decisions.

The District is governed by a five-member elected Board of Directors. The Board is responsible for establishing policies, guidelines and providing direction for Fire District staff. Board meets on the second Wednesday of each month.

Vista Fire Protection District
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2020
With comparative amounts for June 30, 2019

Government-wide Financial Statements

Statement of Net Position and Statement of Activities

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the District in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources 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 the cash is received or paid.

These two statements report the District's *net position* and changes in them. Think of the District's net position – the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources – as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. One will need to consider other non-financial factors; however, such as changes in the District's property tax and assessment base to assess the *overall health* of the District.

Governmental Fund Financial Statements

Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 14 through 29.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information and supplementary information concerning the District's budgetary information and compliance.

Vista Fire Protection District
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2020
With comparative amounts for June 30, 2019

Government-wide Financial Analysis

Condensed Statement of Net Position

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Assets:			
Current assets	\$ 11,898,879	11,361,372	537,507
Non-current assets	204,047	206,080	(2,033)
Total assets	<u>12,102,926</u>	<u>11,567,452</u>	<u>535,474</u>
Liabilities:			
Current liabilities	180,981	132,997	47,984
Total liabilities	<u>180,981</u>	<u>132,997</u>	<u>47,984</u>
Net position:			
Net investment in capital assets	204,047	206,080	(2,033)
Unrestricted	11,717,898	11,228,375	489,523
Total net position	<u>\$ 11,921,945</u>	<u>11,434,455</u>	<u>487,490</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by \$11,921,945 as of June 30, 2020.

A portion of the District's net position (1.71% as of June 30, 2020) reflects its investment in capital assets (net of accumulated depreciation); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets for operations; consequently, these assets are *not* available for future spending.

At the end of fiscal year 2020, the District showed a positive balance in its unrestricted net position of \$11,717,898, which may be utilized in future years. (See Note 5)

Condensed Statement of Activities

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Expenses:			
Fire protection operations	\$ 3,503,055	3,301,566	201,489
Total expenses	<u>3,503,055</u>	<u>3,301,566</u>	<u>201,489</u>
Program revenues	122,869	109,393	13,476
General revenues	3,867,676	3,758,938	108,738
Total revenues	<u>3,990,545</u>	<u>3,868,331</u>	<u>122,214</u>
Change in net position	487,490	566,765	(79,275)
Net position – beginning of period	<u>11,434,455</u>	<u>10,867,690</u>	<u>566,765</u>
Net position – end of period	<u>\$ 11,921,945</u>	<u>11,434,455</u>	<u>487,490</u>

Vista Fire Protection District
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2020
With comparative amounts for June 30, 2019

Government-wide Financial Analysis, continued

The statements of activities show how the District's net position changed during the fiscal year. In fiscal year 2020, the District's net position increased 4.26% or \$487,490 to \$11,921,945 from ongoing operations.

A closer examination reveals that:

The District's total revenues from all sources increased 3.16% or \$122,214 to \$3,990,545. Program revenues increased 12.32% or \$13,476, due to an increase of \$19,191 in fire mitigation fees, which was offset by a decrease of \$5,715 in ambulance fees. General revenues increased 2.89% or \$108,738, primarily due to an increase of \$182,195 in property tax revenue, which was offset by decreases of \$55,120 in unrealized gains on investments and \$19,429 in interest earnings.

The District's total expenses increased 6.10%, or \$201,489 to \$3,503,055, due to increases of \$175,212 in fire protection services, \$15,792 in depreciation expense, and \$10,485 in general and administrative.

Governmental Funds Financial Analysis

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of the government's net resources for spending at the end of the fiscal year.

As of June 30, 2020, the District's General Fund reported a fund balance of \$11,717,898. An amount of \$11,712,830 as of June 30, 2020 constitutes the District's assigned fund balance, which is available for specific future District operations. (see note 6 for further information on the District's fund balances)

General Fund Budgetary Highlights

The final actual expenditures for the General Fund at year-end were \$59,158 more than budgeted. The variance is principally due to the District under-budgeting fire protection service expenditures. Actual revenues were greater than the anticipated budget by \$310,545. (See Budgetary Comparison Schedule for General Fund under Required Supplementary Information section on page 30)

Capital Asset Administration

Changes in capital assets for 2020 were as follows:

	<u>Balance 2019</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2020</u>
Capital assets:				
Non-depreciable assets	\$ 40,000	-	-	40,000
Depreciable assets	<u>327,214</u>	<u>28,593</u>	-	<u>355,807</u>
Total capital assets	367,214	28,593	-	395,807
Accumulated depreciation	<u>(161,134)</u>	<u>(30,626)</u>	-	<u>(191,760)</u>
Total capital assets, net	<u>\$ 206,080</u>	<u>(2,033)</u>	-	<u>204,047</u>

At the end of fiscal year 2020, the District's investment in capital assets amounted to \$204,047 (net of accumulated depreciation). This investment in capital assets includes access road improvements, equipment, and signage. (See Note 4 for further information)

Vista Fire Protection District
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2020
With comparative amounts for June 30, 2019

Conditions Affecting Current Final Position

The COVID-19 pandemic in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact on the District and the duration cannot be estimated at this time.

Management is unaware of any other conditions, which could have a significant impact on the District's current financial position, net position or operating results in terms of past, present and future.

Requests for Information

The District's basic financial statements are designed to present users with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional information, please contact the Vista Fire Protection District, 955 Vale Terrace Drive, Suite A, Vista, California 92084 or (760) 758-3815.

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Basic Financial Statements

Vista Fire Protection District
Statement of Net Position
June 30, 2020
With comparative amounts for June 30, 2019

	2020	2019
Current assets:		
Cash and cash equivalents (note 2)	\$ 11,810,170	11,228,583
Accrued interest receivable	41,284	87,420
Accounts receivable – fire mitigation	6,089	22,567
Property taxes receivable	15,294	17,885
Due from other governments (note 3)	20,974	3,428
Prepaid expenses	5,068	1,489
Total current assets	11,898,879	11,361,372
Non-current assets:		
Capital assets – not being depreciated (note 4)	40,000	40,000
Capital assets – being depreciated, net (note 4)	164,047	166,080
Total non-current assets	204,047	206,080
Total assets	12,102,926	11,567,452
Current liabilities:		
Accounts payable and accrued expenses	9,114	7,041
Accrued salaries and related payables	1,166	815
Due to other governments (note 3)	170,701	125,141
Total current liabilities	180,981	132,997
Total liabilities	180,981	132,997
Net position: (note 5)		
Net investment in capital assets	204,047	206,080
Unrestricted	11,717,898	11,228,375
Total net position	\$ 11,921,945	11,434,455

See accompanying notes to the basic financial statements

Vista Fire Protection District
Statement of Activities
For the Fiscal Year Ended June 30, 2020
With comparative amounts for June 30, 2019

	2020	2019
Expenses:		
Fire protection services	\$ 3,342,855	3,167,643
General and administrative	129,573	119,088
Depreciation	30,627	14,835
Total expenses	3,503,055	3,301,566
Program revenues:		
Charges for services – fire mitigation fees	86,898	67,707
Charges for services – ambulance fees	35,971	41,686
Total program revenues	122,869	109,393
Net program expense	3,380,186	3,192,173
General revenues:		
Property taxes	3,567,523	3,385,328
Interest earnings	222,664	242,093
Unrealized gain (loss) on investments	77,318	132,438
Gain (loss) on disposal of assets	72	(921)
Other non-operating revenues	99	-
Total general revenues	3,867,676	3,758,938
Change in net position	487,490	566,765
Net position – beginning of year	11,434,455	10,867,690
Net position – end of year	\$ 11,921,945	11,434,455

See accompanying notes to the basic financial statements

**Vista Fire Protection District
Balance Sheet
June 30, 2020**

	<u>General Fund</u>	<u>Reclassifications & Eliminations</u>	<u>Statement of Net Position</u>
Current assets:			
Cash and cash equivalents	\$ 11,810,170	-	11,810,170
Accrued interest receivable	41,284	-	41,284
Accounts receivable – fire mitigation	6,089	-	6,089
Property taxes receivable	15,294	-	15,294
Due from other governments	20,974	-	20,974
Prepaid expenses	5,068	-	5,068
Total current assets	<u>11,898,879</u>	<u>-</u>	<u>11,898,879</u>
Non-current assets:			
Capital assets not being depreciated	-	40,000	40,000
Capital assets being depreciated, net	-	164,047	164,047
Total non-current assets	<u>-</u>	<u>204,047</u>	<u>204,047</u>
Total assets	<u>11,898,879</u>	<u>204,047</u>	<u>12,102,926</u>
Liabilities:			
Accounts payable and accrued expenses	9,114	-	9,114
Accrued salaries and related payables	1,166	-	1,166
Due to other governments	170,701	-	170,701
Total liabilities	<u>180,981</u>	<u>-</u>	<u>180,981</u>
Fund balance: (note 6)			
Non-spendable	5,068	(5,068)	-
Assigned	11,712,830	(11,712,830)	-
Total fund balance	<u>11,717,898</u>	<u>(11,717,898)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 11,898,879</u>		
Net position: (note 5)			
Net investment in capital assets		\$ 204,047	204,047
Unrestricted		11,717,898	11,717,898
Total net position		<u>\$ 11,921,945</u>	<u>11,921,945</u>

See accompanying notes to the basic financial statements

**Vista Fire Protection District
 Reconciliation of the Balance Sheet of Governmental
 Type Funds to the Statement of Net Position
 June 30, 2020**

Reconciliation:

Fund balance of governmental funds 11,717,898

Amounts reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not current financial resources and,
 therefore are not reported in the governmental funds balance sheet.

Capital assets not being depreciated	\$	40,000
Capital assets being depreciated, net		164,047

204,047

Net position of governmental activities **\$ 11,921,945**

See accompanying notes to the basic financial statements

Vista Fire Protection District
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2020

	<u>General Fund</u>	<u>Reclassifications & Eliminations</u>	<u>Statement of Activities</u>
Expenditures/Expenses:			
Fire protection services	\$ 3,342,855	-	3,342,855
General and administrative	129,573	-	129,573
Depreciation	-	30,627	30,627
Total expenditures/expenses	<u>3,472,428</u>	<u>30,627</u>	<u>3,503,055</u>
Program revenues:			
Charges for services – fire mitigation fees	86,898	-	86,898
Charges for services – ambulance fees	35,971	-	35,971
Total program revenues	<u>122,869</u>	<u>-</u>	<u>122,869</u>
Net program expense	<u>3,349,559</u>	<u>30,627</u>	<u>3,380,186</u>
General revenues:			
Property taxes	3,567,523	-	3,567,523
Interest earnings	222,664	-	222,664
Unrealized gain (loss) on investments	77,318	-	77,318
Gain (loss) on disposal of assets	72	-	72
Other non-operating revenues	99	-	99
Total general revenues	<u>3,867,676</u>	<u>-</u>	<u>3,867,676</u>
Total revenues	<u>3,990,545</u>	<u>-</u>	<u>3,990,545</u>
Excess of revenues over expenditures	<u>518,117</u>	<u>(30,627)</u>	<u>487,490</u>
Change in net position	<u>518,117</u>	<u>(30,627)</u>	<u>487,490</u>
Fund balance/Net position – beginning of year (note 6)	<u>11,199,781</u>		<u>11,434,455</u>
Fund balance/Net position – end of year	<u>\$ 11,717,898</u>		<u>11,921,945</u>

See accompanying notes to the basic financial statements

Vista Fire Protection District
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of Governmental Type Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2020

Reconciliation:

Net changes in fund balance of total governmental funds \$ 518,117

Amounts reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Depreciation expense (30,627)

Change in net position of governmental activities \$ 487,490

See accompanying notes to the basic financial statements

Vista Fire Protection District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Vista Fire Protection District is adjacent to the City of Vista in San Diego County. The District is organized under the Fire Protection District Law of 1987 (Health and Safety Code Section 13800 et. Seq) to provide fire protection services within the Vista Fire Protection District. An elected board of directors makes all policy decisions.

The District is governed by a five-member elected Board of Directors. The Board is responsible for establishing policies, guidelines and providing direction for Fire District staff. Board meets on the second Wednesday of each month.

B. Basis of Accounting and Measurement Focus

The *basic financial statements* of the District are comprised of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Government-wide Financial Statements

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets, 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 the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the District are to be reported in three categories, if applicable: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grant and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Governmental Fund Financial Statements

These statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. Incorporated into these statements is a schedule to reconcile and explain the differences in net position as presented in these statements to the net position presented in the Government-wide Financial Statements. The District has presented its General Fund, as its major fund, in this statement to meet the qualifications of GASB Statement No. 34.

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 liabilities are included on the Balance Sheet. 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 modified accrual basis of accounting, revenues are recognized in the accounting period in which they become 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 sources susceptible to accrual for the district are property taxes and assessments, interest earnings, investment revenue and operating and capital grant revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, exceptions to this rule include principal and interest on debt, which are recognized when due.

Vista Fire Protection District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2020

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

B. Basis of Accounting and Measurement Focus, continued

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

The District reports the following major governmental funds:

General Fund – is a government's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund when necessary.

C. Financial Reporting

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District has adopted the following GASB pronouncements in the current year:

In May 2020, the GASB issued Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position

1. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in District net position during the reporting period. Actual results could differ from those estimates.

2. Uncertainty

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact on District and the duration cannot be estimated at this time.

3. Cash and Cash Equivalents

Substantially all of District's cash is invested in interest bearing cash accounts. The District considers all highly liquid investments with initial maturities of three months or less to be cash equivalents.

4. Investments and Investment Policy

The District has adopted an investment policy directing the Treasurer to invest funds in investments in accordance with the investment policy.

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

Vista Fire Protection District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2020

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

5. Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset as follows:

- **Level 1** – Valuation is based on quoted prices in active markets for identical assets.
- **Level 2** – Valuation is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals.
- **Level 3** – Valuation is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity, and other assumptions that are internally generated and cannot be observed in the market.

6. Property Taxes and Assessments

Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on December 10 and April 10. The County of San Diego (County) bills and collects the property taxes and remits them to the District in installment during the year. Tax revenues are recognized by the District when received.

7. Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

8. Capital Assets

Capital assets are recorded in the government-wide financial statements. Included in capital assets are equipment, emergency vehicles, and access road improvements. District policy is to capitalize *all* equipment, emergency vehicles, and access road improvements. Donated assets are recorded at estimated fair market value at the date of donation. Capital outlay is recorded as expenditures of the General Fund and as assets in the government-wide financial statements to the extent the District's capitalization threshold is met. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- | | |
|----------------------------|----------|
| • Equipment | 5 years |
| • Emergency vehicles | 10 years |
| • Access road improvements | 20 years |

Vista Fire Protection District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2020

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

9. Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

- **Net Investment in Capital Assets** – Investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and amortization, and reduced by outstanding balances of any debt, or other long-term borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted** – Restricted consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.
- **Unrestricted** – Unrestricted consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted component of net position.

10. Fund Balance

The financial statements and governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

- **Non-spendable fund balance** – amounts that cannot be spent because they are either (a) not spendable in form, or (b) legally or contractually required to be maintained intact.
- **Restricted fund balance** – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions enabling legislation.
- **Committed fund balance** – amounts that can only be used for specific purposes determined by formal action of the District’s highest level of decision-making authority (the Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned fund balance** – amounts that are constrained by the District’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose. This is also the classification for residual funds in the District’s special revenue funds.
- **Unassigned fund balance** – the residual classification for the District’s general fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The Board of Directors establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, followed by the unrestricted, committed, assigned, and unassigned resources as they are needed.

Vista Fire Protection District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2020

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

10. Fund Balance, continued

Fund Balance Policy

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain an unrestricted fund balance in its funds sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned, and unassigned fund balances are considered unrestricted.

The purpose of the District's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

11. Budgetary Policies

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. By state law, the District may adopt a tentative budget no later than July 1, of each year and adopt a final budget no later than September 15 of each year. Budget revisions are adopted as required in consideration to unanticipated revenues or expenditures.

12. Reclassification

The District has reclassified certain prior year information to conform with current year presentations.

(2) Cash and Cash Equivalents

Cash and cash equivalents as of June 30 are classified in the accompanying financial statements as follows:

	2020
Cash and cash equivalents	\$ 11,810,170

Cash and cash equivalents as of June 30 consist of the following:

	2020
Petty cash	\$ 100
Deposits held with financial institutions	534,723
Investments	11,275,347
Total	\$ 11,810,170

As of June 30, the District's authorized deposits had the following maturities:

	2020
Deposits held with Local Agency Investment Fund (LAIF)	191 days
Deposits held with San Diego County Pooled Investment Fund (SDCPIF)	559 days

Vista Fire Protection District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2020

(2) Cash and Cash Equivalents, continued

Authorized Deposits and Investments

Under provisions of the District's investment policy, and in accordance with Section 53601 of the California Government Code, the District may invest funds as listed in Note 1.D.4 to the financial statements.

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 California Government Code and the District's investment policy does 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 a 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. Of the bank balances, up to \$250,000 is federally insured per institution and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

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 Code and the District's investment policy contain legal and policy requirements that would limit the exposure to custodial credit risk for investments.

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Investments at June 30, 2020, consisted of the following:

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity 12 Months Or Less</u>
Local Agency Investment Fund (LAIF)	\$ 896,875	896,875
San Diego County Pooled Investment Fund (SDCPIF)	3,185,786	3,185,786
California Asset Management Program (CAMP)	244,667	244,667
CB&T Trust Wealth Management	6,948,019	6,948,019
Total	\$ 11,275,347	11,275,347

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity an investment has, the greater its fair value has sensitivity to changes in market interest rates. The District's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

Vista Fire Protection District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2020

(2) Cash and Cash Equivalents, continued

Credit Risk

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 by a nationally recognized statistical rating organization; however, LAIF is not rated.

Credit ratings of investments as of June 30, 2020, were as follows:

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Exempt or Not Rated</u>
Local Agency Investment Fund (LAIF)	\$ 896,875	N/A	896,875
San Diego County Pooled Investment Fund (SDCPIF)	3,185,786	N/A	3,185,786
California Asset Management Program (CAMP)	244,667	N/A	244,667
CB&T Trust Wealth Management	<u>6,948,019</u>	N/A	<u>6,948,019</u>
Total	\$ <u>11,275,347</u>		<u>11,275,347</u>

Concentration of Credit Risk

The District's investment policy contains no limitations on the amounts that can be invested in any one issuer as beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than for U.S. Treasury securities, mutual funds, and external investment pools) that represented 5% or more of total District's investment at June 30, 2020.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by GASB 79 for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. LAIF does not have any legally binding guarantees of share values. LAIF does not impose liquidity fees or redemption gates on participant withdrawals.

San Diego County Pooled Investment Fund (SDCPIF)

The San Diego County Pooled Investment Fund (SDCPIF) is a pooled investment fund program governed by the County of San Diego Board of Supervisors and administered by the County of San Diego Treasurer and Tax Collector. Investments in SDCPIF are highly liquid as deposits and withdrawals can be made at any time without penalty, determined on an amortized cash basis, the same as the fair value of the District's position in the pool.

JPA Pool

The District is a voluntary participant in the California Asset Management Program (CAMP), a California Joint Powers Authority that falls under California Code Section 53601(p), which is directed by a Board of Trustees that is made up of experienced local government finance directors and treasurers.

Vista Fire Protection District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2020

(2) Cash and Cash Equivalents, continued

Fair Value Measurements

Investments measured at fair value on a recurring and non-recurring basis, are as follows:

Investment Type	Total	Fair Value Measurements		
		Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Local Agency Investment Fund (LAIF)	\$ 896,875	896,875	-	-
San Diego County Pooled Investment Fund (SCPIF)	3,185,786	3,185,786	-	-
California Asset Management Program (CAMP)	244,667	244,667	-	-
CB&T Trust Wealth Management	6,948,019	6,948,019	-	-
Total	\$ 11,275,347	11,275,347	-	-

(3) Due to/Due From the City of Vista

The amounts reflected in the financial statements that are due from/due to the City of Vista represent the overpayment/underpayment for contracted fire protection services and other fees collected by the City of Vista on behalf of the District as follows:

	<u>2020</u>
District fees collected by the City of Vista on behalf of the District for fiscal year 2019/20	\$ 35,971
Less: Payments received through 06/30/20	<u>(14,997)</u>
Balance due from the City of Vista	<u>20,974</u>
Fire protection and emergency medical services	3,342,855
Less: Payments remitted through 06/30/20	<u>(3,172,154)</u>
Balance due to the City of Vista	<u>(170,701)</u>
Net due to the City of Vista	<u>\$ (149,727)</u>

Vista Fire Protection District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2020

(4) Capital Assets

Changes in capital assets for the 2020 fiscal year were as follows:

	<u>Balance 2019</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2020</u>
Non-depreciable assets:				
Land	\$ 40,000	-	-	40,000
Total non-depreciable assets	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>40,000</u>
Depreciable assets:				
Access road improvements	317,298	24,470	-	341,768
Equipment	1,541	4,123	-	5,664
Signage	8,375	-	-	8,375
Total depreciable assets	<u>327,214</u>	<u>28,593</u>	<u>-</u>	<u>355,807</u>
Accumulated depreciation:				
Access road improvements	(152,819)	(29,342)	-	(182,161)
Equipment	(1,232)	(446)	-	(1,678)
Signage	(7,083)	(838)	-	(7,921)
Total accumulated depreciation	<u>(161,134)</u>	<u>(30,626)</u>	<u>-</u>	<u>(191,760)</u>
Total depreciable assets, net	<u>166,080</u>	<u>(2,033)</u>	<u>-</u>	<u>164,047</u>
Total capital assets, net	<u>\$ 206,080</u>			<u>204,047</u>

Major capital asset additions during the year included \$24,470 in access road improvements and \$4,123 in equipment.

(5) Net Position

The calculation of net position at June 30 was as follows:

	<u>2020</u>
Investment in capital assets:	
Capital assets, net	\$ <u>204,047</u>
Total investment in capital assets	<u>204,047</u>
Unrestricted net position:	
Non-spendable net position:	
Prepaid expenses	<u>5,068</u>
Total non-spendable net position	<u>5,068</u>
Spendable net position:	
Unrestricted:	
Designated for fire protection services	<u>11,712,830</u>
Total spendable net position	<u>11,712,830</u>
Total unrestricted net position	<u>11,717,898</u>
Total net position	<u>\$ 11,921,945</u>

Vista Fire Protection District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2020

(5) Net Position, continued

Unrestricted Net Position – Operating Reserves

The District maintains a policy to reserve a portion of unrestricted net position that would allow it to continue fire protection service for up to 18 months following a natural disaster. The operating reserve of \$4.5 million may be adjusted by the Board of Directors from time to time, as necessary to fund both operations and capital improvement projects.

At June 30, reserve balances were as follows:

Description	2020
Operating reserve for natural disasters	\$ 4,500,000
Unreserved portion of unrestricted net position	7,217,898
Total unrestricted net position	\$ 11,717,898

(6) Fund Balance

Fund balances are presented in the following categories: non-spendable, restricted, committed, assigned, and unassigned (See Note 1.D.10 for a description of these categories).

A detailed schedule of fund balances and their funding composition at June 30 were as follows:

Description	2020
Non-spendable:	
Prepaid expenses	\$ 5,068
Total non-spendable	5,068
Assigned:	
Designated for fire protection services	11,712,830
Total assigned	11,712,830
Total fund balance	\$ 11,717,898

Fund Balance/Net position – Beginning of the Year Reclassification

The total fund balance as of June 30, 2019 was \$11,449,290; however, according to the June 30, 2019, financial statements, that fund balance includes land and depreciable assets, net of accumulated depreciation. To conform with current year presentations, the fund balance was reclassified to \$11,199,781 as of July 1, 2019, to reflect the total fund balance less land and depreciable assets, net of accumulated depreciation.

Vista Fire Protection District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2020

(7) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2020, that have effective dates that may impact future financial presentations.

The following pronouncement implementation dates have been delayed due to the COVID-19 pandemic.

Governmental Accounting Standards Board Statement No. 84

In January 2017, the GASB issued Statement No. 84 – *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2018; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 87

In June 2017, the GASB issued Statement No. 87 – *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by 18 months. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 89

In June 2018, the GASB issued Statement No. 89 – *Accounting for Interest Cost incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

Vista Fire Protection District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2020

(7) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 89, continued

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

Governmental Accounting Standards Board Statement No. 90

In August 2018, the GASB issued Statement No. 90 – Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2018; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

Vista Fire Protection District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2020

(7) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 91

In May 2019, the GASB issued Statement No. 91 – Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 92

In January 2020, the GASB issued Statement No. 92 – *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

The requirements of this Statement were as follows: (1) The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance; (2) The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020; (3) The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020; and (4) The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged and is permitted by topic.

Vista Fire Protection District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2020

(7) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 93

In March 2020, the GASB issued Statement No. 93 – *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR.

This Statement achieves that objective by: (1) Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; (6) Clarifying the definition of reference rate, as it is used in Statement 53, as amended; and (7) Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The requirements of this Statement were effective as follows: (1) The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021; and (2) All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective dates have been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 94

In March 2020, the GASB issued Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Vista Fire Protection District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2020

(7) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 96

In May 2020, the GASB issued Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 97

In June 2020, the GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 41 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.

Vista Fire Protection District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2020

(8) Commitments and Contingencies

Litigation

In the ordinary course of operations, the District is subject to other claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, other than the matter discussed above, will not materially affect its financial condition.

COVID-19 Pandemic

In December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the District could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. The District has not included any contingencies in the financial statements specific to this issue.

(9) Subsequent Events

Events occurring after June 30, 2020, have been evaluated for possible adjustment to the financial statements or disclosure as of June 9, 2021, which is the date the financial statements were available to be issued. The District is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

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Required Supplementary Information

**Vista Fire Protection District
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2020**

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
Expenditures/Expenses:					
Fire protection services	\$ 3,252,000	-	3,252,000	3,342,855	90,855
General and administrative	161,270	-	161,270	129,573	(31,697)
Total expenditures/expenses	<u>3,413,270</u>	<u>-</u>	<u>3,413,270</u>	<u>3,472,428</u>	<u>59,158</u>
Program revenues:					
Charges for services – fire mitigation fees	70,724	-	70,724	86,898	16,174
Charges for services – ambulance fees	29,276	-	29,276	35,971	6,695
Total program revenues	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>122,869</u>	<u>22,869</u>
General revenues:					
Property taxes	3,400,000	-	3,400,000	3,567,523	167,523
Interest earnings	180,000	-	180,000	222,664	42,664
Unrealized gain (loss) on investments	-	-	-	77,318	77,318
Gain (loss) on disposal of assets	-	-	-	72	72
Other non-operating revenues	-	-	-	99	99
Total general revenues	<u>3,580,000</u>	<u>-</u>	<u>3,580,000</u>	<u>3,867,676</u>	<u>287,676</u>
Total revenues	<u>3,680,000</u>	<u>-</u>	<u>3,680,000</u>	<u>3,990,545</u>	<u>310,545</u>
Excess of revenues over(under) expenditures	<u>266,730</u>	<u>-</u>	<u>266,730</u>	<u>518,117</u>	<u>251,387</u>
Net change in fund balance	<u>266,730</u>	<u>-</u>	<u>266,730</u>	<u>518,117</u>	<u>251,387</u>
Fund balance – beginning of year	<u>11,199,781</u>	<u>-</u>	<u>11,199,781</u>	<u>11,199,781</u>	
Fund balance – end of year	<u>\$ 11,466,511</u>	<u>-</u>	<u>11,466,511</u>	<u>11,717,898</u>	

Notes to Required Supplementary Information

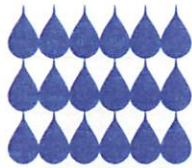
(1) Budgets and Budgetary Data

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. By state law, the District may adopt a tentative budget no later than July 1, of each year and adopt a final budget no later than September 15 of each year. Budget revisions are adopted as required in consideration to unanticipated revenues or expenditures.

The District presents a comparison of the annual budget to actual results for the General Fund at the functional expenditure-type major object level for financial reporting purposes. The budgeted expenditure amounts represent the adopted budget. No Board approved supplemental appropriations were made. The budgeted revenue amounts represent the adopted budget as originally approved.

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Report on Compliance and Internal Controls



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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Vista Fire Protection District
Vista, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Vista Fire Protection District (District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated June 9, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
June 9, 2021