

**NORTH COUNTY FIRE
PROTECTION DISTRICT
OF MONTEREY**

FINANCIAL STATEMENTS

June 30, 2020



**NORTH COUNTY FIRE PROTECTION DISTRICT
OF MONTEREY COUNTY**
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
North County Fire Protection District of Monterey County
Castroville, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the North County Fire Protection District of Monterey County (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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinions.

Opinions

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 North County Fire Protection District of Monterey County, as of June 30, 2020, and the respective changes in financial position and, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 - 6 and 44, respectively, 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.

David Farnsworth, CPA

Dublin, California
January 21, 2021

**NORTH COUNTY FIRE PROTECTION DISTRICT
OF MONTEREY COUNTY**

Management's Discussion and Analysis
For the Year Ended June 30, 2020

The District provides fire protection services in Monterey County. This section of the District's financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2020.

Description of the Basic Financial Statements

The financial statements consist of the following parts: management's discussion and analysis, the basic financial statements (government-wide, governmental funds, and notes to the financial statements) and required supplementary information. The basic government-wide and governmental funds financial statements present the financial results on different methods of accounting. Included in the financial statements are reconciliations that explain the difference between the two methods.

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

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

The GASB 34 fund financial statements are prepared on the accrual basis of accounting and economic resources focus. The required financial statements are: Statement of Plan Assets and Statement of Changes in Plan Net Position. The Statement of Plan Assets shows all current assets of the Plan.

The Statement of Changes in Plan Net Position reports all revenue and expenses during the year and the change in the Plan Net Position.

The government-wide and governmental funds financial statements show the results of the following funds:

General Fund - most of the District's basic services are accounted for in this fund.

Special Revenue Fund – This fund accounts for fire mitigation revenue which is to be used for fire equipment acquisition and maintenance and EMS revenue used for EMS program expenses.

**NORTH COUNTY FIRE PROTECTION DISTRICT
OF MONTEREY COUNTY**

Management's Discussion and Analysis
For the Year Ended June 30, 2020

Condensed Government-Wide Financial Data

STATEMENT OF NET POSITION

Assets and Deferred Outflows	2020	2019	\$ Difference	% Difference
Current assets	\$ 3,456,778	\$ 2,752,885	\$ 703,893	25.57%
Fixed Assets, net	1,924,777	1,680,460	244,317	14.54%
Deferred outflows	2,962,216	3,133,081	(170,865)	-5.45%
Total assets and deferred outflows	<u>8,343,771</u>	<u>7,566,426</u>	<u>777,345</u>	<u>10.27%</u>
Liabilities and Deferred Inflows				
Current liabilities	2,563,292	2,622,267	(58,975)	-2.25%
Noncurrent liabilities	15,573,327	14,915,520	657,807	4.41%
Deferred inflows	1,052,425	844,664	207,761	24.60%
Total liabilities and deferred inflows	<u>19,189,044</u>	<u>18,382,451</u>	<u>806,593</u>	<u>4.39%</u>
Net Position				
Restricted net position	141,994	-	141,994	
Net investment in capital assets	1,924,777	1,680,460	244,317	14.54%
Unrestricted net position	<u>(12,912,044)</u>	<u>(12,496,485)</u>	<u>(415,559)</u>	<u>3.33%</u>
Total net position	<u>\$ (10,845,273)</u>	<u>\$ (10,816,025)</u>	<u>\$ (171,242)</u>	<u>17.86%</u>

STATEMENT OF ACTIVITIES

	2020	2019	\$ Difference	% Difference
Program Revenues:				
Charges for services	\$ 133,477	\$ 139,514	\$ (6,037)	-4.33%
Operating grants	774,088	531,641	242,447	45.60%
Capital grants	<u>300,000</u>	<u>333,520</u>	<u>(33,520)</u>	<u>-10.05%</u>
Total program revenues	<u>1,207,565</u>	<u>1,004,675</u>	<u>202,890</u>	<u>20.19%</u>
General Revenues:				
Property taxes	4,965,927	4,900,267	65,660	1.34%
Use of money and property	32,687	9,194	23,493	255.53%
Aid from other government agencies	715,268	739,939	(24,671)	-3.33%
Other revenue - miscellaneous	85,932	918	85,014	9260.78%
Fire capital facilities fees	<u>35,522</u>	<u>20,399</u>	<u>15,123</u>	<u>74.14%</u>
Total general revenues	<u>5,835,336</u>	<u>5,670,717</u>	<u>164,619</u>	<u>2.90%</u>
Total revenues	<u>7,042,901</u>	<u>6,675,392</u>	<u>367,509</u>	<u>6%</u>
Program Expenses:				
Salaries and benefits	6,255,328	6,647,562	(392,234)	-5.90%
Services and supplies	<u>816,821</u>	<u>1,167,270</u>	<u>(350,449)</u>	<u>-30.02%</u>
Total program expenses	<u>7,072,149</u>	<u>7,814,832</u>	<u>(742,683)</u>	<u>-35.92%</u>
Change in net position	<u>\$ (29,248)</u>	<u>\$ (1,139,440)</u>	<u>\$ 1,110,192</u>	<u>-97.43%</u>

**NORTH COUNTY FIRE PROTECTION DISTRICT
OF MONTEREY COUNTY**

Management's Discussion and Analysis
For the Year Ended June 30, 2020

Financial Analysis of the District as a Whole

The District's net position decreased by \$29,248 for the fiscal year ended June 30, 2020. The decrease mostly relates to salary and benefit including retirement and other post-employment benefit expenses. The District's net position consists of \$1,924,777 invested in net investment in capital assets, \$141,994 of restricted, and unrestricted of (-\$12,912,044).

Budgetary Highlights

The District is required, pursuant to the Health and Safety Code Section 13895, to adopt its final budget on, or before, October 1st of each year. Modifications to the budget normally occur throughout the fiscal year taking into consideration unanticipated expenses utilizing unanticipated revenues or transfers from Contingency or Reserves. There were no changes to the adopted and final budget.

The budgeted revenues were \$7,105,860 and the budgeted expenditures were \$7,105,860. The budgeted net change in fund balances was \$0. The actual net change in fund balances was \$807,138. This is mainly due to the District's actual expenses were less than budgeted.

Capital Assets

As of June 30, 2020, the District had invested \$1,924,777 in a broad range of capital assets including land, structures and improvements and equipment. During fiscal year ended June 30, 2020, the District invested in the following capital assets:

	<u>2020</u>	<u>2019</u>	<u>\$ Difference</u>	<u>% Difference</u>
Land	\$ 126,200	\$ 126,200	\$ -	0.00%
Construction in progress	329,637	-	329,637	0.00%
Structures and improvements	1,194,789	1,194,789	-	0.00%
Equipment	5,798,468	5,798,468	-	0.00%
Less - accumulated depreciation	<u>(5,524,317)</u>	<u>(5,438,997)</u>	<u>(85,320)</u>	<u>1.57%</u>
Total capital assets, net	<u>\$ 1,924,777</u>	<u>\$ 1,680,460</u>	<u>\$ 244,317</u>	<u>14.54%</u>

Long-Term Liabilities

In accordance with GASB 75 requirements, the District is required to disclose its postemployment benefits (OPEB) expense and liabilities on annual financial statements. The District has a net OPEB obligation of \$1,871,200 as of June 30, 2020.

During fiscal year 2011, the District paid off the CalPERS side fund liability by obtaining funding from Santa Cruz County Bank. The outstanding loan balance was \$1,713,830 as of June 30, 2020. The loan balance decreased \$234,727 due to payment of scheduled principal payments. The net pension liability at June 30, 2020 was \$12,236,296. Deferred inflows related to pension and OPEB was \$1,052,425.

**NORTH COUNTY FIRE PROTECTION DISTRICT
OF MONTEREY COUNTY**

Management's Discussion and Analysis
For the Year Ended June 30, 2020

Economic Factors and Next Year's Budget

The budgeted revenues for the next fiscal year ending June 30, 2021 are \$6,278,315. The budgeted expenditures are \$6,558,805. The property tax revenue is expected to increase in the fiscal year ending June 30, 2021.

Contacting the District's Financial Management

These financial statements are designed to provide a general overview of the District's finances. If you have questions about financial statements or need additional financial information, contact the District's office at 11200 Speegle Street, Castroville, California 95012.

FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**NORTH COUNTY FIRE PROTECTION DISTRICT
OF MONTEREY COUNTY**

Statement of Net Position

June 30, 2020

	<u>Total</u>
CURRENT ASSETS	
Cash and investments	\$ 3,264,977
Accounts receivable , net of doubtful accounts	163,922
Prepaid expenses	<u>27,879</u>
 TOTAL CURRENT ASSETS	 <u>3,456,778</u>
CAPITAL ASSETS - STATION AND EQUIPMENT - Note 4	
Net of accumulated depreciation:	
Land	126,200
Structures and improvements	1,194,789
Equipment	5,798,468
Construction in progress	<u>329,637</u>
Total station and equipment	7,449,094
Less - accumulated depreciation	<u>(5,524,317)</u>
Station and equipment, net of accumulated depreciation	<u>1,924,777</u>
 DEFERRED OUTFLOWS OF RESOURCES - Notes 6 and 9	 <u>2,962,216</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS	 <u><u>\$ 8,343,771</u></u>
CURRENT LIABILITIES	
Accounts payable and accrued expenses	\$ 238,249
Accrued salaries payable	161,623
Accrued compensated absences	942,375
Current portion of long-term deb - Note 10	247,999
Other liabilities - payable to County	<u>973,046</u>
 TOTAL CURRENT LIABILITIES	 <u>2,563,292</u>
NONCURRENT LIABILITIES	
Long-term debt - net of current portion - Note 10	1,465,831
Net pension liability - Note 6	12,236,296
Net OPEB obligation - Note 9	<u>1,871,200</u>
 TOTAL NONCURRENT LIABILITIES	 <u>15,573,327</u>
 DEFERRED INFLOWS - Note 6 and 9	 <u>1,052,425</u>
NET POSITION	
Restricted	141,994
Net investment in capital assets	1,924,777
Unrestricted net position	<u>(12,912,044)</u>
 TOTAL NET POSITION	 <u>(10,845,273)</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	 <u><u>\$ 8,343,771</u></u>

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

**NORTH COUNTY FIRE PROTECTION DISTRICT
OF MONTEREY COUNTY**
Statement of Activities
For the Fiscal Year Ended June 30, 2020

EXPENDITURES	Expenditures	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenditures) Revenue
Fire protection:					
Salaries and benefits	\$ 6,255,328	\$ 133,477	\$ 774,088	\$ 300,000	\$ (5,047,763)
Services and supplies	816,821	-	-	-	(816,821)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 7,072,149</u>	<u>\$ 133,477</u>	<u>\$ 774,088</u>	<u>\$ 300,000</u>	(5,864,584)
GENERAL REVENUES					
Property tax					4,965,927
Use of money and property					32,687
Aid from other government agencies:					
Homeowners property tax relief					20,467
Proposition 172 funds					694,801
Other revenue:					
Miscellaneous					85,932
Fire capital facilities fees					35,522
TOTAL GENERAL REVENUES					<u>5,835,336</u>
CHANGE IN NET POSITION					(29,248)
NET POSITION, BEGINNING OF YEAR					<u>(10,816,025)</u>
NET POSITION, END OF YEAR					<u>\$ (10,845,273)</u>

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

GOVERNMENTAL FUNDS FINANCIAL STATEMENT

**NORTH COUNTY FIRE PROTECTION DISTRICT
OF MONTEREY COUNTY**
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020

	<u>Governmental Fund Types</u>		
	<u>General Fund</u>	<u>Special Revenue</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Cash and investments	\$ 3,122,983	\$ 141,994	\$ 3,264,977
Accounts receivable , net of doubtful accounts	163,922	-	163,922
Prepaid expenses	27,879	-	27,879
Total assets	<u>\$ 3,314,784</u>	<u>\$ 141,994</u>	<u>\$ 3,456,778</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued expenses	\$ 238,249	\$ -	\$ 238,249
Accrued salaries payable	161,623	-	161,623
Other liabilities	973,046	-	973,046
TOTAL LIABILITIES	<u>1,372,918</u>	<u>-</u>	<u>1,372,918</u>
FUND BALANCE			
Restricted fund balance	-	141,994	141,994
Assigned fund balance			-
Building fund	419,000	-	419,000
Election	55,000	-	55,000
Capital equipment fund	410,000	-	410,000
Land	410,000	-	410,000
NGEN	45,000	-	45,000
Incident software	7,436	-	7,436
Post retirement benefits	246,000	-	246,000
Unassigned fund balance	349,430	-	349,430
TOTAL FUND BALANCES	<u>1,941,866</u>	<u>141,994</u>	<u>2,083,860</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,314,784</u>	<u>\$ 141,994</u>	<u>\$ 3,456,778</u>

The notes to basic financial statements are an integral part of this statement.

**NORTH COUNTY FIRE PROTECTION DISTRICT
OF MONTEREY COUNTY**

Reconciliation of the Governmental Funds Balance Sheet to the
Government-wide Statement of Net Position
June 30, 2020

Fund Balances - Governmental Funds \$ 2,083,860

Amounts reported for governmental activities in the statement of net position are difference because

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those assets as capital assets. 1,924,777

Deferred outflow of resources used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance. However, the statement of net position includes those deferred outflows of resources. 2,962,216

Long-term liabilities applicable to the District are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position as follows:

Compensated absences	(942,375)
Long-term debt	(1,713,830)
Net other post-employment benefits payable	(1,871,200)
Net pension liability	(12,236,296)

Deferred inflows of resources used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those deferred inflows of resources. (1,052,425)

Net Position of Governmental Activities \$ (10,845,273)

The notes to basic financial statements are an integral part of this statement.

**NORTH COUNTY FIRE PROTECTION DISTRICT
OF MONTEREY COUNTY**

Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
For the Fiscal Year Ended June 30, 2020

	Governmental Fund Types		Total
	General Fund	Special Revenue	
REVENUES			
Property taxes	\$ 4,965,927	\$ -	\$ 4,965,927
Use of money and property	32,687	-	32,687
Aid from other governmental agencies	739,939	-	739,939
Charges for current services	133,477	-	133,477
Other revenues	1,135,349	-	1,135,349
Fire capital facilities fees	-	35,522	35,522
TOTAL REVENUES	7,007,379	35,522	7,042,901
EXPENDITURES			
Salaries and benefits	4,948,200	-	4,948,200
Services and supplies	625,080	-	625,080
Debt service:			
Principal	234,727	-	234,727
Interest	106,421	-	106,421
Capital outlay	329,637	-	329,637
TOTAL EXPENDITURES	6,244,065	-	6,244,065
EXCESS OF REVENUES OVER EXPENDITURES	763,314	35,522	798,836
FUND BALANCE:			
Fund balances, beginning of year	1,178,552	106,472	1,285,024
End of year	<u>\$ 1,941,866</u>	<u>\$ 141,994</u>	<u>\$ 2,083,860</u>

The notes to basic financial statements are an integral part of this statement.

**NORTH COUNTY FIRE PROTECTION DISTRICT
OF MONTEREY COUNTY**

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2020

Net change in fund balances - governmental funds \$ 798,836

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 capitalized assets is allocated over their estimated useful
lives as depreciation expense.

Capital outlay	329,637
Depreciation expense	(85,320)

Some expenses reported in the statement of activities do not require the use of
current financial resources. Therefore, those expenses are not reported as
expenditures in governmental funds as follows:

Change in compensated absences	(22,318)
Change in accrued net pension liability	(1,151,681)
Change in net other post-employment benefits obligations	(133,129)

Principal repayment of long-term debt obligations are reported as expenditures in
governmental funds. However, principal repayments reduce liabilities in the
statement of net position and do not result in expenses in the statement of activities.

Change in Net Position of Governmental Activities \$ (29,248)

The notes to basic financial statements are an integral part of this statement.

**OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TRUST FUND FINANCIAL STATEMENTS**

**NORTH COUNTY FIRE PROTECTION DISTRICT
OF MONTEREY COUNTY**

Statement of OPEB Trust Assets
and Changes in Trust Net Position
For the Fiscal Year Ended June 30, 2020

ASSETS	2020
Cash and short term investments	<u>\$512,999</u>
NET POSITION HELD IN TRUST FOR OTHER POST EMPLOYEMENT BENEFITS	<u>\$512,999</u>

STATEMENT OF CHANGES IN PLAN NET POSITION

ADDITIONS	
Investment income	<u>\$ 31,966</u>
TOTAL ADDITIONS	<u>31,966</u>
NET INCREASE	31,966
Net position held in trust for other post employment benefits	
BEGINNING OF YEAR	<u>481,033</u>
END OF YEAR	<u>\$512,999</u>

The notes to basic financial statements are an integral part of this statement.

**NORTH COUNTY FIRE PROTECTION DISTRICT
OF MONTEREY COUNTY**

Notes to Financial Statements

June 30, 2020

NOTE 1. GENERAL INFORMATION

A. Description of Organization

The North County Fire Protection District of Monterey County is a rural district covering approximately 125 square miles. Three fire stations located within the District are staffed on a 24-hour basis.

B. District Officials

The District is governed by a board of five directors. The following were in office at June 30, 2020:

	Term Expires <u>November</u>
Don Chapin, President	2024
Jacqueline C. Simon, Vice President	2022
Peter Scudder, Secretary	2022
Stanley Silva, Director	2024
Ramon Gomez, Director	2022

C. Accounting Records

The official accounting records of the District are maintained in the District's headquarters station.

D. Minutes

Minutes were recorded for meetings and contained approvals for disbursements.

E. Budgetary Procedure

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Records

The District follows Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Statement No. 34 establishes certain reporting requirements that are designed to make governmental annual reports more comprehensive. Statement No. 34 also requires that management's discussion and analysis, an overview to the District's financial activities, be presented before the financial statements as required supplementary information.

B. Basis of Accounting and Measurement Focus

The accounts of the District are organized based on funds or account groups, each of which is considered to be a separate accounting entity.

**NORTH COUNTY FIRE PROTECTION DISTRICT
OF MONTEREY COUNTY**

Notes to Financial Statements

June 30, 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The operations of each fund are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues and expenses or expenditures. The District uses a chart of accounts based on the uniform accounting system prescribed by the State Controller.

C. Financial Statement Presentation

In accordance with GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable. Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time. Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized until that time. The District's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of governmental activities for the District. The Government-Wide Financial Statements are presented on an economic resource measurement focus and the accrual basis of accounting. Accordingly, all the District's assets and liabilities, including capital assets, and long-term liabilities are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period the liability is incurred.

The District's Government-Wide net position is classified in the following categories:

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

The District's Government Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance for all major governmental funds. An accompanying schedule is presented 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.

All governmental funds are accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet.

**NORTH COUNTY FIRE PROTECTION DISTRICT
OF MONTEREY COUNTY**

Notes to Financial Statements

June 30, 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Financial Statement Presentation

The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year end) are recognized when due. Expenditures are recorded in the accounting period in which the related fund liability is incurred. Reconciliation of the Governmental Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the different measurement focus and basis of accounting.

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

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

I. Future Accounting Pronouncements

Statement No. 84, Fiduciary Activities - The provisions of this statement are effective for fiscal years beginning after December 15, 2019

Statement No. 87, Leases - The provisions of this statement are effective for reporting periods beginning after June 15, 2021.

**NORTH COUNTY FIRE PROTECTION DISTRICT
OF MONTEREY COUNTY**

Notes to Financial Statements

June 30, 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period
- The provisions of this statement are effective for reporting periods beginning after December 15, 2020.

Statement No. 90, Majority Equity Interests - The provisions of this statement are effective for periods beginning after December 15, 2019.

Statement No. 91, Conduit Debt Obligations – The provisions of this statement are effective for periods beginning after December 15, 2021.

I. Other Postemployment Benefits (OPEB) Trust Funds

The District provides postretirement welfare benefits to retired employees through a defined benefit healthcare plan. The District had been making contributions into a government fund to be used for future postemployment welfare benefits. At June 30, 2020, the District holds those funds in a Trust at ICMA. See Note 9 for further explanations of the plan.

J. Capital Assets

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

General Capital Assets	\$1,000
------------------------	---------

Depreciation is recorded on the straight-line method (with a full year of depreciation applied to the first year of acquisition) over the useful lives of the assets as follows:

Buildings	18-40 years
Equipment - Mobile	12-20 years
Equipment – Other	5-15 years

K. District Special Expense

Fire hose couplings and nozzles are peculiar to fire districts; the manual of the State Controller provides that purchases of such items be charged to the expense account "District Special Expense".

**NORTH COUNTY FIRE PROTECTION DISTRICT
OF MONTEREY COUNTY**

Notes to Financial Statements

June 30, 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Use of Estimates

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

M. Allowance for Doubtful Accounts

Accounts receivables are stated net of an allowance for doubtful accounts. Prior fiscal year ended June 30, 2020 the District did not report allowance for doubtful accounts. As a result of changes in the District's credit policy during 2020, the District changed to estimating the allowance based on an analysis of specific customers, taking into consideration the age of past due accounts and an assessment of the customer's ability to pay. This change resulted in a \$8,302 decrease in the change in net position. The allowance for doubtful accounts was \$36,605.

Employee Retirement Plans

Qualified employees are covered under contributory retirement plans maintained by an agency of the State of California. Contributions to these plans are paid or accrued based upon a percentage of qualified employee salaries.

N. Fund Balance Assigned

Fund Balance Assigned includes amounts intended to be used by the District for specific purposes. As of June 30, 2020, assigned (reserved) fund balances consisted of the following:

	Beginning of Year	Additions	Deletions	End of Year
Building fund	\$ 419,000	\$ -	\$ -	\$ 419,000
Election	55,000	-	-	55,000
Capital equipment	410,000	-	-	410,000
Land	410,000	-	-	410,000
NGEN	45,000	-	-	45,000
Incident software	7,436	-	-	7,436
Post-retirement benefits	<u>246,000</u>	<u>-</u>	<u>-</u>	<u>246,000</u>
		-		
Total Assigned	<u>\$ 1,592,436</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,592,436</u>

O. Pension Plans

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's CalPERS Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

**NORTH COUNTY FIRE PROTECTION DISTRICT
OF MONTEREY COUNTY**

Notes to Financial Statements

June 30, 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Pension Plans (Continued)

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

For the fiscal year ended June 30, 2019:

Valuation Date (VD)	June 30, 2018
Measurement Date (MD)	June 30, 2019
Measurement Period (MP)	July 1, 2018 to June 30, 2019

R. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's OPEB Plan and additions to and deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

For the fiscal year ended June 30, 2020

Valuation Date (VD)	June 30, 2019
Measurement Date (MD)	June 30, 2019
Measurement Period (MP)	July 1, 2018 to June 30, 2019

S. Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The District has items that qualify for reporting in this category. These items are related to the pension and OPEB plans. The deferred outflows on the Statement of Net Position represents the net effect of the District's contributions to the pension and OPEB plans subsequent to the measurement date and not included in pension expense along with other actuarially determined changes to the pension and OPEB plans. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. The District has items that qualify for reporting in this category. These items are related to the pension and OPEB plans. The deferred inflows on the Statement of Net Position represents the net differences between projected and actual earnings on pension plan's investments, changes in pension plan's assumptions, changes in pension plan's proportions for the District, differences between estimated and actual pension plan experience, and differences between employer contributions and the pension plan's proportionate share of contributions.

**NORTH COUNTY FIRE PROTECTION DISTRICT
OF MONTEREY COUNTY**

Notes to Financial Statements

June 30, 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

T. Subsequent Events

Subsequent events were evaluated through January 22, 2021, the date the financial statements were available to be issued.

NOTE 3. CASH AND CASH EQUIVALENTS

Investments Authorized by the California Government Code and the District's Investment Policy

The California Government Code authorizes investments in U.S. Treasury obligations, U.S. Agency securities, municipal securities, negotiable certificates of deposits, commercial paper, bankers' acceptances, medium-term corporate bonds ("A" or better), asset-backed securities, repurchase agreements, money market funds and local government investment pools. The District currently invests its funds in the local government investment pool administered by Monterey County. As of June 30, 2019, the investment policy and the investments of the Monterey County pool are in compliance with the California Government Code.

Disclosure Relating to Interest Rate Risk

Interest rate risk is the risk of changes in market interest rates adversely affecting 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. As of June 30, 2020, the weighted average maturity of the Monterey County investment portfolio is two (2) years.

Disclosure Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Monterey County investment pool does not have a rating provided by a nationally recognized statistical rating organization. Approximately 87% of the investment portfolio is comprised of U.S. Treasuries, Federal Agency securities, Negotiable CDs and other liquid funds. All of those assets have an investment grade rating. U.S. Treasuries are not specifically rated but are considered the safest of all investments. The corporate debt, which comprises approximately 13% of the investment portfolio, is rated in the higher levels of investment grade. All federal agency securities have AA ratings or are guaranteed by the U.S. Treasury.

Concentration of Credit Risk

The Monterey County or the District investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The Monterey County pool does not include any investments by any one issuer (other than the State of California Local Agency Investment Fund and the California Asset Management Program - external governmental investment pools) that represents 5% or more of total investments.

**NORTH COUNTY FIRE PROTECTION DISTRICT
OF MONTEREY COUNTY**

Notes to Financial Statements

June 30, 2020

NOTE 3. CASH AND CASH EQUIVALENTS (Continued)

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 does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the provisions which 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 pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure districts' deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Investments

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

Authorized Investment Type	Maximum Maturity	Percentage of Portfolio	Investment in One Issuer
Local Agency Investment Fund (LAIF)	N/A	None*	5%
California Asset Management Program CalTrust	N/A	20%	None
U.S. Treasury Notes, Bond Bills	5 Years	None	None
Registered Warrants, Notes and Bonds Including Revenue Bonds, of the State of California and all other 49 States	5 Years	None	10%
Bonds, Notes, Warrants Issued by Any Local Agency Within California, Including Revenue Bonds	5 Years	None	10%
Obligations of Fed Agencies and US Gov't	5 Years	None	None
Bankers Acceptances	180 Days	40%	None
Prime Commercial Paper of Domestic Issuer With Assets in Excess of \$500 Million	270 Days	40%	None
Certificates of Deposits	5 Years	30%	None

**NORTH COUNTY FIRE PROTECTION DISTRICT
OF MONTEREY COUNTY**

Notes to Financial Statements

June 30, 2020

NOTE 3. CASH AND CASH EQUIVALENTS (Continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Investment Fund (LAIF)	N/A	None*	5%
California Asset Management Program	N/A	20%	None
CalTrust	N/A	20%	None
U.S. Treasury Notes, Bond Bills	5 Years	None	None
Registered Warrants, Notes and Bonds Including Revenue Bonds, of the State of California and all other 49 States	5 Years	None	10%
Bonds, Notes, Warrants Issued by Any Local Agency Within California, Including Revenue Bonds	5 Years	None	10%
Obligations of Fed Agencies and US Gov't	5 Years	None	None
Bankers Acceptances	180 Days	40%	None
Prime Commercial Paper of Domestic Issuer With Assets in Excess of \$500 Million	270 Days	40%	None
Certificates of Deposits	5 Years	30%	None
Reverse Repurchase Agreements	92 Days	20%	None
Repurchase Agreements	1 Year	20%	None
Medium Term Notes	5 Years	30%	None
Money Market Mutual Funds	None	**	None
Pass-Through Instruments	5 Years	20%	None
U.S. Dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, Interational Finance Corporation, or Inter-Amecian Development Bank, and eligible for purchase and sales within the U.S.	5 Years	30%	None

*The investment policy limits the pool's investments in LAIF to \$65,000,000 per account, or as approved by the State Treasurer for bond/note proceeds.

**20% Total all funds and 10% any one fund

Local Agency Investment Fund

The County Treasurer's Pool maintains an investment in the State of California Local Agency Investment Fund (LAIF). LAIF is part of the Pooled Money Investment Account (PMIA), an investment pool consisting of funds held by the State in addition to those deposited in LAIF. All PMIA funds are managed by the Investment Division of the State Treasurer's Office.

This fund is not registered with the Securities and Exchange Commission as an investment company but is required to invest according to California Government Code. Participants in the pool include voluntary and involuntary participants, such as special districts and school districts for which there are legal provisions regarding their investments. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State statute.

**NORTH COUNTY FIRE PROTECTION DISTRICT
OF MONTEREY COUNTY**

Notes to Financial Statements

June 30, 2020

NOTE 3. CASH AND CASH EQUIVALENTS (Continued)

Investment Trust of California Joint Powers Authority Pool

The County Treasurer’s Pool maintains an investment in the Investment Trust of California Joint Powers Authority Pool (CalTRUS). CalTRUST is not registered with the Securities and Exchange Commission as an investment company but is overseen by a Board of Trustees composed of officials of the public agencies that participate in CalTRUST. The fair value of the County’s position in the pool is approximately the same as the value of the pool shares.

California Asset Management Program Joint Powers Authority Pool

The County Treasurer’s Pool maintains an investment in the California Asset Management Program Joint Powers Authority Pool (CAMP). CAMP is not registered with the Securities and Exchange Commission as an investment company but is overseen by a Board of Trustees composed of officials of the public agencies that participate in CAMP. CAMP’s investments are limited to those permitted by Government Code Section 53601. The fair value of the County’s position in the pool is approximately the same as the value of the pool shares.

The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2020, to support the value of shares in the pool.

NOTE 4. CAPITAL ASSETS

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2020</u>
Capital Assets				
Not Depreciated:				
Land	\$ 126,200	\$ -	\$ -	\$ 126,200
Construction in progress	-	329,637	-	329,637
	<u>126,200</u>	<u>329,637</u>	<u>-</u>	<u>455,837</u>
Capital Assets Being Depreciated:				
Structures and improvements	1,194,789	-	-	1,194,789
Equipment	5,798,468	-	-	5,798,468
	<u>6,993,257</u>	<u>-</u>	<u>-</u>	<u>6,993,257</u>
Total capital assets	7,119,457	329,637	-	7,449,094
Less accumulated depreciation	<u>(5,438,997)</u>	<u>(85,320)</u>	<u>-</u>	<u>(5,524,317)</u>
	<u>\$ 1,680,460</u>	<u>\$ 244,317</u>	<u>\$ -</u>	<u>\$ 1,924,777</u>

**NORTH COUNTY FIRE PROTECTION DISTRICT
OF MONTEREY COUNTY**

Notes to Financial Statements

June 30, 2020

NOTE 5. TEMPORARY TRANSFERS OF FUNDS

The District requires financial assistance for the period July to April due to the flow of property tax revenue. The Board of Supervisors of the County of Monterey, by resolution, approved its intention to provide needed "Tax Anticipation Funds" to the District. During the fiscal year ending June 30, 2020, the District borrowed, \$3,750,000 in Tax Anticipation Funds. The balance was fully paid as of June 30, 2020.

NOTE 6. PENSION PLANS

General Information about the Pension Plan

Plan Description - The District has three pension plans (Plans); Safety First Tier Plan (Tier 1) for employees hired prior to the year 2012, Safety Second Tier Plan (Tier 2) for employees hired after the year 2012, and Public Employees' Pension Reform Act of 2013 (PEPRA). The Tier 1 and Tier 2 Plans are closed to new participants that were not CalPERS participants prior to January 1, 2013, under the Public Employees' Pension Reform Act of 2013 (PEPRA). Any new participants that were not previously CalPERS participants would be required to join the PEPRA Safety Plan.

General Information about the Pension Plan (Continued)

All Plans are cost-sharing multiple-employer defined benefit pension plans, administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plans' benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2018, Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2018, actuarial valuation report. This report is a publicly available valuation report that can be obtained at CalPERS' website under Forms and Publications.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

**NORTH COUNTY FIRE PROTECTION DISTRICT
OF MONTEREY COUNTY**

Notes to Financial Statements

June 30, 2020

NOTE 6. PENSION PLANS (Continued)

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

Hire date	2020		
	Prior to May 1, 2011	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	3.0% @55	2.0% @50	2.7% @57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55	50-55	52-67
Monthly benefits, as a% of eligible compensation	3.0%	2.0%	2.7%
Required employee contribution rates	8.982%	8.933%	11.500%
Required employer contribution rates	19.520%	14.971%	11.990%

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1, following notice of a change in the rate. Funding contributions for Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions recognized as part of the pension expense for the plans were as follows for the year ended June 30:

2020	
Contributions	\$1,252,037

Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

The District reported net pension liabilities for its proportionate share of the net pension liability of the Plans as follows at June 30:

2020	
Proportionate Share of Net Pension Liability	\$12,236,296
(Asset)	

The District's net pension liability for the plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2018 and 2019 was as follows:

**NORTH COUNTY FIRE PROTECTION DISTRICT
OF MONTEREY COUNTY**

Notes to Financial Statements

June 30, 2020

NOTE 6. PENSION PLANS (Continued)

Proportion – June 30, 2018	0.20665%
Proportion – June 30, 2019	0.20272%
Change – Decrease	-0.00393%

For the year ended June 30, 2020, the District recognized pension expense of \$1,151,681.

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 501,544	\$ 97,876
Differences between expected and actual experience	798,920	-
Differences between projected and actual investment earnings	-	168,331
Differences between employer's contributions and proportionate share of contributions	-	696,792
Change in employer's proportion	282,068	47,420
Pension contributions made subsequent to measurement date	1,252,037	-
Total	<u>\$ 2,834,569</u>	<u>\$ 1,010,419</u>

Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

At June 30, 2020, the District reported \$2,834,569 as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension (benefit) as follows:

Fiscal Year Ending June 30:	Amount
2021	675,405
2022	(153,920)
2023	17,876
2024	32,752
2025	-
Thereafter	-
Total	<u>572,113</u>

**NORTH COUNTY FIRE PROTECTION DISTRICT
OF MONTEREY COUNTY**

Notes to Financial Statements

June 30, 2020

NOTE 6. PENSION PLANS (Continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2019, actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by entry age and service
Mortality Rate Table	Derived using CalPERS membership data for all funds (1)
Post Retirement Benefit Increases	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

(1) The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) available online at <https://www.calpers.ca.gov/docs/forms-publications/calpers-experience-study-2017.pdf>.

All other actuarial assumptions used in the June 30, 2017, valuation was based on the results of an actuarial experience study for the period 1997 to 2015, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website.

Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

Discount Rate - The discount rate used to measure the total pension liability was 7.15 percent for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

In determining the long-term expected rate of return, CalPERS considered both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employer will make their required contributions on time and as scheduled in all future years.

**NORTH COUNTY FIRE PROTECTION DISTRICT
OF MONTEREY COUNTY**

Notes to Financial Statements

June 30, 2020

NOTE 6. PENSION PLANS (Continued)

Using historical expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11 - 60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund.

The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short- term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class (1)	New Strategic Allocation	Real Return Years 1 - 10(2)	Real Return Years 11+(3)
Global equity	50%	5%	6%
Fixed income	28%	1%	3%
Inflation assets	0%	77%	2%
Private equity	8%	6%	7%
Real assets	13%	4%	5%
Liquidity	1%	0%	-1%
Total	100%		

- (1) In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities
- (2) An expected inflation of 2.00% used for this period.
- (3) An expected inflation of 2.92% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability for each plan, calculated using the discount rate for each plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

**NORTH COUNTY FIRE PROTECTION DISTRICT
OF MONTEREY COUNTY**

Notes to Financial Statements

June 30, 2020

NOTE 6. PENSION PLANS (Continued)

	<u>2020</u>
1% Decrease	6.15%
Net Pension Liability (Asset)	18,875,149
Current Discount Rate	7.15%
Net Pension Liability (Asset)	12,236,296
1% Increase	8.15%
Net Pension Liability (Asset)	6,793,477

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 7. DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan (Plan) created in accordance with Internal Revenue Code Section 457.

The Plan, available to all District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until death, retirement, termination, disability or certain unforeseeable emergencies.

In accordance with the Plan's governing ordinance, neither the District nor the Plan's administrator shall be liable for any losses resulting from investments or funding under the Plan, but they do have the duty of due care that would be required of an ordinary prudent investor.

NOTE 8. RISK MANAGEMENT

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years. The District has entered into a Joint Exercise of Powers Agreement pursuant to the provisions of the California Government Code, Section 989, 990, 990.4, 990.8, 6500.6515 and Labor Code, Section 3700 (b). The local agencies under the agreement have formed the Monterey County Local Agencies Insurance Authority, as an Administrator, to establish, operate, and maintain insurance programs for workers' compensation, group insurance programs, including property and casualty benefits and risk management programs.

**NORTH COUNTY FIRE PROTECTION DISTRICT
OF MONTEREY COUNTY**

Notes to Financial Statements

June 30, 2020

NOTE 8. RISK MANAGEMENT (Continued)

The purpose of these joint protection programs is to reduce the amount and frequency of losses, pool self-insured losses and jointly purchase general liability insurance. For the year ended June 30, 2020, the District contributed \$74,968 and \$244,915. Claims are paid by a third-party administrator acting on behalf of the District under the terms of a contractual agreement. Administrative fees are included within the provisions of that agreement. The District is protected against unanticipated catastrophic claims and aggregate loss by coverage carried through a commercial insurer. Coverage was in effect for specific occurrences exceeding \$250,000 and aggregate retention of \$2,000,000.

Insurance coverage as of June 30, 2020, is as follows:

	<u>Limits</u>	<u>Deductible</u>		
General liability:				
General liability - per occurrence	\$ 1,000,000	\$ 1,000		
Per location - aggregate	\$ 3,000,000	\$ 1,000		
Auto liability:	\$ 1,000,000	\$ 1,000		
Combined single limit physical damage	Value per Policy Schedule			
Other coverage:				
Uninsured motorist/bodily injury	\$ 1,000,000	\$ 1,000		
Commercial umbrella liability coverage - Per occurrence/aggregate	\$ 10,000,000	\$ 1,000		
Emergency service management liability:				
Per claim	\$ 1,000,000	\$ 1,000		
Aggregate	\$ 3,000,000	\$ 1,000		
	<u>Building Contents</u>	<u>Building Replacement Cost</u>	<u>Deductible</u>	
Firehouse - 11200 Speegle Street	\$ 190,484	\$ 3,200,217	\$ 1,000	
Firehouse - 11200 Speegle Street	\$ 129,877	\$ 1,887,536	\$ 1,000	
Firehouse - 17639 Pesante Road	\$ 129,877	\$ 1,823,234	\$ 1,000	
Firehouse - 310 Elkhorn Road	\$ 129,877	\$ 3,333,560	\$ 1,000	
Electronic data processing	\$ 33,955	\$ 250,000	\$ 1,000	
		<u>Limits</u>	<u>Deductible</u>	
Equipment floater - Miscellaneous portable equipment		Guaranteed Replacement Cost	\$ 1,000	
Personnel - Workers' compensation (self-insured through the Monterey County Local Agencies Insurance Authority)		Statutory		

**NORTH COUNTY FIRE PROTECTION DISTRICT
OF MONTEREY COUNTY**

Notes to Financial Statements

June 30, 2020

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

In addition to the pension benefits described in Note 6, Public Employees' Retirement Plan, the District provides medical insurance to retired employees. The scope of the benefits provided depends on the memorandum of understanding between the District and the various employee groups.

General Information about the OPEB Plan

Plan Description and Benefits

The District administers a single employer defined benefit postemployment healthcare plan. Medical coverage is currently provided through the California Public Employee's Retirement System (CalPERS) as permitted under the Public Employees' Medical and Hospital Care Act (PEMHCA).

This coverage requires the employee to satisfy the requirements for retirement under CalPERS: either (a) attainment of age 50 (age 52, if a miscellaneous employee new to PERS on or after January 1, 2013) with 5 years of State or public agency service or (b) an approved disability retirement. Once eligible, coverage may be continued at the retiree's option for his or her lifetime. A surviving spouse and other eligible dependents may also continue coverage depending on the retirement plan election.

As a PEMHCA employer, the District is obligated to contribute toward the cost of retiree medical coverage for the retiree's lifetime or until coverage is discontinued. The District maintains a resolution with CalPERS defining the level of the District's contribution toward the cost of medical plan premiums for employees and retirees to be the PEMHCA minimum employer contribution (MEC). The MEC is \$139 per month in 2020.

CalPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to CalPERS at the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Employees Covered by Benefit Terms

At the OPEB liability measurement date of June 30, 2019, the following employees were covered by the benefit terms:

Active employees	26
Inactive employees currently receiving benefit payments	<u>17</u>
Total	<u>43</u>

**NORTH COUNTY FIRE PROTECTION DISTRICT
OF MONTEREY COUNTY**

Notes to Financial Statements

June 30, 2020

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

General Information about the OPEB Plan (Continued)

Contributions

The District is currently financing its OPEB liability on a pay-as-you-go basis.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019. Total OPEB liability is based on the following actuarial methods and assumptions.

Actuarial Assumptions

The total OPEB liability measured as of June 30, 2019, was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Funding Method	Entry Age Normal Cost, level percent of day
Asset Valuation Method	Market value of assets
Discount rate	3.25% as of June 30, 2019. The discount rate used in this valuation is based on the Fidelity General Option Municipal AA 20 year bond rate.
Participants Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Compensation Increase Rate	Not applicable
Assumed Wage Inflation	2.75%
Healthcare (PEMHCA) Inflation Rate	3.50% per year
Administration (PORAC) Inflation Rate	4.00% per year

**NORTH COUNTY FIRE PROTECTION DISTRICT
OF MONTEREY COUNTY**

Notes to Financial Statements

June 30, 2020

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Changes in the Net OPEB Liability

	<u>Total OPEB Liability</u>	<u>Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance at June 30, 2019	<u>\$ 2,157,600</u>	<u>\$ 456,800</u>	<u>\$ 1,700,800</u>
Increase/(decrease) within Fiscal 2019/2020 attributable to:			
Service Cost	70,300	-	70,300
Interest Cost	75,600	-	75,600
Effect of Change in Actuarial Assumptions/ Methods	55,100	-	
Other Liability Experience Loss/(Gain)	(22,100)	-	(22,100)
Effect of Plan Amendments	81,400	-	81,400
Contributions		65,700	(65,700)
(Benefit Payments)	(65,700)	(65,700)	-
(Non-Benefit-Related Admin Expenses from Plan Trustes)		(1,080)	-
Expected Investment Return		15,969	(15,969)
Investment Experience (Loss)/Gain		9,311	(9,311)
Net increase/(decrease) within Fiscal 2019/2020	<u>194,600</u>	<u>24,200</u>	<u>114,220</u>
Balance at Reporting Date June 30, 2020	<u>\$ 2,352,200</u>	<u>\$ 481,000</u>	<u>\$ 1,815,020</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.25 percent) or 1-percentage point higher (4.25 percent) than the current discount rate:

	1% Decrease <u>2.25%</u>	Discount Rate <u>3.25%</u>	1% Increase <u>4.25%</u>
Net OPEB liability	2,261,100	1,871,200	1,563,300

**NORTH COUNTY FIRE PROTECTION DISTRICT
OF MONTEREY COUNTY**

Notes to Financial Statements

June 30, 2020

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Changes in the Net OPEB Liability (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current health cost trend rates of 3.50 percent for PEMHCA subsidy and 4.00 percent for PORAC administration fees:

	1% Decrease Current	Healthcare Cost Trend Current	1% Increase Current
Net OPEB liability	\$ 1,598,600	\$ 1,871,200	\$ 2,233,100

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

Net difference between investment experience loss/(gain)	5 years
All other amounts	Expected average remaining service lifetime (EARSL)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the District recognized OPEB expense of \$133,129. At June 30, 2020, the District, reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**NORTH COUNTY FIRE PROTECTION DISTRICT
OF MONTEREY COUNTY**

Notes to Financial Statements

June 30, 2020

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Recognition of Deferred Outflows and Deferred Inflows of Resources (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 34,557
Change in assumptions	48,610	-
Net difference between investment experience loss/(gain)	3,479	7,449
District contributions subsequent to the Measurement date	<u>75,558</u>	<u>-</u>
Total	<u>\$ 127,647</u>	<u>\$ 42,006</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	<u>Amount</u>
2021	\$ 1,018
2022	1,019
2023	556
2024	(296)
2025	1,567
Thereafter	<u>6,218</u>
Total	<u>10,082</u>

At June 30, 2020, the District reported \$127,646 as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020.

As of June 30, 2020, the District reported net OPEB liability of \$1,871,200. As of June 30, 2019, the District reported net OPEB liability of \$1,700,800.

**NORTH COUNTY FIRE PROTECTION DISTRICT
OF MONTEREY COUNTY**

Notes to Financial Statements

June 30, 2020

NOTE 10. LONG-TERM DEBT

A summary of changes in long-term debt for the year ended June 30, 2020, is as follows:

Long-term debt:	Balance 2019	Additions	Reductions	Balance 2020	Due Within One Year
Santa Cruz County Bank	\$ 1,948,557	\$ -	\$ (234,727)	\$ 1,713,830	\$ 247,999
Total long-term debt	1,948,557	<u>\$ -</u>	<u>\$ (234,727)</u>	1,713,830	<u>\$ 247,999</u>
Less current portion	<u>(234,349)</u>			<u>(247,999)</u>	
Total long-term debt, net of current portion	<u>1,714,208</u>			<u>1,465,831</u>	

On June 29, 2011, the District entered into a commercial security agreement with Santa Cruz County Bank. The note payable is due in twenty (20) semi-annual payments starting December 15, 2011. Initial semi-annual payment is \$170,574, including interest at 5.625% per annum. The interest rate will be adjusted for the payments due beginning December 15, 2021 to an interest rate based on the 10- Year Treasury Constant Maturity (nominal), as published weekly in the Federal Reserve Statistical Release plus a margin of 2.750. Final payment is due June 15, 2026. Future debt service requirements for the years ending June 30 are as follows:

	Principal	Interest	Total
Current	\$ 247,999	\$ 93,893	\$ 341,892
2021	261,688	80,204	341,892
2022	276,844	65,048	341,892
2023	292,754	49,138	341,892
2024-2026	<u>634,545</u>	<u>46,176</u>	<u>680,721</u>
Total	<u>\$ 1,713,830</u>	<u>\$ 334,460</u>	<u>\$ 2,048,290</u>

NOTE 12. LITIGATION

The District has litigation arising from the normal course of business. In management's opinion, the outcome of any such litigation will not materially affect the District's financial condition, and management intends to vigorously pursue their positions in these matters. Certain of these matters were tendered to the District's insurance carriers for defense. Nevertheless, due to uncertainties in the settlement process, it is at least reasonably possibly that management's view of the outcome could change in the near term.

NOTE 13. NET POSITION

The District reclassified fire mitigation funds that are restricted for use to expand fire services from unrestricted to restricted in the statement of net position. The District's restricted balance reported a balance of \$141,994.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**NORTH COUNTY FIRE PROTECTION DISTRICT
OF MONTEREY COUNTY**

Budgetary Comparison Schedule - Governmental Funds
For the Fiscal Year Ended June 30, 2020

	Adopted Original Budget	Revised Final Budget	Actual	Variance Positive (Negative)
REVENUES:				
Property taxes	\$ 4,989,184	\$ 4,989,184	\$4,965,927	\$ (23,257)
Use of money and property	10,000	10,000	32,687	22,687
Aid from other governmental agencies	854,801	854,801	739,939	(114,862)
Charges for current services	125,500	125,500	133,477	7,977
Other revenues	1,101,375	1,101,375	1,135,349	33,974
Fire capital facilities fee	25,000	25,000	35,522	10,522
TOTAL REVENUES	7,105,860	7,105,860	7,042,901	(62,959)
EXPENDITURES:				
Salaries and benefits	5,274,633	5,274,633	4,948,200	326,433
Services and supplies	1,001,121	1,001,121	625,080	376,041
Debt service:				
Principal	-	-	234,727	(234,727)
Interest	-	-	106,421	(106,421)
Capital outlay	830,106	830,106	329,637	500,469
TOTAL EXPENDITURES	7,105,860	7,105,860	6,244,065	861,795
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	\$ -	\$ -	\$ 798,836	\$ 798,836

The notes to basic financial statements are an integral part of this statement.

**NORTH COUNTY FIRE PROTECTION DISTRICT
OF MONTEREY COUNTY**

Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2020

Last Ten Fiscal Years*

Fiscal Year	Proportion of the Net Pension Liability	Proportionate Share of the Plan's Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Proportionate Share of the Plan's Fiduciary Net Position	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.19066%	38,487,490	2,892,884	7.52%	31,335,992	81.42%
2016	0.21748%	39,432,852	2,694,977	6.83%	32,183,326	81.62%
2017	0.22429%	40,685,753	2,617,931	6.43%	30,911,773	75.98%
2018	0.21031%	41,427,648	3,006,180	7.26%	30,445,008	73.49%
2019	0.20665%	45,573,976	3,056,162	6.71%	33,150,117	72.74%
2020	0.20272%	46,486,247	3,063,882	6.59%	33,510,929	72.09%

Notes to Schedule:

Benefit Changes: For 2020, the figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2018, valuation date. This applies for June 30, 2018, valuation date. This applies for voluntary benefit changes as well as offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

* Fiscal year 2015 was the first of implementation, therefore only six years are shown.

**NORTH COUNTY FIRE PROTECTION DISTRICT
OF MONTEREY COUNTY**

Schedule of Pension Plan Contributions
For the Fiscal Year Ended June 30, 2020

Fiscal Year	Contractually Required Contribution (Actuarially Determined)	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 655,335	\$ 655,335	-	\$2,892,884	22.60%
2016	\$ 478,290	\$ 478,290	-	\$2,694,977	17.74%
2017	\$ 877,980	\$ 877,980	-	\$2,617,931	33.54%
2018	\$ 989,651	\$ 989,651	-	\$3,006,180	32.92%
2019	\$ 1,126,099	\$ 1,126,099	-	\$3,056,162	36.85%
2020	\$ 1,252,038	\$ 1,252,038		\$3,063,882	40.86%

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions are as follows:

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level Percentage of Payroll
Asset Valuation Method	Market Value
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	2.75%
Investment Rate of Return	7.15% Net of Pension Plan Investment and Administrative Expenses, includes inflation
Retirement Age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and post retirement mortality rates include 5 years of projected mortality improvement using Scall AA published by the Society of

**NORTH COUNTY FIRE PROTECTION DISTRICT
OF MONTEREY COUNTY**

Schedule of Changes in the District's Total OPEB Liability and Related Ratios
For the Fiscal Year Ended June 30, 2020

Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability			
Service Cost	70,300	\$ 69,400	\$ 69,400
Interest	75,600	73,400	70,900
(Expected investment return)	(15,969)	(15,607)	(15,191)
Administrative expenses from plan trusts	1,080	960	970
Net OPEB liability change due to amendments	81,400	-	-
Amortization of other changes in net OPEB liability	1,018	(1,007)	464
Net change in net OPEB liability	\$ 213,429	\$ 127,146	\$ 126,543
(Contributions)	(65,700)	(53,300)	(79,700)
Increase in deferred resources - net	22,671	(14,446)	1,857
Net OPEB liability - beginning	<u>1,700,800</u>	<u>1,641,400</u>	<u>1,592,700</u>
Net OPEB liability - ending	<u>\$ 1,871,200</u>	<u>\$ 1,700,800</u>	<u>\$ 1,641,400</u>
Measurement date	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Actuarially determined OPEB contribution (ADC)	161,200	157,100	\$ 154,500
OPEB contributions	<u>65,700</u>	<u>53,300</u>	<u>79,700</u>
OPEB contribution deficiency/(Excess) to ADC	<u>\$ 95,500</u>	<u>\$ 103,800</u>	<u>\$ 74,800</u>

Notes to Schedule:

*This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

**NORTH COUNTY FIRE PROTECTION DISTRICT
OF MONTEREY COUNTY**

Notes to Required Supplementary Information - Budget
June 30, 2020

BUDGETARY BASIS OF ACCOUNTING

Budgets for the operating fund are prepared on the generally accepted accounting principles basis. Revenues are budgeted in the year receipt is expected; expenditures are budgeted in the year that the applicable warrant requisitions are expected to be issued. The budget and actual financial statements are reported on the above basis, with no material differences between them.

Annual budget requests are submitted by the District's staff to the District Board of Directors for preliminary review and approval. After public hearing, a final budget is approved by the District Board of Directors, with a resolution adopting said budget. Copies of the approved budget are sent to all required agencies.