

**NORTH COUNTY FIRE
PROTECTION DISTRICT
OF MONTEREY**

**FINANCIAL STATEMENTS
June 30, 2021**



NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

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INDEPENDENT AUDITOR'S 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, each major fund, and the aggregate remaining fund information of the North County Fire Protection District of Monterey County as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the North County Fire Protection District of Monterey County'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, each major fund, and the aggregate remaining fund information of the North County Fire Protection District of Monterey County, as of June 30, 2021, and the respective changes in financial position, thereof, 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, budgetary comparison information, schedule of District's proportionate share of the net pension liability, schedule of pension plan contributions, schedule of changes in the District's net OPEB liability, and schedule of other post-employment benefit plan contributions on pages 3–6 and 40–46 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North County Fire Protection District of Monterey County's basic financial statements. The schedule of expenditures of federal awards as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2022, on our consideration of the North County Fire Protection District of Monterey County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the North County Fire Protection District of Monterey County's 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 North County Fire Protection District of Monterey County's internal control over financial reporting and compliance.

David Farnsworth, CPA

Dublin, California
June 30, 2022

**North County Fire Protection District of Monterey County
Management's Discussion and Analysis
June 30, 2021**

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, 2021.

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
June 30, 2021**

Condensed Government-Wide Financial Data

STATEMENT OF NET POSITION

Assets and Deferred Outflows	2021	2020	\$ Difference	% Difference
Current assets	\$ 3,411,609	\$ 3,456,778	\$ (45,169)	-1.31%
Capital assets, net	2,829,596	1,924,777	904,819	47.01%
Deferred outflows	3,747,572	2,962,216	913,002	30.82%
Total assets and deferred outflows	<u>10,116,423</u>	<u>8,343,771</u>	<u>1,772,652</u>	<u>21.25%</u>
Liabilities and Deferred Inflows				
Current liabilities	742,504	2,563,292	(1,820,788)	-71.03%
Noncurrent liabilities	18,113,930	15,573,327	2,540,603	16.31%
Deferred inflows	987,222	1,052,425	(65,203)	-6.20%
Total liabilities and deferred inflows	<u>19,843,656</u>	<u>19,189,044</u>	<u>654,612</u>	<u>3.41%</u>
Net Position				
Net investment in capital assets	2,829,596	1,924,777	904,819	47.01%
Restricted net position	206,794	141,994	64,800	45.64%
Unrestricted net position	(12,891,269)	(12,912,044)	148,421	-1.15%
Total net position	<u>\$ (9,727,233)</u>	<u>\$ (10,845,273)</u>	<u>\$ 1,118,040</u>	<u>-10.31%</u>

STATEMENT OF ACTIVITIES

	2021	2020	\$ Difference	% Difference
Program Revenues:				
Charges for services	\$ 231,974	\$ 133,477	\$ 98,497	73.79%
Operating grants	617,334	774,088	(156,754)	-20.25%
Capital grants	851,209	300,000	551,209	183.74%
Total program revenues	<u>1,700,517</u>	<u>1,207,565</u>	<u>492,952</u>	<u>40.82%</u>
General Revenues:				
Property taxes	5,223,731	4,965,927	257,804	5.19%
Special assessments	102,689	97,067	5,622	5.79%
Safety sales tax	694,801	694,801	-	0.00%
Investment earnings	14,564	32,687	(18,123)	-55.44%
Miscellaneous	890,650	44,854	845,796	1885.66%
Total general revenues	<u>6,926,435</u>	<u>5,835,336</u>	<u>1,091,099</u>	<u>18.70%</u>
Total revenues	<u>8,626,952</u>	<u>7,042,901</u>	<u>1,584,051</u>	<u>22.49%</u>
Program Expenses:				
Public safety	7,522,729	7,072,149	322,934	4.57%
Total program expenses	<u>7,395,083</u>	<u>7,072,149</u>	<u>322,934</u>	<u>4.57%</u>
Change in net position	<u>\$ 1,104,223</u>	<u>\$ (29,248)</u>	<u>\$ 1,261,117</u>	<u>4311.81%</u>

**North County Fire Protection District of Monterey County
Management's Discussion and Analysis
June 30, 2021**

Financial Analysis of the District as a Whole

- Current assets decreased by \$45,169. Capital assets, net of accumulated depreciation increased by \$904,819 compared to the prior year. Deferred outflows of resources increased by \$913,002.
- Current liabilities decreased by \$1,820,788. Noncurrent liabilities increased by \$2,540, 603. Deferred inflows of resources decreased by \$65,203.
- The District's net position increased by \$1,231,869 for the fiscal year ended June 30, 2021. The increase in the change in net position mostly relates an increase in program revenues of \$492,952 and general revenues increased by \$1,091,099. Total public safety expenses increased by \$322,934. 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 \$6,218,053 and the budgeted expenditures were \$6,518,053. The budgeted net change in fund balances was (\$300,000). The actual net change in fund balances was \$1,055,966. The special revenues fund budgeted revenues were \$25,000. There were no budgeted expenditures. The budgeted net changed in fund balances was \$25,000. The actual net change in fund balances was \$64,800.

Capital Assets

As of June 30, 2021, the District had invested \$2,829,596 in a broad range of capital assets including land, structures and improvements and equipment. During fiscal year ended June 30, 2021, the District invested in the following capital assets:

Capital Assets	2021	2020	\$ Difference	% Difference
Land	\$ 126,200	\$ 126,200	\$ -	0.00%
Construction in progress	1,272,391	329,637	942,754	286.00%
Buildings and improvements	1,194,789	1,194,789	-	0.00%
Machinery, equipment and vehicles	5,845,677	5,798,468	47,209	0.81%
Accumulated Depreciation	(5,609,461)	(5,524,317)	(85,144)	1.54%
Total capital assets	\$ 2,829,596	\$ 1,924,777	\$ 904,819	47.01%

Long-Term Liabilities

As of June 30, 2021, the District reported the following long-term liabilities:

Long-term Liabilities	2021	2020	\$ Difference	% Difference
Compensated absences	\$ 1,032,147	\$ 942,375	\$ 819,675	86.98%
Notes payable	1,468,895	1,713,830	1,724,494	100.62%
Net pension liability	13,796,991	12,236,296	2,544,169	20.79%
Net OPEB liability	2,180,800	1,871,200	5,088,338	271.93%
Total long-term liabilities	\$ 18,478,833	\$ 16,763,701	\$ 10,176,676	60.71%

**North County Fire Protection District of Monterey County
Management's Discussion and Analysis
June 30, 2021**

Economic Factors and Next Year's Budget

The general fund budgeted revenues for the next fiscal year ending June 30, 2022 are \$7,004,617. The general fund budgeted expenditures are \$7,081,003. Prior period fund balances is expected to cover the negative change in fund balances. The special revenue fund budgeted revenues for the next fiscal year ending June 30, 2022 are \$25,000. There are no special revenue fund budgeted expenditures.

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, 2021

	Governmental Activities
ASSETS	
Cash and investments	\$ 3,219,444
Receivables (net of allowance for uncollectible)	162,794
Prepays	29,371
Capital assets not being depreciated	1,398,591
Capital assets , net of accumulated depreciation	1,431,005
Total assets	6,241,205
 DEFERRED OUTFLOWS OF RESOURCES	
Pension related	3,392,329
OPEB related	355,243
Total deferred outflows of resources	3,747,572
 LIABILITIES	
Accounts payable and other accrued liabilities	377,601
Noncurrent liabilities:	
Due within one year:	
Compensated absences	103,215
Notes payable	261,688
Due in more than one year: Notes and	
Net pension liability	13,796,991
Net OPEB liability	2,180,800
Notes payable	1,207,207
Compensated absences	928,932
Total liabilities	18,856,434
 DEFERRED INFLOWS OF RESOURCES	
Pension related	929,095
OPEB related	58,127
Total deferred inflows of resources	987,222
 NET POSITION	
Net investment in capital assets	2,829,596
Restricted for:	
Fire mitigation	206,794
Unrestricted	(12,891,269)
Total net position	\$ (9,854,879)

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

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY
Statement of Activities
For the Year Ended June 30, 2021

	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes In Net Position
Primary Government:					
Governmental activities:					
Public safety	\$ 7,522,729	\$ 231,974	\$ 617,334	\$ 851,209	\$ (5,822,212)
Total governmental activities	\$ 7,522,729	\$ 231,974	\$ 617,334	\$ 851,209	(5,822,212)
			General revenues:		
			Property taxes		5,223,731
			Special assessments		102,689
			Safety sales tax		694,801
			Investment earnings		14,564
			Miscellaneous		890,650
			Total general revenues		6,926,435
			Change in net position		1,104,223
			Net position - beginning, restated (Note 12)		(10,959,102)
			Net position - ending		\$ (9,854,879)

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, 2021**

	General Fund	Special Revenue	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 634,428	\$ -	\$ 634,428
Investments	2,378,222	206,794	2,585,016
Receivables (net of allowance for uncollectible)	162,794	-	162,794
Prepaid items	29,371	-	29,371
Total assets	<u>\$3,204,815</u>	<u>\$206,794</u>	<u>\$ 3,411,609</u>
LIABILITIES			
Accounts payable	\$ 225,185	\$ -	\$ 225,185
Accrued liabilities	152,416	-	152,416
Total liabilities	<u>377,601</u>	<u>-</u>	<u>377,601</u>
FUND BALANCES			
Nonspendable			
Prepaid items	29,371	-	29,371
Restricted:			
Fire mitigation	-	206,794	206,794
Assigned:			
Building improvements	419,000	-	419,000
Election	55,000	-	55,000
Capital equipment acquisition	410,000	-	410,000
Land	410,000	-	410,000
NGEN	45,000	-	45,000
Incident software	7,436	-	7,436
Other Postemployment retirement benefits	246,000	-	246,000
Unassigned fund balance	1,205,407	-	1,205,407
Total fund balances	<u>2,827,214</u>	<u>206,794</u>	<u>3,034,008</u>
Total liabilities and fund balances	<u>\$3,204,815</u>	<u>\$206,794</u>	<u>\$ 3,411,609</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, 2021**

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

Total fund balances - governmental funds		\$ 3,034,008
Capital assets of \$8,439,057, net of accumulated depreciation of \$5,609,461, used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,829,596
Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings and contributions subsequent to the measurement date for the postretirement benefits (pension and OPEB) are recognized as deferred outflows of resources and deferred inflows of resources on the statement of net position.		
Deferred outflows - pension related	3,392,329	
Deferred outflows - OPEB related	355,243	
Deferred inflows - pension related	(929,095)	
Deferred inflows - OPEB related	(58,127)	
Total deferred outflows and inflows related to postemployment benefits	2,760,350	2,760,350
Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the funds.		
Notes payable	(1,468,895)	
Compensated absences	(1,032,147)	
Net OPEB liability	(2,180,800)	
Net pension liability	(13,796,991)	
Total long-term liabilities	(18,478,833)	(18,478,833)
Net position of governmental activities		\$ (9,854,879)

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 Year Ended June 30, 2021

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
REVENUES			
Property taxes	\$ 5,203,265	\$ -	\$ 5,203,265
Special assessments	102,689	-	102,689
Safety sales tax	694,801	-	694,801
Intergovernmental	1,489,009	-	1,489,009
Charges for services	167,174	64,800	231,974
Investment earnings	14,564	-	14,564
Miscellaneous	3,935	-	3,935
Total revenues	<u>7,675,437</u>	<u>64,800</u>	<u>7,740,237</u>
EXPENDITURES			
Public safety	6,317,008	-	6,317,008
Debt service:			
Principal	3,994,935	-	3,994,935
Interest	96,213	-	96,213
Capital outlay: Public safety	904,819	-	904,819
Total expenditures	<u>11,312,975</u>	<u>-</u>	<u>11,312,975</u>
Excess of revenues over expenditures	(3,637,538)	64,800	(3,572,738)
OTHER FINANCING SOURCES			
Insurance recoveries	886,715	-	886,715
Issuance of debt - Tax Anticipation Funds	3,750,000	-	3,750,000
Total other financing sources	<u>4,636,715</u>	<u>-</u>	<u>4,636,715</u>
Net change in fund balances	999,177	64,800	1,063,977
Fund balances-beginning, restated (Note 12)	<u>1,828,037</u>	<u>141,994</u>	<u>1,970,031</u>
Fund balances-ending	<u>\$ 2,827,214</u>	<u>\$ 206,794</u>	<u>\$ 3,034,008</u>

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 Year Ended June 30, 2021

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

Net change in fund balances-total governmental funds		\$ 1,063,977
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		904,819
Insurance of debt and repayment of notes payable principal is an expenditure in the governmental funds, but issuance of debt increases long-term liabilities and repayment reduces long-term liabilities in the statement of net position		
Issuance of debt - Tax Anticipation Funds		(3,750,000)
Principal paid on notes payable		3,994,935
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Compensated absences	(89,772)	
Changes in pension liabilities and related deferred outflows and inflows of resources	(921,610)	
Changes in OPEB liabilities and related deferred outflows and inflows of resources	<u>(98,126)</u>	
		<u>(1,109,508)</u>
Change in net position of governmental activities		<u><u>\$ 1,104,223</u></u>

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

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

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2021

	<u>Other Postemployment Benefits Trust Fund</u>
ASSETS	
Cash and cash equivalents	\$ 569,025
Total assets	<u>569,025</u>
 NET POSITION	
Restricted for:	
Other postemployment benefits other than pensions	569,025
Total net position	<u><u>\$ 569,025</u></u>

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

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2021

	Other Postemployment Benefits Trust Fund
ADDITIONS	
Investment earnings:	
Interest	\$ 57,304
Total investment earnings	57,304
Less investment expense	1,278
Net investment earnings	56,026
Total additions	56,026
 DEDUCTIONS	 -
Net increase in fiduciary net position	56,026
Net position-beginning	512,999
Net position-ending	\$ 569,025

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

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY
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June 30, 2021

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NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

Notes to the Financial Statements

June 30, 2021

Note 1 – Summary of Significant Accounting Policies

A. Description of the Financial Reporting Entity

Organization. The North County Fire Protection District of Monterey County was originally formed on November 21, 1949 as the Castroville Fire Department (CFD). A 1971 annexation brought Moss Landing and the Elkhorn area into Castroville's jurisdiction. After insufficient revenues closed the Hall Fire District and the Greater Hall Fire District, the area was annexed into CFD in 1972. Two years later, the District increased its Board membership from three to five directors. A 1981 study conducted by the Monterey County Local District Formation Commission (LAFCO) concluded that a fully consolidated fire district would provide the most cost effective and operationally efficient fire service from the North Monterey County area. Their recommendations were to consolidate Castroville Fire, Aromas Fire, and Salinas Rural Fire's Station Two area (Prunedale). While Aromas remained independent, reorganization in 1982 implemented LAFCO's other recommendations and the newly reorganized District was named the North County Fire Protection District of Monterey County (NCFPD).

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

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

The financial statements of the District 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.

Funds received under the various grant programs have been recorded within the special revenue fund of the District. The District utilizes the modified accrual basis of accounting for the general fund, and special revenue fund.

Schedule of Expenditures of Federal Awards. The accompanying Schedule presents the activity of all federal financial assistance programs of the District. Federal financial assistance passed through the County of Monterey is included in the Schedule. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position of the District.

Basis of Presentation

Government-wide Financial Statements. The Statement of Net Position and the Statement of Activities display information about the primary government (the "District"). These statements include the financial activities of the District overall. Eliminations have been made to minimize double counting of internal activities. These statements display the governmental activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and nonexchange transactions.

The government-wide financial statements are reported using the "economic resources" measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

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recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the providers have been met.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Governmental Fund Financial Statements. The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major individual governmental funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds. Currently, the District reports three funds – the general fund and special revenue fire mitigation fund.

Governmental fund financial statements are reported using the “current financial resources” measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 180 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Government-wide Financial Statements. The government-wide statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements. Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all nonmajor funds are aggregated into one column.

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The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases, (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues — exchange and non-exchange transactions. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes and grants. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Expenses/expenditures. On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first then unrestricted resources as they are needed.

Fund Accounting. The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance or net position, revenues, and expenditures. The District's resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into three major funds as follows:

Major Governmental Funds:

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The Special Revenue Fire

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

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Mitigation Fund is used to account for fire mitigation transactions that are restricted for the use to expand fire services.

C. Budget and Budgetary Accounting

The District adopts an annual budget on or before August 30 of each fiscal year. From the effective date of the budget, the amounts stated as proposed expenditures become appropriations.

The Board of Directors may amend the budget by motion during each fiscal year. The original and revised budgets are presented for the General Fund and Special Revenues Fund. All appropriations lapse at the end of the fiscal year to the extent that they have not been expended. Lease contracts entered into by the District are subject to annual review by the Board of Directors; hence, they legally are one-year contracts with an option for renewal for another fiscal year.

D. Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivables are stated net of an allowance for doubtful accounts. As a result of changes in the District's credit policy during 2021, 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.

E. Prepaid Items

The District has the option of reporting expenditures in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the period benefited.

F. Capital Assets

Capital assets (including infrastructure) are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed capital assets are valued at their estimated fair value at the date of the contribution. Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,000 and estimated useful life in excess of two years.

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

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" instead of reporting them as capital expenditures.

G. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

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H. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

I. Compensated Absences

The District's policy permits employees to accumulate earned but unused vacation. Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and fund liability of the governmental fund from which it will be paid. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide financial statements.

J. Pension Benefit Plan

The District participates in the California Public Employees Retirement System, a cost-sharing, multi-employer defined benefit pension plan administered by the California Public employees Retirement System.

K. Other Postemployment Benefits Other Than Pensions

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).

The District contributes to a defined contribution OPEB trust. At June 30, 2021, the District holds those funds in a Trust at ICMA.

L. 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.

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. It is the deferred amounts related to pension and OPEB. The deferred amounts related to pension and OPEB relate differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related changes. In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. In the government-wide financial statements the District reports deferred amounts related to deferred amounts related to pension and OPEB.

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N. Net Position

In the government-wide financial statements, net position is classified as follows:

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, capital asset related debt net of unspent bond proceeds, deferred charges, and retention payable.

Restricted Net Position – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted Net Position – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. When expenses are incurred for purposes for which both restricted and unrestricted components of net position are available, the District's practice is to apply the restricted component of the net position first, then use the unrestricted component of net position as needed.

O. Fund Balances

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation. Restricted fund balance is to account for fire mitigation fees and related expenses.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget.

Assigned Fund Balance – represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the District.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance are available, the District considers restricted funds to have been spent first. When an expenditure is

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incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Note 2 – Deposits and Investments

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

Cash Deposits with Financial Institutions

Cash in the Monterey County Investment Pool – Monterey County is a fiscal agent of the District. The fair value of the District’s investment in the county pool is reported at amounts based on the District’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of the portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. Monterey County investment pool funds were available for withdrawal on demand and had an average maturity date of 606 days. All cash and investments are stated at amortized cost and not fair value. Pooled investment earnings are allocated monthly based on the average cash and investment balance of the various funds of the County.

Custodial Credit Risk – Deposits. In the case of deposits, this is the risks that in the event of a bank’s failure, the District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2021, the District’s bank and county investment pool account balance is \$3,219,444 and \$376,657 of that amount was exposed to custodial credit risk because it was not FDIC insured. Deposits held at the Monterey County Investment Pool is not subject to custodial credit risk. The (book) carrying amount of the deposits as of June 30, 2021, was \$3,219,444.

Investments

State statutes authorize the North County Fire Protection District of Monterey County to invest in obligations of the U.S. Treasury and U.S. Agencies, mutual funds with portfolios of securities issued or guaranteed by the United States Government, or agreements to repurchase these same obligations, negotiable and non-negotiable certificates of deposit, municipal bonds, commercial paper, corporate bonds, and the State Treasurer’s Investment Pool.

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the Investment Pool, which had fair values of approximately \$2.2 billion as of June 30, 2021. The sensitivity of the fair values of the District’s investments to market interest rate fluctuation is measured as the weighted average maturity of the investment portfolio, which was 606 days on June 30, 2021. As of June 30, 2021, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>More than 5 Years</u>
Monterey County Investment Pool	<u>\$ 2,585,016</u>	<u>\$ 2,585,016</u>	<u>\$ -</u>	<u>\$ -</u>

Credit Risk – Generally, credit Risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

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summary of investments table above shows the minimum rating under the actual rating of the District's investments at year end. The investment with the County's investment pool is governed by the County's general investment policy. The County's investments in 2020-21 included U.S. government securities or obligations explicitly guaranteed by the U.S. government that are not considered to have credit risk exposure. The District's investment policy does not provide guidance about credit risk.

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

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

Reconciliation to Basic Financial Statements – The cash and investments as of June 30, 2021, are reported in the financial statements as follows:

	<u>General Fund</u>	<u>Special Revenue Mitigation Fund</u>	<u>Total Governmental Funds</u>
Governmental Funds Balance Sheet			
Cash and investments with financial institutions	634,428	\$ -	\$ 634,428
Cash and investments with Monterey County Investment Pool	2,378,222	206,794	2,585,016
Total cash and investments	<u>\$ 3,012,650</u>	<u>\$ 206,794</u>	<u>\$ 3,219,444</u>
Government-wide Statement of Net Position			<u>Total Governmental Activities</u>
Governmental Activities:			
Cash and investments with financial institutions			\$ 634,428
Cash and investments with Monterey County Investment Pool			2,585,016
Total cash and investments			<u>\$ 3,219,444</u>
Fiduciary Activities:			<u>Fiduciary Activities</u>
Other Postemployment Benefits			
Cash and investments with fiscal agents			\$ 569,025
Total cash and investments			<u>\$ 569,025</u>

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

Notes to the Financial Statements

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Note 3 – Capital Assets

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 126,200	\$ -	\$ -	\$ 126,200
Construction-in-progress	329,637	942,754	-	1,272,391
Total capital assets, not being depreciated	455,837	942,754	-	1,398,591
Capital assets, being depreciated				
Buildings and improvements	1,194,789	-	-	1,194,789
Machinery, equipment and vehicles	5,798,468	47,209	-	5,845,677
Total capital asset, being depreciated	6,993,257	47,209	-	7,040,466
Less accumulated depreciation for:				
Buildings and improvements	(1,070,458)	(5,826)	-	(1,076,284)
Machinery, equipment and vehicles	(4,453,859)	(79,318)	-	(4,533,177)
Total accumulated depreciation	(5,524,317)	(85,144)	-	(5,609,461)
Total capital assets, being depreciated, net	1,468,940	(37,935)	-	1,431,005
Total governmental activities capital assets	<u>\$ 1,924,777</u>	<u>\$ 904,819</u>	<u>\$ -</u>	<u>\$ 2,829,596</u>

Depreciation expense was charged to the function of the governmental activities of the District as follows:

Public Safety	<u>\$ 85,144</u>
Total governmental activities	<u>\$ 85,144</u>

Note 4 – 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, 2021, the District borrowed, \$3,750,000 in Tax Anticipation Funds. The balance was fully paid as of June 30, 2021.

Note 5 – Long-term Obligations

A summary of changes in long-term obligations is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Amount Due Within one Year
Governmental Activities:					
Compensated absences	\$ 942,375	\$ 1,099,148	\$(1,009,376)	\$ 1,032,147	\$ 103,215
Notes payable	1,713,830	-	(244,935)	1,468,895	261,688
Net pension liability	12,236,296	1,560,695	-	13,796,991	-
Net OPEB liability	1,871,200	309,600	-	2,180,800	-
Total governmental activities	<u>\$ 16,763,701</u>	<u>\$ 2,969,443</u>	<u>\$(1,254,311)</u>	<u>\$ 18,478,833</u>	<u>\$ 364,903</u>

On June 29, 2011, the District entered into a commercial security agreement with Santa Cruz County Bank. The proceeds were used for the payment of the District’s unfunded pension liability. The note payable is

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

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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:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 261,688	\$ 80,204	\$ 341,892
2023	276,844	65,048	341,892
2024	292,755	49,137	341,892
2025	309,833	32,059	341,892
2026	327,775	14,117	341,892
Total	<u>\$ 1,468,895</u>	<u>\$ 240,565</u>	<u>\$ 1,709,460</u>

Note 6 – Pension Plan

Plan Description

The District contributes to the California Public Employees' Retirement System (CalPERS), a cost sharing multiple-employer public employee retirement system. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and District resolution. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained from CalPERS, 400 Q Street, Sacramento, CA 95811.

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 one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2021 are summarized as follows:

	Prior to May 1, 2011	Prior to January 1, 2013	On or after January 1, 2013
Hire Date	3.0% @ 55	2.0% @ 50	2.7% @ 57
Benefit formula	5 years of service	5 years of service	5 years of service
Benefit vesting schedule	monthly for life	monthly for life	monthly for life
Benefit payments	50-55	50-55	52-67
Retirement age	3.0%	2.0%	2.7%
Monthly benefits, as a % of eligible compensation	8.982%	8.933%	11.500%
Requirement employee contribution rates	23.62%	18.19%	13.13%
Requirement employer contribution rates			

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Contributions. Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are 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 the Plan is 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.

For the year ended June 30, 2021, the District recognized pension expense of \$2,346,899.

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

As of June 30, 2021, the District reported a net pension liability for its proportionate share of collective net pension liability in the amount of \$13,796,991.

The District's net pension liability for the Plan is measured as the proportionate share of the collective plans net pension liability. The net pension liability of the Plan is measured as of June 30, 2020, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 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 plan 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, 2019 and 2020 measurement dates was as follows:

Proportion - June 30, 2019	0.19601%
Proportion - June 30, 2020	<u>0.20709%</u>
Change - Increase/Decrease	<u><u>0.01108%</u></u>

At June 30, 2021, 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	\$ -	\$ 45,958
Differences between expected and actual experience	1,069,887	-
Differences between projected and actual investment earnings	299,867	-
Differences between employer's contributions and proportionate share of contributions	-	883,095
Change in employer's proportion	597,287	42
Pension contributions made subsequent to measurement date	1,425,288	-
	<u>\$ 3,392,329</u>	<u>\$ 929,095</u>

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The \$1,425,288 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2022	\$ 184,621
2023	366,149
2024	336,926
2025	150,250
2026	-
Thereafter	-
Total	<u>\$ 1,037,946</u>

Actuarial Assumptions

The total pension liabilities in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions for the plan:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
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 Scall BB. For more detail 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-2017.pdf>

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plans, 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.

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

Notes to the Financial Statements

June 30, 2021

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.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound 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. These rates of return are net of administrative expenses.

Assets Class⁽¹⁾	New Strategic Allocation	Real Return Years 1 - 10⁽²⁾	Real Return Years 11+⁽³⁾
Global equity	50.00%	4.80%	5.98%
Fixed income	28.00%	1.00%	2.62%
Inflation assets	0.00%	77.00%	1.81%
Private equity	8.00%	6.30%	7.23%
Real assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

(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.

The sensitivity of the District's net pension liability to changes in the discount rate is presented below. The District's net pension liability calculated using the discount rate of 7.15% is presented as well as the net pension liability using a discount rate that is 1.0% lower (6.15%) or 1.0% higher (8.15%) than the current rate.

	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
Employer's Net Pension Liability/(Asset) - Safety	\$ 20,452,711	\$ 13,796,991	\$ 8,335,342

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

Notes to the Financial Statements

June 30, 2021

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.

For the year ended June 30, 2021, the total District contributed \$13,192 to the deferred compensation plan.

Note 8 – Postemployment Benefits Other Than Pensions (OPEB)

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 District 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 \$600 per month in 2021.

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, 2020, 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 the Financial Statements

June 30, 2021

Contributions. The OPEB Plan and its contribution requirements are established by the District. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2020, the District's contribution was \$73,400 of which \$73,400 was in the form of a subsidy.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2020. Total OPEB liability is based on the following actuarial methods and assumptions.

Actuarial Assumptions

The total OPEB liability measured as of June 30, 2020, was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	2.75%
Investment rate of return	2.50%
Inflation health care cost trend rates	3.50%
Infation administration rate	4.00%

Changes in the Net OPEB Liability

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2020	\$ 2,352,200	\$ 481,000	\$ 1,871,200
Increase/(decrease) within fiscal year ended June 30, 2021 attributable to:			
Service cost	62,100	-	62,100
Interest cost	76,300	-	76,300
Effect of change in actuarial assumptions/methods	-	-	-
Contributions	-	73,400	(73,400)
(Benefit payments)	-	-	-
(Non-benefit-related admin expenses from plan trustees)	-	(1,204)	1,204
Expected investment return	-	15,613	(15,613)
Amortizations of other changes in Net OPEB liability	259,009	-	259,009
Net increase/(decrease) as of June 30, 2021	<u>397,409</u>	<u>87,809</u>	<u>309,600</u>
Balance as of June 30, 2021	<u>\$ 2,749,609</u>	<u>\$ 568,809</u>	<u>\$ 2,180,800</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 1.50%	Current rate 2.50%	1% Increase 3.50%
Net OPEB liability	\$ 2,656,900	\$ 2,180,800	\$ 1,808,600

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

Notes to the Financial Statements

June 30, 2021

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 (2.50%/year for minimum PEMHCA subsidy, 3.00%/year for PORAC administration fees)	Current Rates (3.50%/year for minimum PEMHCA subsidy, 4.00%/year for PORAC administration fees)	1% Increase 1% Increase (4.50%/year for minimum PEMHCA subsidy, 5.00%/year for PORAC administration fees)
Net OPEB liability	\$ 2,868,600	\$ 2,180,800	\$ 2,595,300

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, 2021, the District recognized OPEB expense of \$172,866. At June 30, 2021, the District, reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Change in assumptions	281,453	-
Other liability experience loss / (gain)	-	38,467
Net difference between investment experience loss/(gain)	2,165	19,660
District contributions subsequent to the measurement date	71,625	-
Total	\$ 355,243	\$ 58,127

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

Notes to the Financial Statements

June 30, 2021

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	
June 30:	Amount
2022	\$ 43,601
2023	43,138
2024	42,286
2025	44,148
2026	47,667
Thereafter	4,651
Total	<u>\$ 225,491</u>

At June 30, 2021, the District reported \$71,625 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, 2022. As of June 30, 2021, the District reported net OPEB liability of \$2,180,800, and as of June 30, 2020, the District reported net OPEB liability of \$1,700,800.

Note 9 – 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 Fire Agencies Self-Insurance system (FASIS), as an Administrator, to establish, operate, and maintain insurance programs for workers' compensation insurance. The District uses USI Insurance Services to account for and finance risks for general liability and property damage. Insurance policies are purchased for the following exposures with the deductible, or the amount of risk retention indicated in parenthesis: public officials and employee practices liability (\$0/\$0 deductible), boiler and machinery (\$100 deductible), employee faithful performance (\$0 deductible), and the District retains risks up to \$3,000,000. There were no settlements in excess of the insurance coverage in any of the three prior fiscal years.

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, 2021, the District contributed \$266,668. 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.

During the year ended June 30, 2021, the Monterey County Local Agencies Insurance Authority (MCLAIA) was dissolved, and its members including the District joined the Fire Agencies Self Insurance System (FASIS) to maintain its worker's compensation insurance coverage. As a result of the dissolution, the District received \$885,379.

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

Notes to the Financial Statements

June 30, 2021

Note 10 – Stewardship, Compliance, and Accountability

Deficit Net Position. At June 30, 2021, the unrestricted net position reported a balance of -\$16,137,342. The reason for the deficit in unrestricted net position is for the net pension liability and net OPEB liability.

Expenditures in Excess of Appropriations. Expenditures in the general fund exceeded appropriations in the current year by \$1,044,923.

Note 11 – 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 12 – Prior Period Restatement

The District restated certain prior year balances after identifying instances during 2021 where activities in the previous fiscal years were inaccurately recorded in the financial statements.

	Governmental Activities
Government-wide	
Net position, June 30, 2020, previously reported	\$ (10,845,273)
Prior year cash and cash equivalents	(113,829)
Net position, as restated, June 30, 2020	<u>\$ (10,959,102)</u>
	General Fund
Governmental Funds	
Fund Balances, June 30, 2020, previously reported	1,941,866
Prior year cash and cash equivalents	(113,829)
Fund balances, as restated, June 30, 2020	<u>\$ 1,828,037</u>

Note 13 – Subsequent Events

Refinance of UAL Loan. During the year ending June 30, 2022, the District refinanced \$10.794 million of its CalPERS outstanding unfunded actuarial accrued liability (UAL) through First Foundation Bank over a 20-year term at an interest rate of 3.2%. The bi-annual debt service payments will be made on October 1st and April 1st of each year. October 1st payment pays for the interest component of the note payable. The April 1st payment pays for the principal component and interest component of the note payable.

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

Notes to the Financial Statements

June 30, 2021

Note Payable. During the year ending June 30, 2022, the District paid an additional payment of \$885,349 to pay off part of the CalPERS side fund loan and refinanced the note with an interest rate of 3.75%. The note payable balance as of June 30, 2022 is \$221,477. The new monthly debt service payment is \$4,973.38 and \$59,680.56 per annum. The loan will mature on June 2026.

Emergency Response Service Assessment. The District will receive emergency response services assessment revenue for the year ending June 30, 2022. The emergency response services assessment is estimated to report approximately an additional \$1,400,000 of special assessment revenues.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH COUNTY FIRE PROTECTION OF MONTEREY COUNTY
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES:				
Property taxes	\$ 5,051,752	\$ 5,051,752	\$ 5,203,265	\$ 151,513
Special assessments	96,000	96,000	102,689	6,689
Safety sales taxes	694,801	694,801	694,801	-
Intergovernmental	160,000	160,000	1,489,009	1,329,009
Charges for services	115,000	115,000	167,174	52,174
Investment earnings	10,000	10,000	14,564	4,564
Miscellaneous	90,500	90,500	3,935	(86,565)
Total revenues	<u>6,218,053</u>	<u>6,218,053</u>	<u>7,675,437</u>	<u>1,457,384</u>
EXPENDITURES:				
Public safety	6,066,330	6,066,330	6,317,008	(250,678)
Debt service:				
Principal	244,935	244,935	3,994,935	(3,750,000)
Interest	96,788	96,788	96,213	575
Capital outlay: Public safety	110,000	110,000	904,819	(794,819)
Total expenditures	<u>6,518,053</u>	<u>6,518,053</u>	<u>11,312,975</u>	<u>(4,794,922)</u>
Excess of revenues over expenditures	(300,000)	(300,000)	(3,637,538)	(3,337,538)
OTHER FINANCING SOURCES				
Insurance resources	-	-	886,715	886,715
Insurance of debt - Tax Anticipation Funds	-	-	3,750,000	3,750,000
Total other financing sources	<u>-</u>	<u>-</u>	<u>4,636,715</u>	<u>4,636,715</u>
Net change in fund balances	(300,000)	(300,000)	999,177	1,299,177
Fund balances-beginning, restated (Note 12)	<u>1,828,037</u>	<u>1,828,037</u>	<u>1,828,037</u>	<u>-</u>
Fund balance-ending	<u><u>\$ 1,528,037</u></u>	<u><u>\$ 1,528,037</u></u>	<u><u>\$ 2,827,214</u></u>	<u><u>\$ (3,337,538)</u></u>

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

NORTH COUNTY FIRE PROTECTION OF MONTEREY COUNTY
Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES:				
Charges for services	\$ 25,000	\$ 25,000	\$ 64,800	\$ 39,800
Total revenues	<u>25,000</u>	<u>25,000</u>	<u>64,800</u>	<u>39,800</u>
EXPENDITURES:				
Public safety	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	25,000	25,000	64,800	39,800
Fund balances-beginning, restated (Note 12)	<u>141,994</u>	<u>141,994</u>	<u>141,994</u>	<u>-</u>
Fund balance-ending	<u><u>\$ 166,994</u></u>	<u><u>\$ 166,994</u></u>	<u><u>\$ 206,794</u></u>	<u><u>\$ 39,800</u></u>

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

NORTH COUNTY FIRE PROTECTION OF MONTEREY COUNTY
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
Last Ten Years*
June 30, 2021

Fiscal Year	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's Proportion of the Net Pension Liability	0.20709%	0.20272%	0.2067%	0.2103%	0.2243%	0.2175%	0.1907%
District's Proportionate Share of the Net Pension Liability	13,796,991	\$ 12,236,296	\$ 11,500,512	\$ 11,319,514	\$ 9,773,980	\$ 7,249,526	\$ 7,151,498
Covered Payroll	\$ 2,242,858	\$ 3,063,882	\$ 3,056,162	\$ 3,006,180	\$ 2,617,931	\$ 2,694,977	\$ 2,892,884
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	16.26%	25.04%	26.57%	26.56%	26.78%	37.17%	40.45%
Plan Fiduciary Net Position as a Percentage of its Covered Payroll	71.85%	72.09%	72.74%	73.49%	75.98%	81.62%	81.42%

*Information is presented for years after the date of implementation of GASB 68

See Notes to Required Supplementary Information

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY
Schedule of Pension Plan Contributions
Last Ten Fiscal Years*
For the Year Ended June 30, 2021

Fiscal Year	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Statutorily Determined Contribution	\$ 1,425,288	\$ 1,252,038	\$ 1,126,099	\$ 989,651	\$ 877,980	\$ 478,290	\$ 655,335
Contributions in Relation to the Statutorily Determined Contribution	<u>1,425,288</u>	<u>1,252,038</u>	<u>1,126,099</u>	<u>989,651</u>	<u>877,980</u>	<u>478,290</u>	<u>655,335</u>
Contribution Excess (Deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 2,242,858	\$ 3,063,882	\$ 3,056,162	\$ 3,006,180	\$ 2,617,931	\$ 2,694,977	\$ 2,892,884
Contributions as a Percentage of Covered Payroll	63.55%	40.86%	36.85%	32.92%	33.54%	17.75%	22.65%

*Information is presented for years after the date of implementation of GASB 68

See Notes to Required Supplementary Information

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Other Post-Employment Benefit Plan
Last 10 Fiscal Years*
For the Year Ended June 30, 2021

Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB liability				
Service Cost	\$ 62,100	\$ 70,300	\$ 69,400	\$ 69,400
Interest	76,300	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	259,009	1,018	(1,007)	464
Net change in net OPEB liability	\$ 397,409	\$ 213,429	\$ 127,146	\$ 126,543
(Contributions)	(73,400)	(65,700)	(53,300)	(79,700)
Increase in deferred resources - net	(14,409)	22,671	(14,446)	1,857
Net OPEB liability - beginning	1,871,200	1,700,800	1,641,400	1,592,700
Net OPEB liability - ending	<u>\$ 2,180,800</u>	<u>\$ 1,871,200</u>	<u>\$ 1,700,800</u>	<u>\$ 1,641,400</u>

* Information is presented for years after the date of implementation of GASB 75

See Notes to Required Supplementary Information

NORTH COUNTY FIRE PROTECTION OF MONTEREY COUNTY
Required Supplementary Information
Schedule of Contributions
Other Post-Employment Benefit Plan (OPEB)
Last Ten Years*
June 30, 2021

Measurement Date	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Actuarially Determined OPEB Contribution	\$ 159,100	\$ 161,200	\$ 157,100	\$ 154,500
Contributions in Relation to the				
Actuarially Determined Contribution	<u>73,400</u>	<u>65,700</u>	<u>53,300</u>	<u>79,700</u>
Contribution Excess (Deficiency)	<u>\$ 85,700</u>	<u>\$ 95,500</u>	<u>\$ 103,800</u>	<u>\$ 74,800</u>
District's plan covered-employee payroll	\$ 2,242,858	\$ 3,063,882	\$ 3,056,162	\$ 3,006,180
North County Fire Protection District of Monterey County contributions as a percentage of the District's covered- employee payroll	3.27%	2.14%	1.74%	2.65%

* Information is presented for years after the date of implementation of GASB 75

See notes to required supplementary information

North County Fire Protection District of Monterey County
Notes to Required Supplementary Information
June 30, 2021

Note 1 – Budget

Budgets for the general fund and special revenue 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 general fund budget to actual financial statements reported expenditures in excess of appropriations in the amount of \$1,044,923. The special revenue fund 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.

Note 2 – Pension Plans

The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
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 detail 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-2017.pdf>

Note 3– Postemployment Benefits Other Than Pensions (OPEB)

Methods and assumptions used to determine contribution rates for the most recent year include:

- a) Valuation date: June 30, 2020
- b) Inflation:
- c) Investment rate of return: 2.5%
- d) Discount rate: 2.5%
- e) Health cost trend rate: 3.50% per annum for the minimum PEMHCA subsidy and 4.00% per annum for PORAC administrative fees, otherwise none
- f) Actuarial cost method: Entry Age Normal

SUPPLEMENTARY INFORMATION

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor / Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Grant Identifying Number	Federal Expenditures
Housing and Urban Development (HUD)			
<i>Pass through the County of Monterey</i>			
CDBG - Entitlement Grants Cluster			\$ 842,229
Community Development Block Grants/Entitlement Grants	14.218	B-20-UC-06-0011	842,229
Total CDBG - Entitlement Grant			<u>842,229</u>
U.S. Department of Agriculture (USDA), Forestry Service (USFS)			
<i>Pass through Statement of California, Office of Emergency Services (OES)</i>			
<i>California Fire Assistance Agreement</i>	10-V01	Cal OES-F-142	173,628
Total U.S. Department of Agriculture (USDA)			<u>173,628</u>
U.S Department of Homeland Security (USDHS), Federal Emergency Management Agency (FEMA)			
<i>Pass through Office of Emergency Services</i>			
FEMA Covid-19	97-V02	94-602317	8,980
Total U.S. Homeland Security (USDHS)			<u>8,980</u>
Total Federal Expenditures of Federal Awards			<u><u>\$ 1,024,837</u></u>

The accompanying notes are an integral part of the supplementary information.

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY
Notes to Supplementary Information
June 30, 2021

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position of the District.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the generally accepted accounting principle basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note – 3 Indirect Cost Rate

The District has elected not to use the 10% de minimis cost rate.

OTHER INDEPENDENT AUDITOR'S REPORT



**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***

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

We have audited, in accordance with the 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 governmental activities, each major fund, and the aggregate remaining fund information of the North County Fire Protection District of Monterey County, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the North County Fire Protection District of Monterey County's basic financial statements and have issued our report thereon dated June 30, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the North County Fire Protection District's internal control over financial reporting (internal control) as a basis for designing 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 North County Fire Protection District of Monterey County's internal control. Accordingly, we do not express an opinion on the effectiveness of the North County Fire Protection District of Monterey County'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the North County Fire Protection District of Monterey County'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 financial statements. 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*.

North County Fire Protection District of Monterey County's Response to Findings

North County Fire Protection District of Monterey County's response to the findings identified in audit is described in the accompanying schedule of findings and questioned costs. North County Fire Protection District of Monterey County's responses was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

David Farnsworth, CPA

Dublin, California
June 30, 2022



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the North County Fire Protection District of Monterey County’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the North County Fire Protection District of Monterey County’s major federal programs for the year ended June 30, 2021. North County Fire Protection District of Monterey County’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the North County Fire Protection District of Monterey County’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the North County Fire Protection District of Monterey County’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the North County Fire Protection District of Monterey County’s compliance.

Opinion on Each Major Federal Program

In our opinion, the North County Fire Protection District of Monterey County, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the North County Fire Protection District of Monterey County, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to

above. In planning and performing our audit of compliance, we considered the North County Fire Protection District of Monterey County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the North County Fire Protection District of Monterey County's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

David Farnsworth, CPA

Dublin, California
June 30, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

SECTION I

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified	Yes
Significant deficiency identified	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weakness identified?	No
Significant deficiency identified?	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	No

Identification of major programs:

CFDA Number	Name of Federal Program
14.218	Community Development Block Grants/Entitlement Grants

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	No

NORTH COUNTY FIRE PROTECTION OF MONTEREY COUNTY
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2021

Section II – Financial Statement Findings

On page 57 of this report, see financial statement finding 2020-001.

Section III – Federal Award Finding

There were no current year finding and questioned costs. The District was not subject to the single audit for the year ended June 30, 2020.

NORTH COUNTY FIRE PROTECTION OF MONTEREY COUNTY
Financial Statement Findings
For the Year Ended June 30, 2021

2021-001 Financial Reporting

Criteria

An organization should have policies and procedures to ensure that the cash balance is recorded correctly.

Condition

While performing auditing procedures, we determined that cash and cash equivalents were incorrectly reported in prior periods.

Effect of Condition

The cash balance was incorrectly recorded in the prior year financial statements in the amount of \$113,829.

Recommendation

We recommend implementing effective internal controls over financial reporting to ensure financial reporting of the District is reported in accordance with generally accepted accounting principles.

Views of Responsible Officials

The adjustment of cash in the amount of \$113,829 was accepted and approved by Management. Internal controls over cash and cash equivalents will be implemented to monitor the cash balance in future periods.

Prior Year Findings

There were no prior year findings.