

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

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

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

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the North County Fire Protection District of Monterey County (District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the North County Fire Protection District of Monterey County as of June 30, 2015, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents 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.

#### *Implementation of New Accounting Standards*

As disclosed in Note 1 to the financial statements, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measure Date – an amendment of GASB No. 68*, during fiscal year 2014-15.



Salinas, California  
June 29, 2016

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED JUNE 30, 2015**

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, 2015.

**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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**Description of the Basic Financial Statements** (Continued)

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.

**Condensed Government-Wide Financial Data**

	<b><u>2015</u></b>
Current Assets	\$ 3,001,291
Station and equipment, net of accumulated depreciation	1,995,369
Deferred outflows	<u>670,771</u>
Total assets and deferred outflows	<u>\$ 5,667,431</u>
Current Liabilities	\$ 2,103,248
Noncurrent Liabilities:	
Long-term debt	9,898,550
Deferred outflows	2,279,757
Net Position:	
Net investment in capital assets	1,995,369
Unrestricted net position	<u>(10,609,493)</u>
Total Liabilities, Deferred Outflows and Net Position	<u>\$ 5,667,431</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**Condensed Government-Wide Financial Data** (Continued)

Expenditures Governmental Activities, Net of Program Resources	\$ 5,554,446
General Resources:	
Property taxes	\$ 3,870,477
Use of money and property (interest income)	9,085
Aid from other government agencies	692,205
Other revenue – miscellaneous	516,537
Fire capital facilities fees	13,106
Change in Net Position	<u>\$ (453,036)</u>

**Financial Analysis of the District as a Whole**

The District's Net Position decreased by \$453,036 for the fiscal year ended June 30, 2015, or approximately 6.00% percent, to a total of \$(8,614,124). Of the \$(8,614,124) in Net Position, \$1,995,369 is invested in capital assets and other noncurrent assets (net of accumulated depreciation and related debt).

**Financial Analysis of the District's Funds**

Governmental fund balances decreased by \$273,593 or approximately 12.50%. The main reason for the difference between the \$453,036 decrease in District Net Position and the \$273,593 decrease in fund balances is the depreciation of fixed assets which are deductions in the governmental funds financial statements, timing of payments for compensated absences which are deductions only when paid in the governmental funds financial statements, and long-term debt payments. There is a reconciliation between the two statements on pages 14 and 16 of these statements.

**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. The District adopted a final budget at its regular meeting in June of 2014. Modifications to the budget normally occur throughout the fiscal year taking into consideration unanticipated expenses utilizing unanticipated revenues or transfers from Contingency or Reserves.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**Budgetary Highlights** (Continued)

The District saw two unexpected retirements in the Fiscal Year. The positions were refilled with personnel enrolled in the lower, less costly PERS tiers. However, CalPERS implemented a 30 year cash assessment to fill the funding gap created in part by the economic downturn of 2008 and now must be reported in their financials. The District will pay up to approximately \$600,000 per year over the next five years and continue paying that amount for 20 years, and then taper down over a five year period.

The Redevelopment Agencies were funded by a portion of property taxes derived from schools and special districts. The dissolution of Redevelopment by the State resulted in a portion of those monies returning to the District. During fiscal year 2015 the District received \$441,953 in this category.

The District's Out-of-County responses increased in during fiscal year 2015 and generated \$602,945.

**Capital Assets**

As of June 30, 2015, the District had invested \$6,553,762 in a broad range of capital assets including land, structures and improvements and equipment. There were no major additions during the 2015 fiscal year.

**Long-Term Liabilities**

In accordance with GASB 45 requirements, the District is required to disclose its postemployment benefits (OPEB) expense and liabilities on annual financial statements. The District has a net OPEB obligation of \$166,902 as of June 30, 2015.

During fiscal year 2011, the District paid off the Cal PERS side fund liability by obtaining funding from Santa Cruz County Bank. The outstanding loan balance was \$2,767,699 as of June 30, 2015. The loan balance decreased \$179,878 due to payment of scheduled principal payments.

Effective for June 30, 2015, the District implemented Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement 27*. In the first year of implementation, beginning net position has been restated to present the retroactive effects of the implementation of GASB 68.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**Long-Term Liabilities** (Continued)

The implementation of GASB 68 resulted in the recording of a net pension liability on the District's books in the amount of \$7,151,498.

**Economic Factors and Next Year's Budget**

The District's main source of revenue is property taxes. The assessed valuation of the District has largely recovered from the economic downturn, however revenue from property remains lower than in 2009. The reason is that the Dynegy Power Plant in Moss Landing has decreased in value substantially and has erased all gains from other property tax increases. Worker's Compensation costs will stabilize as claims decrease. Prop 172 sales tax revenues are increasing slightly each year. Out of county responses may continue to generate income in the next several years.

The District will be a participant in upgrading the County's radio infrastructure to meet Federal mandates for radio technology. The District's share of the cost is projected to be approximately \$500,000. The District entered into a financing agreement to amortize the cost over 15 years resulting in an annual payment of approximately \$30,000.

The District was involved in legal matters which have been referred to the District's insurance carriers.

**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, 2015**

	<b>Total</b>
<b>CURRENT ASSETS</b>	
Cash	\$ 2,817,208
Accounts receivable	96,305
Accounts receivable - strike team	52,700
Prepaid expenses	35,078
<b>TOTAL CURRENT ASSETS</b>	<b>3,001,291</b>
<b>CAPITAL ASSETS - STATION AND EQUIPMENT</b>	
Net of accumulated depreciation -	
Land	126,200
Structures and equipment	1,211,652
Equipment	5,215,910
Total station and equipment	6,553,762
Less: accumulated depreciation	(4,558,393)
Station and equipment, net of accumulated depreciation	1,995,369
<b>DEFERRED OUTFLOWS</b>	<b>670,771</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>\$ 5,667,431</b>
<b>CURRENT LIABILITIES</b>	
Accounts payable and accrued expenses	\$ 9,746
Accrued salaries payable	120,198
Payroll and retirement contribution payable	78,628
Accrued compensated absences	907,777
Current portion of long term debt - Note 11	187,549
Other liabilities - payable to County	799,350
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,103,248</b>
Long term debt - net of current portion - Note 11	2,580,150
Net pension liability - Note 6	7,151,498
Net OPEB obligation - Note 9	166,902
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>9,898,550</b>
<b>DEFERRED INFLOWS</b>	<b>2,279,757</b>
<b>NET POSITION</b>	
Net investment in capital assets	1,995,369
Unrestricted net position	(10,609,493)
General Fund	(8,614,124)
<b>TOTAL NET POSITION</b>	<b>(8,614,124)</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 5,667,431</b>

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

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

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Expenditures</u>	<u>Charges for Services</u>	<u>Strike Team Reimburse- ments</u>	<u>Grant Reimburse- ments</u>	<u>Total</u>
<b>EXPENDITURES</b>					
Fire protection -					
Salaries and benefits	\$ 5,013,289	\$ 66,643	\$ 635,647	\$ 133,477	\$ (4,177,522)
Services and supplies	1,376,924	-	-	-	(1,376,924)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 6,390,213</b>	<b>\$ 66,643</b>	<b>\$ 635,647</b>	<b>\$ 133,477</b>	<b>(5,554,446)</b>
<b>REVENUES</b>					
Property tax					3,870,477
Use of money and property					9,085
Aid from other government agencies:					
Homeowners property tax relief					21,346
CSA 74 - zone C/EMS tax					35,851
EMS tax					61,338
Proposition 172 funds					573,670
Other revenue					
Miscellaneous					516,537
Fire capital facilities fees					13,106
<b>TOTAL GENERAL REVENUES</b>					<b>5,101,410</b>
<b>CHANGE IN NET POSITION</b>					<b>(453,036)</b>
<b>NET POSITION</b>					
<b>NET POSITION, BEGINNING OF YEAR, AS RESTATED - Note 2</b>					<b>(8,161,088)</b>
<b>NET POSITION, END OF YEAR</b>					<b><u>\$ (8,614,124)</u></b>

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

**GOVERNMENTAL FUNDS FINANCIAL STATEMENTS**

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

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**JUNE 30, 2015**

	<b>Governmental Fund Types</b>		<b>Total</b>
	<b>General</b>	<b>Special Revenue</b>	
<b>ASSETS AND OTHER DEBITS</b>			
<b>ASSETS</b>			
Cash	\$ 2,731,135	\$ 86,073	\$ 2,817,208
Accounts receivable	96,305	-	96,305
Accounts receivable - strike team	52,700	-	52,700
Prepaid insurance	35,078	-	35,078
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 2,915,218</b>	<b>\$ 86,073</b>	<b>\$ 3,001,291</b>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 9,746	\$ -	\$ 9,746
Accrued salaries payable	120,198	-	120,198
PERS and payroll taxes payable	78,628	-	78,628
Other liabilities	799,350	-	799,350
<b>TOTAL LIABILITIES</b>	<b>1,007,922</b>	<b>-</b>	<b>1,007,922</b>
<b>FUND BALANCE</b>			
Restricted fund balance			
Reserved	-	86,073	86,073
Assigned fund balance			
Building fund	419,000	-	419,000
Capital equipment fund	410,000	-	410,000
Land	410,000	-	410,000
NGEN	45,000	-	45,000
Incident software	7,436	-	7,436
Election	55,000	-	55,000
Post retirement benefits	246,000	-	246,000
Unassigned fund balance			
Unreserved, undesignated	314,860	-	314,860
<b>TOTAL FUND BALANCES</b>	<b>1,907,296</b>	<b>86,073</b>	<b>1,993,369</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,915,218</b>	<b>\$ 86,073</b>	<b>\$ 3,001,291</b>

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

**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, 2015**

Fund Balances of Governmental Funds	\$ 1,993,369
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation, are not current financial resources and are not included in the governmental funds	1,995,369
Some liabilities, including long-term debt, compensated absences and accrued interest are not due and payable in the current period and therefore are not reported in the funds	(3,675,476)
Net pension liability is not due and payable in the current period and therefore is not reported in the governmental funds	(7,151,498)
Net OPEB obligation is not due in the current period and therefore is not reported in the governmental funds	(166,902)
Deferred outflows not reported in the government-wide financial statements	670,771
Deferred inflows not reported in the government-wide financial statements	<u>(2,279,757)</u>
Net position of governmental activities	<u>\$ (8,614,124)</u>

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



**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, 2015**

	<b>Governmental Fund Types</b>		<b>Total</b>
	<b>General</b>	<b>Special Revenue</b>	
<b>REVENUES</b>			
Property taxes	\$ 3,870,477	\$ -	\$ 3,870,477
Use of money and property	9,085	-	9,085
Aid from other governmental agencies	692,204	-	692,204
Charges for current services	66,643	-	66,643
Other revenues	1,286,826	-	1,286,826
Fire capital facilities fee	-	13,106	13,106
<b>TOTAL REVENUES</b>	<b>5,925,235</b>	<b>13,106</b>	<b>5,938,341</b>
<b>EXPENDITURES</b>			
Salaries and benefits	4,759,850	-	4,759,850
Services and supplies	1,097,830	13,106	1,110,936
Debt service:			
Principal	178,114	-	178,114
Interest	163,034	-	163,034
<b>TOTAL EXPENDITURES</b>	<b>6,198,828</b>	<b>13,106</b>	<b>6,211,934</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(273,593)</b>	<b>-</b>	<b>(273,593)</b>
<b>OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER USES</b>	<b>(273,593)</b>	<b>-</b>	<b>(273,593)</b>
<b>BEGINNING FUND BALANCE, AS RESTATED - Note 2</b>	<b>2,180,889</b>	<b>86,073</b>	<b>2,266,962</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 1,907,296</b>	<b>\$ 86,073</b>	<b>\$ 1,993,369</b>

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

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

Net Change in Fund Balances - Total Governmental Funds \$ (273,593)

Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:

Depreciation expense	(265,988)
Net effect of disposal of capital assets	(1,165)

In the governmental funds compensated absences (sick pay and vacation time) are measured by the amount of financial resources used which is the actual amount paid. In the government-wide statement of activities, compensated absences are measured by the amounts earned during the year. Vacation and sick leave earned was more or less than paid.	(14,364)
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Net other postemployment benefits obligation is not a current period expense and therefore is not reported as a liability in the governmental funds. Net expense for the year was:	(76,041)
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Repayments of long-term debt are reported as an expense in the fund financial statements but as a reduction of debt in the statement of net position	<u>178,114</u>
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Change in net position of governmental activities	<u><u>\$ (453,036)</u></u>
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**GASB 45 TRUST FUND FINANCIAL STATEMENTS**

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

**STATEMENT OF PLAN ASSETS AND CHANGES IN PLAN NET POSITION**

**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>2015</b>
<b>ASSETS</b>	
Cash and short term investments	\$ 425,934
<b>NET POSITION HELD IN TRUST FOR OTHER POST EMPLOYMENT BENEFITS</b>	<b>\$ 425,934</b>
<b>STATEMENT OF CHANGES IN PLAN NET POSITION</b>	
<b>ADDITIONS</b>	
Investment income (loss)	\$ (2,293)
<b>TOTAL ADDITIONS</b>	(2,293)
<b>DEDUCTIONS</b>	
Professional services	-
<b>TOTAL DEDUCTIONS</b>	-
<b>NET INCREASE</b>	(2,293)
Net position held in trust for other post employment benefits	(2,293)
<b>BEGINNING OF YEAR</b>	425,934
<b>END OF YEAR</b>	<b>\$ 423,641</b>

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

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**1. GENERAL INFORMATION**

**Organization**

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

**District Officials**

The District is governed by a board of five directors. The following were in office at June 30, 2015:

	<u>Term Expires</u> <u>November</u>
Don Chapin, President	2019
Frank Balesteri, Vice President	2017
Steve Tansey, Secretary	2015
Don Champion, Director	2017
Jacqueline C. Simon, Director	2017

**Accounting Records**

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

**Minutes**

Minutes were recorded for meetings and contained approvals for disbursements.

**Budgetary Procedure**

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

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Accounting Principles**

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

**Basis of Accounting and Measurement Focus**

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

**Financial Statement Presentation**

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized until that time.

The District’s Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of governmental activities for the District.

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Financial Statement Presentation (Continued)**

The Government-Wide Financial Statements are presented on an economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities, including capital assets, and long-term liabilities are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period the liability is incurred.

The District's government-wide net position is classified in the following categories:

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

The District's Government Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance for all major governmental funds. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the Government-Wide Financial Statements.

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Financial Statement Presentation (Continued)**

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

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

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



# NORTH COUNTY FIRE PROTECTION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2015

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Financial Statement Presentation (Continued)

- Unassigned – Includes amounts that are technically available for any purpose and includes all amounts not contained in other classifications.

##### Recently Issued and Adopted Accounting Pronouncements

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pension plans, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service.

GASB has issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

These pronouncements have been implemented for purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense/expenditures. Information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**NORTH COUNTY FIRE PROTECTION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**GASB 45 Trust Funds Postretirement Welfare Benefits**

The District provides postretirement welfare benefits to retired employees through a defined benefit healthcare plan. The District had been making contributions into a government fund to be used for future postemployment welfare benefits. During the fiscal year ended June 30, 2015, the District holds those funds in a Trust at ICMA. See Note 9 for further explanations of the plan.

**Capital Assets**

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

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

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

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

**District Special Expense**

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

**Use of Estimates**

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

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Allowance for Doubtful Accounts**

Management believes the District's accounts receivable to be fully collectable and, accordingly, no allowance for doubtful accounts is considered necessary.

**Employee Retirement Plans**

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

**Restatement**

**Government-Wide Financial Statements**

Effective for June 30, 2015, the District implemented Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement 27*. In the first year of implementation, beginning net position has been restated to present the retroactive effects of the implementation of GASB 68. Beginning net position was restated for expenses overstated in prior years.

Net position at June 30, 2014	\$ 349,065
Restatement, GASB 68	(8,746,121)
Restatement, prior years expenses overstated	<u>235,968</u>
Net position at June 30, 2014, as restated	<u>\$ (8,161,088)</u>

**Government-Fund Financial Statements – General Fund**

Beginning fund balance was restated for expenses overstated in prior years.

Fund balance at June 30, 2014	\$ 2,058,476
Restatement, prior years expenses overstated	<u>122,413</u>
Fund balance at June 30, 2014, as restated	<u>\$ 2,180,889</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Balance Assigned**

Fund Balance Assigned includes amounts intended to be used by the District for specific purposes. As of June 30, 2015, assigned (reserved) fund balances consisted of the following:

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

**Pension Plans**

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

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

Valuation Date (VD)	June 30, 2013
Measurement Date (MD)	June 30, 2014
Measurement Period (MP)	July 1, 2013 to June 30, 2014

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Deferred Outflows and Inflows of Resources**

Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. The District has two items that qualify for reporting in this category. These items are related to the pension plan. The deferred outflows on the Statement of Net Position represent the net effect of the District's contributions to the pension plan subsequent to the measurement date and not included in pension expense and an adjustment due to the changes in the proportions that result from CalPERS allocation methodology.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. The District has one item that qualifies for reporting in this category. This item is related to the pension plan. The deferred inflow on the Statement of Net Position represents the net differences between projected and actual earning on pension plan's investments.

**Subsequent Events**

Subsequent events were evaluated through June 29, 2016, the date the financial statements were available to be issued.

**3. CASH AND INVESTMENTS**

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

The California Government Code authorizes investments in U.S. treasury obligations, U.S. Agency securities, banker's acceptances, commercial paper, negotiable certificates of deposit, repurchase agreements, corporate notes and money market funds. The District currently invests its funds in the local government investment pool administered by Monterey County. As of June 30, 2015, the investment policy and the investments of the Monterey County pool are in compliance with the California Government Code.

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**3. CASH AND INVESTMENTS (Continued)**

**Disclosure Relating to Interest Rate Risk**

Interest rate risk is the risk of changes in market interest rates adversely affecting the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2015, the weighted average maturity of the Monterey County investment portfolio is 422 days.

**Disclosure Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Monterey County investment pool does not have a rating provided by a nationally recognized statistical rating organization. Approximately 91% of the investment portfolio is comprised of U.S. Treasuries, Federal Agency securities and other liquid funds.

All of those assets have an investment grade rating. U.S. Treasuries are not specifically rated, but are considered the safest of all investments. The corporate debt (approximately 8.52%) is rated in the higher level of investment grade. All federal agency securities have AA ratings or are guaranteed by the U.S. Treasury.

**Concentration of Credit Risk**

The Monterey County or the District investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The Monterey County pool does not include any investments by any one issuer (other than the State of California Local Agency Investment Fund and the California Asset Management Program – external governmental investment pools) that represents 10% or more of total investments.

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**3. CASH AND INVESTMENTS (Continued)**

**Custodial Credit Risk**

Custodial Credit Risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the provisions which requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure districts' deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

**Investments**

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

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**3. CASH AND INVESTMENTS (Continued)**

**Investments (Continued)**

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Investment Fund (LAIF)	N/A	None*	5%
California Asset Management Program CalTrust	N/A N/A	20% 20%	None None
U.S. Treasury Notes, Bonds, Bills Registered Warrants, Notes and Bonds Including Revenue Bonds, of the State of California and all other 49 States	5 Years 5 Years	None None	None 10%
Bonds, Notes, Warrants Issued by Any Local Agency Within California, Including Revenue Bonds	5 Years 5 Years	None None	10% None
Obligations of Fed Agencies and US Gov't	180 Days	40%	None
Bankers Acceptances			
Prime Commercial Paper of Domestic Issuers With Assets in Excess of \$500 Million	270 Days 5 Years 92 Days	40% 30% None	None None None
Certificates of Deposits	1 Year	None	None
Reverse Repurchase Agreements	5 Years	30%	None
Repurchase Agreements	None	**	None
Medium Term Notes	5 Years	20%	None
Money Market Mutual Funds	5 Years	20%	5%
Pass-Through Instruments			

\* The investment policy limits the pool's investments in LAIF to \$50,000,000 per account, or as approved by the State Treasurer for bond/note proceeds.

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

**Local Agency Investment Fund**

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



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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**3. CASH AND INVESTMENTS (Continued)**

**Local Agency Investment Fund** (Continued)

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

**Investment Trust of California Joint Powers Authority Pool**

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

**California Asset Management Program Joint Powers Authority Pool**

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

The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2015, to support the value of shares in the pool.

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**4. CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended June 30, 2015:

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2015</u>
<u>Capital Assets</u>				
<u>Not Depreciated:</u>				
Land	\$ 126,200	\$ -	\$ -	\$ 126,200
	<u>126,200</u>	<u>-</u>	<u>-</u>	<u>126,200</u>
<u>Capital Assets Being</u>				
<u>Depreciated:</u>				
Structure and improvements	1,211,652	-	-	1,211,652
Equipment	<u>5,260,521</u>	<u>-</u>	<u>(44,611)</u>	<u>5,215,910</u>
	<u>6,472,173</u>	<u>-</u>	<u>(44,611)</u>	<u>6,427,562</u>
<b>Total Capital Assets</b>	6,598,373	-	(44,611)	6,553,762
Less accumulated depreciation	<u>(4,335,851)</u>	<u>(265,988)</u>	<u>43,446</u>	<u>(4,558,393)</u>
	<u>\$ 2,262,522</u>	<u>\$ (265,988)</u>	<u>\$ (1,165)</u>	<u>\$ 1,995,369</u>

**5. TEMPORARY TRANSFERS OF FUNDS**

The District requires financial assistance for the period July to April due to the flow of property tax revenue. The Board of Supervisors of the County of Monterey, by resolution, approved its intention to provide needed "Tax Anticipation Funds" to the District. During the fiscal year ending June 30, 2015, the District borrowed \$2,500,000 in Tax Anticipation Funds. The balance was fully paid as of June 30, 2015.

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**6. PENSION PLANS**

**Plan Description, Benefits Provided, and Employees Covered**

The District has two pension plans (Plans), a Safety First Tier Plan (Tier 1) for employees hired prior to the year 2012 and a Safety Second Tier Plan (Tier 2) for employees hired after the year 2012.

Both Plans are cost-sharing multiple-employer defined benefit pension plans, administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plans' benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2013, Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2013, actuarial valuation report. This report is a publically available valuation report that can be obtained at CalPERS' website under Forms and Publications.

**Contribution Description**

Section 20814(c) of the California Public Employees' Retirement Law (PERL) 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. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plans' actuarially determined rate is based on the estimated amount necessary to pay the Plans' allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

- *Safety Tier 1 Plan:* For the measurement period ended June 30, 2014 (the measurement date), the active employee contribution rate is 8.980 percent of annual pay and the average employer's contribution rate is 23.397 percent of annual payroll.
- *Safety Tier 2 Plan:* For the measurement period ended June 30, 2014 (the measurement date), the active employee contribution rate is 8.922 percent of annual pay and the average employer's contribution rate is 19.900 percent of annual payroll.

**NORTH COUNTY FIRE PROTECTION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**6. PENSION PLANS (Continued)**

**Contribution Description** (Continued)

Employer contributions rates may change if the Plans' contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

**Actuarial Methods and Assumptions Used to Determine Total Pension Liability**

For the measurement period ending June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013, total pension liability for both Plans. Both the June 30, 2013, total pension liability and the June 30, 2014, total pension liability was based on the following actuarial methods and assumptions for both Plans:

Actuarial cost method	Entry age normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	7.50%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.50% Net of pension plan investment and administrative expenses; includes inflation
Mortality rate table	Derived using CalPERS' membership data for all funds
Post retirement - benefit increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**6. PENSION PLANS (Continued)**

**Actuarial Methods and Assumptions Used to Determine Total Pension Liability** (Continued)

All other actuarial assumptions used in the June 30, 2013, valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan. However, employers may determine the impact at the plan level for their own financial reporting purposes. Refer to the Plans' GASB 68 Accounting Valuation Reports prepared by CalPERS, which provides information on the sensitivity of the net pension liability to changes in the discount rate.

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**6. PENSION PLANS (Continued)**

**Discount Rate (Continued)**

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017 - 2018 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

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

In determining the long-term expected rate of return, CalPERS staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11- 60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table on the next page reflects 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 geometric rates of return are net of administrative expenses.

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**6. PENSION PLANS (Continued)**

**Discount Rate (Continued)**

<b>Asset Class</b>	<b>New Strategic Allocation</b>	<b>Real Return Years 1 - 10<sup>1</sup></b>	<b>Real Return Years 11+<sup>2</sup></b>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

<sup>1</sup>An expected inflation of 2.5% used for this period

<sup>2</sup>An expected inflation of 3.0% used for this period

**Pension Plan Fiduciary Net Position**

The plan fiduciary net position disclosed in the District's GASB 68 accounting valuation report may differ from the plan assets reported in District's funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included in fiduciary net position. These amounts are excluded for rate setting purposes in your funding actuarial valuation. In addition, differences may result from early CAFR closing and final reconciled reserves.

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**6. PENSION PLANS (Continued)**

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.50 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

<b><i>Safety Plan-Tier 1</i></b>	<b>Discount Rate – 1% (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>Discount Rate – 1% (8.50%)</b>
Plan's net pension liability/(asset)	\$ 12,283,811	\$ 7,138,138	\$ 2,898,325

<b><i>Safety Plan-Tier 2</i></b>	<b>Discount Rate – 1% (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>Discount Rate – 1% (8.50%)</b>
Plan's net pension liability/(asset)	\$ 22,990	\$ 13,360	\$ 5,425

<b><i>Combined Plans</i></b>	<b>Discount Rate – 1% (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>Discount Rate – 1% (8.50%)</b>
Plan's net pension liability/(asset)	\$ 12,306,801	\$ 7,151,498	\$ 2,903,750

**Subsequent Events**

There were no subsequent events that would materially affect the results presented in this disclosure.

**Recognition of Gains and Losses**

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

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



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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**6. PENSION PLANS (Continued)**

**Recognition of Gains and Losses (Continued)**

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

Difference between  
projected and actual  
earnings

5 year straight-line amortization

All other amounts

Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of participants (active, inactive and retired) in PERF C.

The EARSL for the 2013 - 2014 measurement period is 3.8 years, which was obtained by dividing the total service years 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to -0-. Also, note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

**Pension Expense and Deferred Outflows and Deferred Inflows**

**Safety Plan – Tier 1**

As of the start of the measurement period (July 1, 2013), the net pension liability for the Safety Plan – Tier 1 is \$9,452,076. The net pension liability of the Safety Risk Pool as of June 30, 2013, is \$4,784,321,560.

For the measurement period ended June 30, 2014 (the measurement date), the District incurred a pension expense/(income) of \$696,220 for the Safety Plan – Tier 1. The pension expense for the risk pool for the measurement period is \$351,644,102.

Note that no adjustments have been made for contributions subsequent to the measurement date. Adequate treatment of any contributions made after the measurement date is the responsibility of the District.

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**6. PENSION PLANS (Continued)**

**Pension Expense and Deferred Outflows and Deferred Inflows (Continued)**

**Safety Plan – Tier 1 (Continued)**

As of June 30, 2014, the District reports other amounts for the Safety Plan – Tier 1 as deferred outflows and deferred inflows of resources related to pensions as follows:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	(2,155,240)
Adjustment due to differences in proportions	30,583	-
Net difference between employer actual contributions and proportionate share of risk pool contributions	-	(142,587)
<b>Total</b>	<b>\$ 30,583</b>	<b>\$ (2,297,827)</b>

The amounts above are net of outflows and inflows recognized in the 2013-2014 measurement period expense.

Each employer is required to recognize an employer-specific expense item and a deferred outflow or deferred inflow of resources related to pensions. This is derived from the difference between actual contributions made by the employer and the employer's proportionate share of the risk pool's total contributions (as defined in Paragraph 55 of GASB 68). The difference is included in the above table as a deferred inflow of resources.

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**6. PENSION PLANS (Continued)**

**Pension Expense and Deferred Outflows and Deferred Inflows (Continued)**

**Safety Plan – Tier 1 (Continued)**

This deferral and the corresponding amortization amount are calculated separately by the District. The District's 2013-2014 measurement period expense includes amortization of this additional type of deferral. This item is required to be amortized over the expected average remaining service lifetime (EARSL), 3.8 years.

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

Measurement Period Ended June 30:	Deferred Outflows/(Inflows) of Resources
2015	\$ (578,812)
2016	(578,812)
2017	(580,995)
2018	(579,549)
2019	-
Thereafter	-
Total	<u>\$ (2,318,168)</u>

**Safety Plan – Tier 2**

As of the start of the measurement period (July 1, 2013), the net pension liability for the Safety Plan – Tier 2 is \$17,690. The net pension liability of the Miscellaneous Risk Pool as of June 30, 2013, is \$4,784,321,560.

For the measurement period ended June 30, 2014 (the measurement date), the District incurred a pension expense/(income) of \$16,508 for the Safety Plan – Tier 2. The pension expense for the risk pool for the measurement period is \$351,644,102.

Note that no adjustments have been made for contributions subsequent to the measurement date. Adequate treatment of any contributions made after the measurement date is the responsibility of the District.

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**6. PENSION PLANS (Continued)**

**Pension Expense and Deferred Outflows and Deferred Inflows (Continued)**

**Safety Plan – Tier 2 (Continued)**

As of June 30, 2014, the District reports other amounts for the Safety Plan – Tier 2 as deferred outflows and deferred inflows of resources related to pensions as follows:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	(4,034)
Adjustment due to differences in proportions	-	(15,147)
Net difference between employer actual contributions and proportionate share of risk pool contributions	22,103	-
<b>Total</b>	<b>\$ 22,103</b>	<b>\$ (19,181)</b>

The amounts above are net of outflows and inflows recognized in the 2013-14 measurement period expense.

Each employer is required to recognize an employer-specific expense item and a deferred outflow or deferred inflow of resources related to pensions. This is derived from the difference between actual contributions made by the employer and the employer's proportionate share of the risk pool's total contributions (as defined in Paragraph 55 of GASB 68). The difference is included in the above table as a deferred inflow of resources.

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**6. PENSION PLANS (Continued)**

**Pension, Expense, and Deferred Outflows and Deferred Inflows (Continued)**

**Safety Plan – Tier 2 (Continued)**

This deferral and the corresponding amortization amount are calculated separately by the District. The District's 2013-2014 measurement period expense includes amortization of this additional type of deferral. This item is required to be amortized over the expected average remaining service lifetime (EARSL), 3.8 years.

Amounts reported as deferred outflows and deferred inflows of resources related to pensions, other than the employer-specific item, will be recognized in future pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows/(Inflows) of Resources
2015	\$ 1,477
2016	1,477
2017	978
2018	(1,010)
2019	-
Thereafter	-
Total	<u>\$ 2,922</u>

**7. DEFERRED COMPENSATION PLAN**

The District offers its employees a deferred compensation plan (the "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.

All amounts of compensation deferred under the Plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights remain solely the property and rights of the District, without being restricted to the provisions of benefits under the Plan, subject only to the claims of the District's general creditors.

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**7. DEFERRED COMPENSATION PLAN (Continued)**

Each participant's rights under the Plan are equivalent to those of general creditors of the District, in an amount equal to the fair market value of their individual deferred account.

In accordance with 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.

As of June 30, 1999, the District is no longer required to report its deferred compensation plan assets and liabilities under a separate agency fund on the face of the financial statements.

**8. RISK MANAGEMENT**

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The District has entered into a Joint Exercise of Powers Agreement pursuant to the provisions of the California Government Code, Section 989, 990, 990.4, 990.8, 6500.6515 and Labor Code, Section 3700 (b).

The local agencies under the agreement have formed the Monterey County Local Agencies Insurance Authority, as an Administrator, to establish, operate, and maintain insurance programs for workers' compensation, group insurance programs, including property and casualty benefits and risk management programs.

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.

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**8. RISK MANAGEMENT (Continued)**

For the year ended June 30, 2015, the District has contributed \$54,923 to the program for the purpose of maintaining general liability and \$259,976 for workers' compensation programs.

Claims are paid by a third party administrator acting on behalf of the District under the terms of a contractual agreement. Administrative fees are included within the provisions of that agreement. The District is protected against unanticipated catastrophic claims and aggregate loss by coverage carried through a commercial insurer.

Coverage was in effect for specific occurrences exceeding \$250,000 and aggregate retention of \$2,000,000.

Insurance coverage as of June 30, 2015, is as follows:

	Limits	Deductible
General Liability:		
General Liability – Per Occurrence	\$ 1,000,000	\$ 1,000
Per Location – Aggregate	\$ 3,000,000	\$ 1,000
Auto Liability:	\$ 1,000,000	\$ 1,000
Combined Single Limit	Value per	
Physical Damage	Policy	
	Schedule	
Other Coverage:		
Uninsured Motorist/Bodily Injury	\$ 1,000,000	\$ 1,000
Commercial Umbrella Liability Coverage –		
Per Occurrence/Aggregate	\$ 10,000,000	\$ 1,000
Emergency Service Management Liability:		
Per Claim	\$ 1,000,000	\$ 1,000
Aggregate	\$ 3,000,000	\$ 1,000

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**8. RISK MANAGEMENT (Continued)**

	<u>Building Contents</u>	<u>Building Replacement Cost</u>	<u>Deductible</u>
<u>Deductible - \$1,000</u>			
Firehouse – 11200 Speegle Street	\$ 169,339	\$ 2,764,468	\$ 1,000
Firehouse – 11200 Speegle Street	\$ 115,461	\$ 1,630,524	\$ 1,000
Firehouse – 17639 Pesante Road	\$ 115,461	\$ 1,574,978	\$ 1,000
Firehouse – 310 Elkhorn Road	\$ 115,461	\$ 2,879,654	\$ 1,000
Electronic data processing	\$ 33,955	\$ 250,000	\$ 1,000
		<u>Limits</u>	<u>Deductible</u>
Equipment Floater – Miscellaneous Portable Equipment		\$ 3,000,000	\$ 1,000
Personnel – Workers' Compensation (Self-Insured through the Monterey County Local Agencies Insurance Authority)		Statutory	

**9. OTHER POST RETIREMENT BENEFITS**

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

**Plan Description**

The District provides post-retirement health care benefits, in accordance with the District's Memorandum of Understanding, to all employees who retire from the District on or after attaining age 50 with at least 20 years of service. Monthly benefits are not to exceed \$600 per retiree, and shall continue for a maximum period of 15 years or until attaining age 65, whichever comes first. Currently, ten retirees meet the eligibility requirements. The District pays for vision and dental care directly, and reimburses each retiree for medical premiums withheld from the retiree's retirement paycheck.



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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**9. OTHER POST RETIREMENT BENEFITS (Continued)**

**Funding Policy**

The District finances the plan on a pay-as-you-go basis. For the year ended June 30, 2015, the District expended \$67,810 for post-retirement health care.

**Annual OPEB Cost and Net OPEB Obligation**

The accompanying schedules of employer contributions present trend information about the amounts contributed to the plan by the employers in comparison to the Annual Required Contribution (ARC) an amount that is actuarially determined in accordance with the parameters of GASB Statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

	<u>District Service Benefit</u>
Valuation Date	June 30, 2013
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar
Remaining Amortization Period	30 years
Asset Valuation Method	N/A (no dedicated assets)
Investment Rate of Return	5.00%

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**9. OTHER POST RETIREMENT BENEFITS (Continued)**

**Annual OPEB Cost and Net OPEB Obligation (Continued)**

The following table shows the components of the Agency's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in its net OPEB obligation to the Retiree Health Plan at June 30, 2015:

Annual required contribution	\$	112,800
Interest on net OPEB obligation		1,000
Amortization of Net OPEB Obligation		<u>(1,300)</u>
Annual OPEB cost (expense)		112,500
Estimated contributions		<u>(36,459)</u>
Increase in net OPEB obligation		76,041
Net OPEB obligation – beginning of year		<u>90,861</u>
Net OPEB obligation – end of year	\$	<u><u>166,902</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three fiscal years is as follows:

<u>Actuarial Valuation Date</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation at End of Year</u>
6/30/2013	\$ 182,300	\$ 77,729	41%	\$ 20,891
6/30/2014	\$ 112,500	\$ 42,560	41%	\$ 90,861
6/30/2015	\$ 112,500	\$ 36,459	32%	\$ 166,902

**Funding Status and Funding Progress**

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality, and healthcare costs trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations, and new estimates are made about the future.

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**9. OTHER POST RETIREMENT BENEFITS (Continued)**

**Funding Status and Funding Progress (Continued)**

The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. The actuarial assumptions included (a) demographic assumptions affected by mortality, turnover, disability and retirement based on the June 30, 2013, CalPERS pension valuation and (b) economic assumptions including a 5% investment rate of return, compensation increases (if applicable), self-pay increases (if applicable) and health care trend.

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**10. GASB 45 CASH AND INVESTMENTS**

Cash and investments as of June 30, 2015, are classified in the accompanying financial statements as follows:

Fiduciary Funds:

Cash and investments	\$ <u>423,641</u>
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Total Cash and Investments	\$ <u>423,641</u>
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**Investments Authorized by the District's Investment Policy**

The District's investment policy only authorizes the investment in an ICMA trust. The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk and concentrations of credit risk.

**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.

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. ICMA does not have a rating provided by a nationally recognized statistical rating organization.

**Concentration of Credit Risk**

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2015, the District's funds are held in four funds each representing more than 5% or more of total District investments.

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**10. GASB 45 CASH AND INVESTMENTS (Continued)**

**Concentration of Credit Risk** (Continued)

Plan assets were held in the following as of June 30, 2015:

<u>Investment Type</u>	<u>Fair Market Value</u>
Bond Funds	\$ 303,854
Asset Allocation Fund	<u>119,787</u>
Total June 30, 2015	<u>\$ 423,641</u>

**11. LONG-TERM DEBT**

A summary of changes in long-term debt for the year ended June 30, 2015, is as follows:

	<u>Balance 2014</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2015</u>	<u>Due Within One Year</u>
<u>Long-term debt:</u>					
Santa Cruz County Bank	\$ 2,947,257	\$ -	\$ (179,558)	\$ 2,767,699	\$ 187,549
Total Long-Term Debt	2,947,257	<u>\$ -</u>	<u>\$ (179,558)</u>	2,767,699	<u>\$ 187,549</u>
Less current portion				<u>(187,549)</u>	
Total long-term debt, net of current portion	<u>\$ 2,769,238</u>			<u>\$ 2,580,150</u>	

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

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**11. LONG-TERM DEBT (Continued)**

Future debt service requirements for the years ending June 30 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Current	\$ 187,549	\$ 153,599	\$ 341,148
2017	198,660	142,488	341,148
2018	209,992	131,156	341,148
2019	221,970	119,178	341,148
2020	234,349	106,799	341,148
2021-2025	1,389,118	319,600	1,708,718
2036-2040	<u>326,061</u>	<u>14,116</u>	<u>340,177</u>
	<u>\$ 2,767,699</u>	<u>\$ 986,936</u>	<u>\$ 3,754,635</u>

**12. LITIGATION**

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

**REQUIRED SUPPLEMENTARY INFORMATION**

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

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

**JUNE 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES/EXPENSES</b>				
Salaries and benefits	\$ 4,743,218	\$ 4,743,218	\$ 4,759,850	\$ (16,632)
Services and supplies	874,415	843,415	1,097,830	(254,415)
Debt Service:				
Principal	-	-	178,114	(178,114)
Interest	-	-	163,034	(163,034)
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>5,617,633</b>	<b>5,586,633</b>	<b>6,198,828</b>	<b>(612,195)</b>
<b>PROGRAM REVENUES:</b>				
Property taxes	5,038,901	4,985,392	3,870,477	(1,114,915)
Use of money and property	-	-	9,085	9,085
Aid from other governmental agencies	3,000	231,153	692,204	461,051
Charges for current services	-	-	66,643	66,643
Other revenues	66,000	-	1,286,826	1,286,826
<b>TOTAL PROGRAM REVENUES</b>	<b>5,107,901</b>	<b>5,216,545</b>	<b>5,925,235</b>	<b>708,690</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<b>\$ (509,732)</b>	<b>\$ (370,088)</b>	<b>\$ (273,593)</b>	<b>\$ 1,320,885</b>

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



**NORTH COUNTY FIRE PROTECTION DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**Safety Plan – Tier 1**

	<b><u>6/30/2014</u><sup>1</sup></b>
Plan's proportion of the net pension liability/(asset)	0.11472%
Plan's proportionate share of the net pension liability/(asset)	\$7,138,138
Plan's covered-employee payroll <sup>2</sup>	\$2,750,256
Plan's proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	259.54%
Plan's proportionate share of the fiduciary net position as a percentage of the plan's total pension liability	81.42%
Plan's proportionate share of aggregate employer contributions <sup>3,4</sup>	\$885,501

**Safety Plan – Tier 2**

	<b><u>6/30/2014</u><sup>1</sup></b>
Plan's proportion of the net pension liability/(asset)	0.00021%
Plan's proportionate share of the net pension liability/(asset)	\$13,360
Plan's covered-employee payroll <sup>2</sup>	\$142,628
Plan's proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	9.37%
Plan's proportionate share of the fiduciary net position as a percentage of the plan's total pension liability	81.42%
Plan's proportionate share of aggregate employer contributions <sup>3,4</sup>	\$1,657

**NORTH COUNTY FIRE PROTECTION DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**Footnotes for Both Plans**

- <sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.
- <sup>2</sup> Covered-employee payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.
- <sup>3</sup> The plans' proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The plan's proportionate share of aggregate contributions is based on the plan's proportion of fiduciary net position shown on line 5 of the tables above as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.
- <sup>4</sup> This data is not required to be displayed by GASB 68 for employers participating in cost-sharing plans, but it is being shown here because it is used in the calculation of the Plan's pension expense.

# NORTH COUNTY FIRE PROTECTION DISTRICT

## SCHEDULE OF PLAN CONTRIBUTIONS

FOR THE YEAR ENDED JUNE 30, 2015

### Safety Plan – Tier 1

	<b><u>Fiscal Year 2013-14</u></b>
Actuarially determined contribution <sup>2</sup>	\$ 641,030
Contributions in relation to the actuarially determined contribution <sup>2</sup>	(641,030)
Contribution deficiency (excess)	\$ -
Covered-employee payroll <sup>3,4</sup>	\$2,750,256
Contributions as a percentage of covered-employee payroll <sup>3</sup>	23.31%

### Safety Plan – Tier 2

	<b><u>Fiscal Year 2013-14</u></b>
Actuarially determined contribution <sup>2</sup>	\$ 29,711
Contributions in relation to the actuarially determined contribution <sup>2</sup>	(29,711)
Contribution deficiency (excess)	\$ -
Covered-employee payroll <sup>3,4</sup>	\$ 142,628
Contributions as a percentage of covered-employee payroll <sup>3</sup>	20.83%

### Footnotes for Both Plans

- <sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.
- <sup>2</sup> Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side fund or their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as “side funds” do not conform to the circumstances described in paragraph 120 of GASB 68, therefore are not considered separately financed specific liabilities.
- <sup>3</sup> Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.
- <sup>4</sup> Payroll from prior year of \$2,670,152 and 138,474 for Tier 1 and Tier 2, respectively, was assumed to increase by the 3.00 percent payroll growth assumption.

**NORTH COUNTY FIRE PROTECTION DISTRICT**  
**SCHEDULE OF PLAN CONTRIBUTIONS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**Notes to Schedules**

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013, as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amounts to be separately financed employer-specific liabilities.

Change in Assumptions: None

**NORTH COUNTY FIRE PROTECTION DISTRICT**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
POST-EMPLOYMENT BENEFITS – GASB 45**

**FOR THE YEAR ENDED JUNE 30, 2015**

Actuarial Covered Valuation Date	Actuarial Valuation of Assets (a)	Actuarial Valued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Payroll ((b-a)/c)
6/30/10	\$ -	\$ 2,222,000	\$ 2,222,000	0.0%	\$ 2,790,500	80.0%
6/30/13	\$ 424,400	\$ 1,691,500	\$ 1,267,100	25%	\$ 2,865,600	44%

1. This information is intended to help users assess the OPEB funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits and make comparison with other public employers.

## **SUPPLEMENTARY INFORMATION**

**NORTH COUNTY FIRE PROTECTION DISTRICT**

**NOTES TO OTHER SUPPLEMENTARY  
INFORMATION - BUDGET**

**FOR THE YEAR ENDED JUNE 30, 2015**

**BUDGETARY BASIS OF ACCOUNTING**

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

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