

**NORTH COUNTY FIRE PROTECTION DISTRICT
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
For the Fiscal Year Ended
June 30, 2021
(With Comparative Information as of June 30, 2020)**

NIGRO & NIGRO^{PC}

NORTH COUNTY FIRE PROTECTION DISTRICT

For the Fiscal Year Ended June 30, 2021

Table of Contents

	<u>Page</u>
FINANCIAL SECTION	
Independent Auditors' Report	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	10
Statement of Activities.....	11
Governmental Funds Financial Statements:	
Governmental Funds Balance Sheet.....	12
Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Position	13
Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances	14
Reconciliation of the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	15
Notes to Financial Statements	16

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule – General Fund	47
Budgetary Comparison Schedule – Fire Mitigation Fund	48
Schedule of Proportionate Share of the Net Pension Liability.....	49
Schedule of Pension Contributions	50
Schedule of Changes in the District's Total OPEB Liability and Related Ratios	51

SUPPLEMENTARY INFORMATION

Balance Sheets – Other Governmental Funds.....	52
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Other Governmental Funds	53

OTHER INDEPENDENT AUDITORS' REPORTS

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	54
---	----

Financial Section



INDEPENDENT AUDITORS' REPORT

Board of Directors
North County Fire Protection District
Fallbrook, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North County Fire Protection District as of and for the fiscal year ended June 30, 2021, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of North County Fire Protection District, as of June 30, 2021, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

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



Murrieta, California
December 31, 2021

NORTH COUNTY FIRE PROTECTION DISTRICT
Management's Discussion and Analysis (Unaudited)
 For the Fiscal Year Ended June 30, 2021

Management's Discussion and Analysis (MD&A) offers readers of North County Fire Protection District's financial statements a narrative overview of the District's financial activities for the fiscal year ended June 30, 2021. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current-to prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt. Please read in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

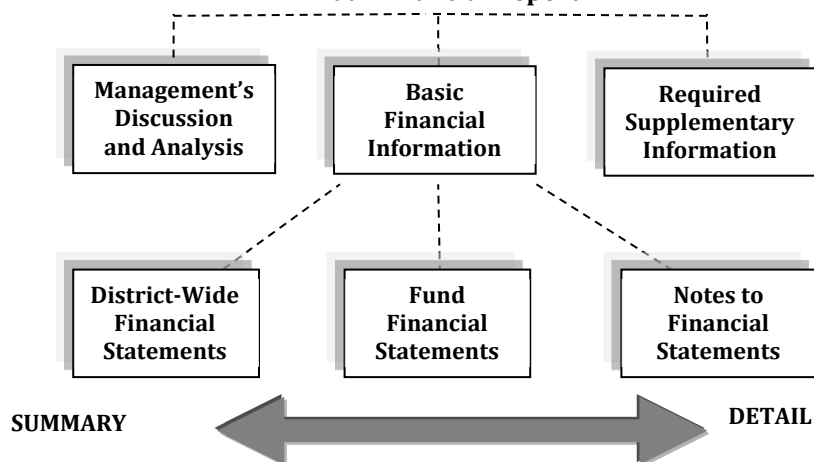
- The District's net position decreased \$818,826 as a result of this year's operations.
- Total revenues from all sources increased by 12.54%, or \$2,572,908 from \$20,520,080 to \$23,092,988, from the prior year, primarily due to increases in property taxes of \$685,814 and charges for services of \$1,622,750.
- Total expenses for the District's operations increased by 2.19% or \$512,709 from \$23,399,105 to \$23,911,814, from the prior year, primarily due to increases in salaries, benefits, and interest expense.
- The District purchased new capital assets during the year in the amount of \$239,986. Depreciation expense was \$1,391,618.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- *District-wide financial statements* provide both short-term and long-term information about the District's overall financial status.
- *Fund financial statements* focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - The *governmental funds* statements tell how basic services were financed in the short term as well as what remains for future spending.

Figure A-1. Organization of North County Fire Protection District's Annual Financial Report



The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

NORTH COUNTY FIRE PROTECTION DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	Governmental Funds
<i>Scope</i>	Entire District	The activities of the District that are not proprietary or fiduciary, such as fire and ambulance services
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	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
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

District-Wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of buildings and other facilities.
- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as fire protection, medical transport, and administration. Local property taxes finance most of these activities.

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

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

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

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

NORTH COUNTY FIRE PROTECTION DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION

Analysis of Net Position

Table A-1: Condensed Statement of Net Position

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Change</u>
Assets:			
Current assets	\$ 10,954,985	\$ 8,113,743	\$ 2,841,242
Capital assets, net	14,038,852	14,786,910	(748,058)
Total assets	<u>24,993,837</u>	<u>22,900,653</u>	<u>2,093,184</u>
Deferred outflows of resources	<u>18,106,270</u>	<u>27,240,566</u>	<u>(9,134,296)</u>
Liabilities:			
Current liabilities	3,952,574	3,456,499	496,075
Non-current liabilities	42,129,784	60,199,084	(18,069,300)
Total liabilities	<u>46,082,358</u>	<u>63,655,583</u>	<u>(17,573,225)</u>
Deferred inflows of resources	<u>13,341,424</u>	<u>1,990,485</u>	<u>11,350,939</u>
Net position (Deficit):			
Net investment in capital assets	6,597,352	7,093,362	(496,010)
Restricted	2,377,986	1,974,412	403,574
Unrestricted (Deficit)	(25,299,013)	(24,572,623)	(726,390)
Total net position (deficit)	<u>\$ (16,323,675)</u>	<u>\$ (15,504,849)</u>	<u>\$ (818,826)</u>

At the end of fiscal year 2021, the District shows a deficit balance in its unrestricted net position of (\$25,299,013).

Analysis of Revenues and Expenses

Table A-2: Condensed Statements of Activities

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Change</u>
Program revenues	\$ 5,395,412	\$ 3,973,607	\$ 1,421,805
Expenses	<u>(23,911,814)</u>	<u>(23,399,105)</u>	<u>(512,709)</u>
Net program expense	(18,516,402)	(19,425,498)	909,096
General revenues	<u>17,697,576</u>	<u>16,546,473</u>	<u>1,151,103</u>
Change in net position	(818,826)	(2,879,025)	2,060,199
Net position:			
Beginning of year	<u>(15,504,849)</u>	<u>(12,625,824)</u>	<u>(2,879,025)</u>
End of year	<u>\$ (16,323,675)</u>	<u>\$ (15,504,849)</u>	<u>\$ (818,826)</u>

NORTH COUNTY FIRE PROTECTION DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)

Analysis of Revenues and Expenses (continued)

The statement of activities shows how the government's net position changed during the fiscal year. In the case of the District, the net position of the District decreased by (\$818,826).

Table A-3: Total Revenues

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Increase (Decrease)</u>
Program revenues:			
Charges for services	\$ 5,242,310	\$ 3,619,560	\$ 1,622,750
Operating and capital grant funding	153,102	354,047	(200,945)
Total program revenues	<u>5,395,412</u>	<u>3,973,607</u>	<u>1,421,805</u>
General revenues:			
Property taxes	16,669,311	15,983,497	685,814
Rental income – cellular towers	101,223	102,950	(1,727)
Investment earnings	25,172	226,888	(201,716)
Other revenues	901,870	233,138	668,732
Total general revenues	<u>17,697,576</u>	<u>16,546,473</u>	<u>1,151,103</u>
Total revenues	<u>\$ 23,092,988</u>	<u>\$ 20,520,080</u>	<u>\$ 2,572,908</u>

Total revenues from all sources increased by 12.54%, or \$2,572,908 from \$20,520,080 to \$23,092,988, from the prior year, primarily due to increases in property taxes of \$685,814 and charges for services of \$1,622,750.

Table A-4: Total Expenses

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Increase (Decrease)</u>
Expenses:			
Salaries and wages	\$ 9,984,682	\$ 9,898,114	\$ 86,568
Employee benefits	7,907,004	7,396,975	510,029
Materials and services	3,843,629	4,511,570	(667,941)
Depreciation expense	1,391,618	971,021	420,597
Interest expense	784,881	323,290	461,591
Cost of issuance	-	298,135	(298,135)
Total expenses	<u>\$ 23,911,814</u>	<u>\$ 23,399,105</u>	<u>\$ 512,709</u>

Total expenses for the District's operations increased by 2.19% or \$512,709 from \$23,399,105 to \$23,911,814, from the prior year, primarily due to increases in salaries, benefits, and interest expense.

NORTH COUNTY FIRE PROTECTION DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

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

As of June 30, 2021, the District reported a total fund balance of \$11,790,456. An amount of \$3,090,211 constitutes the District's *unassigned fund balance*.

OPERATIONS FUND BUDGETARY HIGHLIGHTS

The final budgeted expenditures for the District's operational fund at year-end were \$63,730 less than actual. Actual revenues were greater than the anticipated budget by \$2,721,496. Actual revenues less expenses were under budget by \$2,657,766.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2020-21 the District had invested \$239,986 in new capital assets, related to the purchase of equipment for use in fire protection. (More detailed information about capital assets can be found in Note 7 to the financial statements). Total depreciation expense for the year was \$1,391,618.

Table A-5: Capital Assets at Year End, Net of Depreciation

	<u>Balance, June 30, 2021</u>	<u>Balance, June 30, 2020</u>
Capital assets:		
Non-depreciable assets	\$ 872,639	\$ 1,044,562
Depreciable assets	22,918,111	22,026,460
Accumulated depreciation	<u>(12,129,884)</u>	<u>(12,276,222)</u>
Total capital assets, net	<u>\$ 11,660,866</u>	<u>\$ 10,794,800</u>

Long-Term Debt

At year-end the District had \$5,063,514 in outstanding long-term debt – a decrease of 11.5% from last year – as shown in Table A-6. (More detailed information about the District's long-term liabilities is presented in Note 10 to the financial statements).

Table A-6: Outstanding Long-Term Debt at Year-End

	<u>Balance, June 30, 2021</u>	<u>Balance, June 30, 2020</u>
	<u>\$ 5,063,514</u>	<u>\$ 5,719,136</u>

NORTH COUNTY FIRE PROTECTION DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

FACTORS AFFECTING CURRENT AND FUTURE FINANCIAL POSITION

Management is unaware of any item that would affect the current financial position.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The District's basic financial statements are designed to present users with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional information, please contact the District's Fire Chief at the North County Fire Protection District at 330 South Main Avenue, Fallbrook, California 92028 or (760) 723-2005.

NORTH COUNTY FIRE PROTECTION DISTRICT

Statement of Net Position

June 30, 2021 (With Comparative Amounts as of June 30, 2020)

	Governmental Activities	
	2021	2020
ASSETS		
Current assets:		
Cash and investments (Note 2)	\$ 9,130,057	\$ 6,799,555
Accrued interest receivable	7,135	18,314
Accounts receivable – ambulance billings, net (Note 4)	830,387	666,441
Other receivables (Note 5)	396,305	101,078
Deposits with Public Agencies Self-Insurance System (Note 6)	490,311	490,640
Prepaid items	100,790	37,715
Total current assets	10,954,985	8,113,743
Non-current assets:		
Restricted – cash and investments (Note 2 and 3)	2,236,219	1,846,167
Restricted – accrued interest receivable (Note 3)	3,982	7,397
Restricted – other receivables (Note 3 and 5)	137,785	120,848
Capital assets – not being depreciated (Note 7)	872,639	1,044,562
Capital assets – being depreciated, net (Note 7)	10,788,227	11,767,936
Total non-current assets	14,038,852	14,786,910
Total assets	24,993,837	22,900,653
DEFERRED OUTFLOWS OF RESOURCES		
OPEB related deferred outflows of resources (Note 12)	1,512,981	420,371
Pension related deferred outflows of resources (Note 13)	16,593,289	26,820,195
Total deferred outflows of resources	18,106,270	27,240,566
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	287,521	173,005
Accrued payroll and related liabilities	851,754	692,378
Unearned revenue	403,240	17,509
Accrued interest payable	89,986	53,436
Long-term liabilities – due in one year:		
Compensated absences (Note 8)	1,000,000	1,000,000
Pension obligation bonds (Note 9)	740,000	860,000
Long-term debt (Note 10)	580,073	660,171
Total current liabilities	3,952,574	3,456,499
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (Note 8)	1,214,461	1,684,609
Pension obligation bonds (Note 9)	18,705,000	19,445,000
Long-term debt (Note 10)	4,483,441	5,058,965
Workers' compensation claims payable (Note 11)	3,516,697	3,315,736
Net other post-employment benefits obligation (Note 12)	5,624,356	4,212,984
Net pension liability (Note 13)	8,585,829	26,481,790
Total non-current liabilities	42,129,784	60,199,084
Total liabilities	46,082,358	63,655,583
DEFERRED INFLOWS OF RESOURCES		
OPEB related deferred outflows of resources (Note 12)	-	78,564
Pension related deferred outflows of resources (Note 13)	13,341,424	1,911,921
Total deferred inflows of resources	13,341,424	1,990,485
NET POSITION		
Net investment in capital assets (Note 14)	6,597,352	7,093,362
Restricted (Note 3)	2,377,986	1,974,412
Unrestricted (Deficit) (Note 15)	(25,299,013)	(24,572,623)
Total net position	\$ (16,323,675)	\$ (15,504,849)

NORTH COUNTY FIRE PROTECTION DISTRICT*Statement of Activities**For the Fiscal Year Ended June 30, 2021**With Comparative Amounts For the Fiscal Year Ended June 30, 2020)*

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
EXPENSES:		
Fire protection, prevention and emergency medical transport:		
Operations:		
Salaries and wages	\$ 9,984,682	\$ 9,898,114
Employee benefits	7,907,004	7,396,975
Materials and services	3,843,629	4,511,570
Depreciation expense	1,391,618	971,021
Interest expense	784,881	323,290
Cost of debt issuance (Note 9)	-	298,135
Total expenses	<u>23,911,814</u>	<u>23,399,105</u>
PROGRAM REVENUES:		
Charges for services:		
Ambulance services	2,638,927	2,338,146
Fire services – California Office of Emergency Services	1,754,557	327,631
Fire prevention	252,471	254,859
Mitigation fees	375,478	565,434
Annexation fees	116,942	70,345
Administration	103,935	63,145
Operating and capital grant funding	153,102	354,047
Total program revenues	<u>5,395,412</u>	<u>3,973,607</u>
Net program expense	<u>18,516,402</u>	<u>(19,425,498)</u>
GENERAL REVENUES:		
Property taxes	16,669,311	15,983,497
Rental income – cellular towers	101,223	102,950
Investment earnings	25,172	226,888
Other revenues	901,870	233,138
Total general revenues	<u>17,697,576</u>	<u>16,546,473</u>
Change in net position	<u>(818,826)</u>	<u>(2,879,025)</u>
Net Position:		
Beginning of year (Deficit)	<u>(15,504,849)</u>	<u>(12,625,824)</u>
End of year (Deficit)	<u>\$ (16,323,675)</u>	<u>\$ (15,504,849)</u>

NORTH COUNTY FIRE PROTECTION DISTRICT
Balance Sheet – Governmental Funds
June 30, 2021

	General Fund	Fire Mitigation Fund	Other Governmental Funds	Total Funds
ASSETS				
Assets:				
Cash and investments	\$ 9,130,057	\$ -	\$ -	\$ 9,130,057
Restricted – cash and investments	-	719,060	1,517,159	2,236,219
Accrued interest receivable	7,135	-	-	7,135
Restricted – accrued interest receivable	-	1,620	2,362	3,982
Accounts receivable, net	830,387	-	-	830,387
Other receivables	396,305	-	-	396,305
Restricted – other receivables	-	136,619	1,166	137,785
Deposits with PASIS	490,311	-	-	490,311
Prepaid items	100,790	-	-	100,790
Due from other funds (Note 16)	97,521	-	-	97,521
Total assets	\$ 11,052,506	\$ 857,299	\$ 1,520,687	\$ 13,430,492
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	\$ 287,521	\$ -	\$ -	\$ 287,521
Accrued payroll and related liabilities	851,754	-	-	851,754
Unearned revenue	403,240	-	-	403,240
Due to other funds (Note 16)	-	97,521	-	97,521
Total liabilities	1,542,515	97,521	-	1,640,036
Fund Balances: (Note 17)				
Nonspendable	100,790	-	-	100,790
Restricted	-	857,299	1,520,687	2,377,986
Assigned	6,221,469	-	-	6,221,469
Unassigned	3,187,732	(97,521)	-	3,090,211
Total fund balance	9,509,991	759,778	1,520,687	11,790,456
Total liabilities and fund balance	\$ 11,052,506	\$ 857,299	\$ 1,520,687	\$ 13,430,492

NORTH COUNTY FIRE PROTECTION DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2021

Fund Balances – Governmental Funds	\$ 11,790,456
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those assets as capital assets.	11,660,866
Deferred outflows of resources used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those deferred outflows of resources.	18,106,270
Long-term liabilities applicable to the District are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position as follows:	
Accrued interest payable	(89,986)
Compensated absences	(2,214,461)
Pension obligation bonds	(19,445,000)
Long-term debt	(5,063,514)
Workers' compensation claims payable	(3,516,697)
Net other post-employment benefits payable	(5,624,356)
Net pension liability	(8,585,829)
Deferred inflows of resources used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those deferred inflows of resources.	<u>(13,341,424)</u>
Total adjustments	<u>(28,114,131)</u>
Net Position of Governmental Activities	<u>\$ (16,323,675)</u>

NORTH COUNTY FIRE PROTECTION DISTRICT*Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2021*

	<u>General Fund</u>	<u>Fire Mitigation Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:				
Property taxes	\$ 16,338,871	\$ -	\$ 330,440	\$ 16,669,311
Charges for services:				
Ambulance services	2,638,927	-	-	2,638,927
Fire services – CA OES	1,754,557	-	-	1,754,557
Fire prevention	252,471	-	-	252,471
Mitigation fees	-	375,478	-	375,478
Annexation fees	116,942	-	-	116,942
Administration	103,935	-	-	103,935
Operating and capital grant funding	153,102	-	-	153,102
Rental income – cellular towers	101,223	-	-	101,223
Investment earnings	21,637	1,779	1,756	25,172
Other revenues	901,870	-	-	901,870
Total revenues	<u>22,383,535</u>	<u>377,257</u>	<u>332,196</u>	<u>23,092,988</u>
EXPENDITURES:				
Current:				
Salaries and wages	10,454,830	-	-	10,454,830
Employee benefits	3,906,358	-	-	3,906,358
Materials and services	3,639,268	-	3,400	3,642,668
Capital outlay	239,986	-	-	239,986
Debt service:				
Principal	1,515,622	-	-	1,515,622
Interest	748,331	-	-	748,331
Total expenditures	<u>20,504,395</u>	<u>-</u>	<u>3,400</u>	<u>20,507,795</u>
Net Changes in Fund Balance	1,879,140	377,257	328,796	2,585,193
FUND BALANCES:				
Beginning of year	<u>7,630,851</u>	<u>382,521</u>	<u>1,191,891</u>	<u>9,205,263</u>
End of year	<u>\$ 9,509,991</u>	<u>\$ 759,778</u>	<u>\$ 1,520,687</u>	<u>\$ 11,790,456</u>

NORTH COUNTY FIRE PROTECTION DISTRICT

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities For the Fiscal Year Ended June 30, 2021

Net Change in Fund Balances – Governmental Funds \$ 2,585,193

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

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

Change in compensated absences	470,148
Change in accrued interest payable	(36,550)
Change in workers' compensation claims payable	(200,961)
Change in net other post-employment benefits obligations and related deferred resources	(240,198)
Change in net pension liability and related deferred resources	(3,760,448)

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

Capital outlay	239,986
Depreciation expense	(1,391,618)

Principal repayment of long-term debt obligations are reported as expenditures in governmental funds. However, principal repayments reduce liabilities in the statement of net position and do not result in expenses in the statement of activities. 1,515,622

Total adjustments (3,404,019)

Change in Net Position of Governmental Activities \$ (818,826)

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Description of Organization

The North County Fire Protection District (the District) provides fire and emergency medical services to the taxpayers and residents in the Fallbrook, Rainbow, and Bonsall communities of northern San Diego County. The District's governmental powers are exercised through a five-member board of directors.

B. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

The District has identified no organizations that are required to be reported as component units.

C. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the primary government (the District) and its component units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, other nonexchange transactions, and charges for services.

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

Major Governmental Funds

The District maintains the following major governmental funds:

General Fund: This fund is used to account for all financial resources of the District, except those required to be accounted for in another fund when necessary.

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Major Governmental Funds (continued)

Special Revenue Funds:

Fire Mitigation Fund: This fund is used to account for fees collected from builders in the service area that are restricted for the purchase of new capital assets when those assets are needed due to population and infrastructure growth in the service area.

Non-Major Governmental Funds

Other Governmental Funds:

Rainbow Subzone-Operations Fund: This fund is used to account for revenues collected and restricted for expenditures made in the Rainbow Subzone service area.

The Rainbow Subzone-Fire Mitigation Fund: This fund is used to account for fees collected from builders in the service area that are restricted for the purchase of new capital assets that are needed due to population and infrastructure growth in the Rainbow Subzone service area.

2. Measurement Focus, Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation, Basis of Accounting (continued)

3. Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year. Generally, available is defined as collectible within 60 days.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

1. Cash and Investments

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

Investments are reported at fair value except for short-term investments, which are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments in governmental investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

In accordance with fair value measurements, the District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Financial assets and liabilities recorded on the balance sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The District has the ability to access the holding and quoted prices as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

1. Cash and Investments (continued)

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the District’s own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

2. Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable – ambulance billings consist of amounts owed by individuals for services rendered for ambulance transport. Uncollectable accounts are based on prior experience and management’s assessment of the collectability of existing accounts. As of June 30, 2021, an allowance for doubtful accounts has been recorded for those uncollectable accounts (see Note 4).

3. Capital Assets

Capital assets are stated at cost or at their estimated fair value at date of donation. It is the District’s policy to capitalize assets costing over \$5,000. The provision for depreciation is computed using the straight-line method over the estimated service lives of the capital assets.

Estimated service lives for the District’s classes of assets are as follows:

Description	Estimated Lives
Structures and Improvements	10-50 years
Hydrants	10 years
Equipment and Vehicles	5-20 years

4. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

5. Compensated Absences

The District’s policy is to permit full time employees to accumulate earned vacation time and sick leave. Earned vacation time shall be earned by each employee subject to the accrual limitations and policies as defined by District policies. Such unused compensation is calculated at the employees’ then prevalent hourly rate at the time of retirement or termination. Whereas vacation time is compensated at 100% of accumulated hours, sick leave is accrued and compensated only at retirement or termination based on the years of employment.

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

6. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plan and addition to/deductions from the Plans 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.

The following timeframes are used for pension reporting:

Valuation Date June 30, 2019
Measurement Date June 30, 2020
Measurement Period July 1, 2019 to June 30, 2020

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. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retirees) as of the beginning of the measurement period.

7. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's Retiree Benefits Plan ("the Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments which are reported at cost.

The following timeframes are used for OPEB reporting:

Valuation Date June 30, 2020
Measurement Date June 30, 2020
Measurement Period July 1, 2019 to June 30, 2020

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

8. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

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

9. Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

Restricted: Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

Committed: The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

Assigned: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

8. Fund Balances (continued)

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

E. Use of Estimates

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

F. Property Taxes

The San Diego County Assessor's Office assesses all real and personal property within the County each year. The San Diego County Tax Collector's Office bills and collects the District's share of property taxes and voter-approved taxes. The San Diego County Auditor-Controller's Office remits current property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article XIII A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property taxes receivable at year-end are related to property taxes collected by San Diego County, which have not been credited to the District's cash balance as of June 30. The property tax calendar is as follows:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

Property taxes levied are recorded as revenue when received, in the fiscal year of levy, because of the adoption of the *alternate method of property tax distribution* known as the Teeter Plan, by the District and San Diego County. The Teeter Plan authorizes the County Auditor-Controller to allocate 100% of the secured property tax billed but not yet received or paid to the District. San Diego County remits tax proceeds to the District in installments during the fiscal year.

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2021, were categorized on the statement of net position as follows:

<u>Description</u>	<u>Balance</u>
Cash and investments	\$ 9,130,057
Restricted – cash and investments	<u>2,236,219</u>
Total cash and investments	<u>\$ 11,366,276</u>

Cash and investments at June 30, 2021, consisted of the following:

<u>Description</u>	<u>Balance</u>
Cash on hand	\$ 118
Demand deposits held with financial institutions	4,474,696
California Local Agency Investment Fund (LAIF)	2,155,404
San Diego County Pooled Investment Fund (SDCPIF)	<u>4,736,058</u>
Total cash and investments	<u>\$ 11,366,276</u>

Demand Deposits

At June 30, 2021, the carrying amount of the District's demand deposits was \$4,474,696, and the financial institutions balances totaled \$4,565,783. The net difference represents outstanding checks, deposits-in-transit and/or other reconciling items.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

California Local Agency Investment Fund (LAIF)

The California State Treasurer, through the Pooled Money Investment Account (PMIA), invests taxpayers' money to manage the State's cash flow and strengthen the financial security of local governmental entities. PMIA policy sets as primary investment objectives safety, liquidity and yield. Through the PMIA, the Investment Division manages the Local Agency Investment Fund (LAIF). The LAIF allows cities, counties and special districts to place money in a major portfolio and, at no additional costs to taxpayers, use the expertise of Investment Division staff. Participating agencies can withdraw their funds from the LAIF at any time as LAIF is highly liquid and carries a dollar-in dollar-out amortized cost methodology.

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 2 – CASH AND INVESTMENTS (continued)

California Local Agency Investment Fund (LAIF) (Continued)

The District is a voluntary participant in LAIF. The fair value of the District's investment in this pool is reported at an amount based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of the of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF. LAIF is not categorized under the fair value hierarchy established by GAAP as it is held at an amortized cost basis and it is Not Rated under the current credit risk ratings format. For financial reporting purposes, the District considers LAIF a cash equivalent due to its highly liquid nature and dollar-in dollar-out amortized cost methodology. As of June 30, 2021, the District held \$2,155,404 in LAIF.

San Diego County Treasury Investment Pool (SDCTIP)

The District is a voluntary participant in the San Diego County Treasury Investment Pool (SDCTIP) pursuant to Government Code Section 53694. The cash flow needs of participants are monitored daily to ensure that sufficient liquidity is maintained to meet the needs of those participants. At the time deposits are made, the San Diego County Treasurer may require the depositing entity to provide annual cash flow projections or an anticipated withdrawal schedule for deposits in excess of \$1 million. Projections are performed no less than semi-annually. In accordance with Government Code Section 27136, all request for withdrawal of funds for the purpose of investing or deposits the funds elsewhere shall be evaluated to ensure the proposed withdrawal will not adversely affect the principal deposits of the other participants. Pool detail may be obtained from the Treasurer-Tax Collector – San Diego Administration Center – 1600 Pacific Hwy, Room 162 – San Diego, CA 92101 or the Treasurer and Tax Collector's office website at www.sdttc.com. As of June 30, 2021, the District had \$4,736,058 in the SDCTIP.

NOTE 3 – RESTRICTED – CASH AND INVESTMENTS AND RESTRICTED NET POSITION

Restricted assets and restricted net position as of June 30, 2021, were categorized as follows:

<u>Description</u>	<u>Balance</u>
Restricted – cash and investments	\$ 2,236,219
Restricted – accrued interest receivable	3,982
Restricted – other receivables	<u>137,785</u>
Total restricted net position	<u>\$ 2,377,986</u>

Restricted assets and restricted net position as of June 30, 2021, were received from mitigation fees for capital expenditures and operational revenue for the Rainbow Sub-zone.

NOTE 4 – ACCOUNTS RECEIVABLE – AMBULANCE BILLINGS, NET

Accounts receivable – ambulance billings, net as of June 30, 2021, consisted of the following:

<u>Description</u>	<u>Balance</u>
Accounts receivable – ambulance billings	\$ 1,510,387
Allowance for doubtful accounts	<u>(680,000)</u>
Total accounts receivable – ambulance billings, net	<u>\$ 830,387</u>

NORTH COUNTY FIRE PROTECTION DISTRICT
Notes to Financial Statements
June 30, 2021

NOTE 5 - OTHER RECEIVABLES

Other receivables at June 30, 2021, were categorized on the statement of net position as follows:

<u>Description</u>	<u>Balance</u>
Other receivables	\$ 396,305
Restricted – other receivables	<u>137,785</u>
Total other receivables	<u>\$ 534,090</u>

Other receivables at June 30, 2021, consisted of the following:

<u>Description</u>	<u>Balance</u>
Property taxes receivable	\$ 59,478
Mitigation fees receivable	136,619
Other receivables	<u>337,993</u>
Total other receivables	<u>\$ 534,090</u>

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 6 – DEPOSITS WITH PUBLIC AGENCIES SELF INSURANCE SYSTEM (PASIS)

The District is one of seven Members in the Public Agency Self-Insurance System (PASIS). PASIS is a joint-powers authority which was established in 1977 for the purpose of operating and maintaining a cooperative program of self-insurance and risk management for workers' compensation for its Members.

PASIS's purpose is to provide for the collection of workers' compensation claims data, purchase claims examiner services, general counsel services and excess insurance coverage. Members are responsible for paying their own claims and related expenses for workers' compensation related injuries. PASIS requires active Members to maintain a minimum base funding of 125% of a Members' self-insured retention plus a 15% increase for Members with annual payroll in excess of \$1.8 million. The deductible for self-insured retention selected by the District is \$300,000. PASIS carries excess insurance through a joint powers authority to cover amounts over the self-insured retention.

As of June 30, 2021, the District had \$490,311 on deposit with PASIS. Further information in regards to PASIS is as follows:

- | | |
|---|---|
| A. Entity | Public Agency Self-Insurance System (PASIS) |
| B. Purpose | To pool member resources and realize the advantages of a self-insurance reserve for workers' compensation |
| C. Participants | As of June 30, 2021 – Seven member agencies |
| D. Governing board | Seven representatives employed/appointed by members |
| E. District payments for FY 2021: | |
| Contribution | \$0 |
| F. Condensed financial information | June 30, 2021 |
| Audit signed | October 15, 2021 |

Statement of net position:	<u>June 30, 2021</u>	<u>District Share</u>
Total assets	\$ 3,535,121	\$ 490,311
Total liabilities	-	-
Net position	<u>\$ 3,535,121</u>	<u>\$ 490,311</u>
Statement of revenues, expenses and changes in net position:		
Total revenues	\$ -	\$ (329)
Total expenses	<u>(131,944)</u>	<u>-</u>
Change in net position	(131,944)	(329)
Beginning - net position	<u>3,667,065</u>	<u>490,640</u>
Ending - net position	<u>\$ 3,535,121</u>	<u>\$ 490,311</u>
G. District's share of year-end financial position	<u>100.00%</u>	<u>13.87%</u>

NORTH COUNTY FIRE PROTECTION DISTRICT
Notes to Financial Statements
 June 30, 2021

NOTE 7 – CAPITAL ASSETS

Changes in capital assets for the year were as follows:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions/</u> <u>Transfers</u>	<u>Deletions/</u> <u>Transfers</u>	<u>Balance</u> <u>June 30, 2021</u>
Non-depreciable capital assets:				
Land	\$ 882,639	\$ -	\$ (10,000)	\$ 872,639
Construction-in-process	161,923	-	(161,923)	-
Total non-depreciable capital assets	<u>1,044,562</u>	<u>-</u>	<u>(171,923)</u>	<u>872,639</u>
Depreciable capital assets:				
Structures and improvements	10,868,578	52,520	(1,232,007)	9,689,091
Hydrants	267,523	-	-	267,523
Equipment and vehicles	12,908,057	359,389	(305,949)	12,961,497
Total depreciable capital assets	<u>24,044,158</u>	<u>411,909</u>	<u>(1,537,956)</u>	<u>22,918,111</u>
Accumulated depreciation:				
Structures and improvements	(4,029,905)	(680,197)	1,232,007	(3,478,095)
Hydrants	(267,523)	-	-	(267,523)
Equipment and vehicles	(7,978,794)	(711,421)	305,949	(8,384,266)
Total accumulated depreciation	<u>(12,276,222)</u>	<u>(1,391,618)</u>	<u>1,537,956</u>	<u>(12,129,884)</u>
Total depreciable capital assets, net	<u>11,767,936</u>	<u>(979,709)</u>	<u>-</u>	<u>10,788,227</u>
Total capital assets, net	<u>\$ 12,812,498</u>	<u>\$ (979,709)</u>	<u>\$ (171,923)</u>	<u>\$ 11,660,866</u>

NOTE 8 – COMPENSATED ABSENCES

Compensated absences comprise unpaid vacation leave which is accrued as earned. The District's liability for compensated absences is determined annually.

The changes to the compensated absences balance at June 30, 2021 were as follows:

<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
<u>\$ 2,684,609</u>	<u>\$ 1,029,611</u>	<u>\$ (1,499,759)</u>	<u>\$ 2,214,461</u>	<u>\$ 1,000,000</u>	<u>\$ 1,214,461</u>

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 9 – PENSION OBLIGATION BONDS

Changes in pension obligation bonds amounts for the year ended June 30, 2021, was as follows:

<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
\$ 20,305,000	\$ -	\$ (860,000)	\$ 19,445,000	\$ 740,000	\$ 18,705,000

On June 1, 2020, the District issued 2020 Taxable Pension Obligation Bonds in the amount of \$20,305,000. The 2020 bonds were placed with U.S. Bank National Association. The bonds were issued to (a) finance a portion of the District's unfunded accrued liability to the California Public Employees' Retirement System (CalPERS) for the benefit of the District's employees and to pay a portion of current normal costs, and (b) pay the costs incurred in connection with the issuance of the bonds. The bonds bear variable interest rates ranging from 1.355% to 3.568% and are payable semiannually on June 1 and December 1 of each year, commencing December 1, 2020 until maturity or earlier redemption. The bonds mature in fiscal year 2040. Total principal and interest remaining on the bonds as of June 30, 2021 is \$26,506,545. Future remaining payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 740,000	\$ 561,426	\$ 1,301,426
2023	700,000	550,658	1,250,658
2024	725,000	539,578	1,264,578
2025	715,000	527,049	1,242,049
2026	705,000	513,622	1,218,622
2027-2031	4,350,000	2,302,951	6,652,951
2032-2036	6,035,000	1,569,060	7,604,060
2037-2040	5,475,000	497,201	5,972,201
Total	19,445,000	\$ 7,061,545	\$ 26,506,545
Current	(740,000)		
Long-term	\$ 18,705,000		

Bond Provisions

The obligations of the District under the bonds, including the obligation to make all payments of interest and principal when due, are obligations of the District imposed by law and are absolute and unconditional, without any right of set-off or counterclaim. The bonds do not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation. Neither the bonds nor the obligations of the District to make payments on the bonds constitute an indebtedness of the District, the State of California, or any of its political subdivisions in contravention of any constitutional or statutory debt limitation or restriction. For the purpose of paying the principal of and interest on the bonds, the District's council has covenanted under the trust agreement, to take such actions annually as are necessary or appropriate to cause the debt service on the bonds due in any fiscal year to be included in the budget for such fiscal year and to make the necessary appropriations therefor from any legally available funds to ensure that sufficient sums are available to pay the annual principal of and interest on the bonds as the same become due.

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 9 – PENSION OBLIGATION BONDS (continued)

Bond Provisions (continued)

The bonds maturing on or before June 1, 2035, are not subject to optional redemption prior to their respective stated maturities. The bonds maturing on and after June 1, 2035, are subject to optional redemption from any source of available funds of the District, prior to their respective maturities, in whole or in part among maturities as specified by the District, and by lot within a maturity, on any date on or after June 1, 2035, at a redemption price equal to the principal amount of the bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

The bonds maturing on June 1, 2035 to June 1, 2040, are also subject to mandatory sinking fund redemption on June 1 in the years, and in the amounts, as set forth in the official statement at a redemption price equal to one hundred percent (100%) of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption.

The following events constitute events of default under the trust agreement: (a) if default shall be made in the due and punctual payment of the principal of any bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise; (b) if default shall be made in the due and punctual payment of any installment of interest on any bond when and as such interest installment shall become due and payable; (c) if default shall be made by the District in the observance of any of the covenants, agreements or conditions on its part in the trust agreement or in the bonds contained, and such default shall have continued for a period of thirty (30) days after written notice thereof to the District; or (d) if the District shall file a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, seeking reorganization of the District under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the District or of the whole or any substantial part of its property. A bondholder may exercise any remedies available pursuant to the law or the trust agreement if an event of default occurs under the trust agreement.

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 10 – LONG-TERM DEBT OBLIGATIONS PAYABLE

Changes in long-term debt obligations payable amounts for the year ended June 30, 2021, were as follows:

Long-Term Debt	Balance			Balance June 30, 2021	Current Portion	Long-term Portion
	July 1, 2020	Additions	Payments			
Bond payable – Station No. 5	\$ 2,389,000	\$ -	\$ (133,000)	\$ 2,256,000	\$ 139,000	\$ 2,117,000
Capital lease payable – ambulance I	44,452	-	(44,452)	-	-	-
Capital lease payable – ambulance II	87,336	-	(42,991)	44,345	44,345	-
Capital lease payable – EKG monitors	181,999	-	(60,666)	121,333	60,666	60,667
Capital lease payable - ambulance remount	48,702	-	(48,702)	-	-	-
Capital lease payable - radios	289,765	-	(142,608)	147,157	147,157	-
Capital lease payable - equipment	1,436,059	-	(78,494)	1,357,565	81,635	1,275,930
Loan payable – solar project I	320,115	-	(32,287)	287,828	32,610	255,218
Loan payable – solar project II	185,499	-	(10,747)	174,752	10,855	163,897
Loan payable – administrative building	736,209	-	(61,675)	674,534	63,805	610,729
	<u>\$ 5,719,136</u>	<u>\$ -</u>	<u>\$ (655,622)</u>	<u>\$ 5,063,514</u>	<u>\$ 580,073</u>	<u>\$ 4,483,441</u>

Bonds Payable

On September 9, 2013, the District issued bonds for the par amount of \$3,126,000. The proceeds are being used for the ongoing construction at station no. 5. The bond's coupon rate is at 4.35% per annum, and matures on September 1, 2033, with annual debt service payments which include principal and interest. The loan is payable until September 2033. Future remaining payments are as follows:

Fiscal Year	Principal	Interest	Total
2022	\$ 139,000	\$ 96,657	\$ 235,657
2023	146,000	90,545	236,545
2024	151,000	84,129	235,129
2025	158,000	77,474	235,474
2026	166,000	276,420	442,420
2027-2031	944,000	236,662	1,180,662
2031-2034	552,000	36,496	588,496
Total	2,256,000	<u>\$ 898,383</u>	<u>\$ 3,154,383</u>
Current	<u>(139,000)</u>		
Long-term	<u>\$ 2,117,000</u>		

Capital Lease Payable – Ambulance I

The District entered into a capital lease for the purchase of an ambulance for \$205,444 at a 2.72% interest rate. Annual principal and interest payments are due on February 25 each year. The District paid-off the capital lease in fiscal year 2021.

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 10 – LONG-TERM DEBT OBLIGATIONS PAYABLE (continued)

Capital Lease Payable – Ambulance II

The District entered into a capital lease for the purchase of an ambulance for \$208,592 at a 3.15% interest rate. Annual principal and interest payments are due on March 1 each year. Future remaining payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	<u>\$ 44,345</u>	<u>\$ 1,396</u>	<u>\$ 45,741</u>

Capital Lease Payable – EKG Monitors

The District entered into a capital lease for the purchase of ten EKG monitors for \$303,331 with no interest. Annual principal payments are due on August 1 of each year through 2022. Future remaining payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>
2022	\$ 60,666
2023	<u>60,667</u>
Total	121,333
Current	<u>(60,666)</u>
Long-term	<u>\$ 60,667</u>

Capital Lease Payable – Ambulance Remount

The District entered a capital lease in July 2019 for one new ambulance remount (chassis) with associated equipment. The initial payment was due October 2019 and payments required annually thereafter of \$50,794. Total purchase cost is \$145,000 with an implicit interest rate of approximately 1.7%. The lessor retains a first lien security interest in the property while the lease agreement is in place. The District paid-off the capital lease in fiscal year 2021.

Capital Lease Payable – Radios

The District entered a capital lease in November 2016 for the purchase of radios to be placed in the District's emergency response vehicles for use in communications with the San Diego County Regional Communications System (RCS). Total purchase price was \$579,815 at a 3.19% nominal annual rate. Payments of \$151,851 are due beginning November 2019, annually through November 2021. Future remaining payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	<u>\$ 147,157</u>	<u>\$ 4,694</u>	<u>\$ 151,851</u>

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 10 – LONG-TERM DEBT OBLIGATIONS PAYABLE (continued)

Capital Lease Payable – Equipment

The District entered a capital lease in July 2019 for two new pumpers with associated equipment for use in fire programs. The initial payment was due August 2020 and payments required quarterly thereafter of \$33,495 through May 2034. Total purchase cost is \$1,464,657 with an implicit interest rate of approximately 7.4%. The lessor retains a first lien security interest in the property while the lease agreement is in place.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	81,635	52,345	133,980
2023	84,903	49,077	133,980
2024	88,301	45,679	133,980
2025	91,836	42,144	133,980
2026	95,512	38,468	133,980
2027-2031	538,057	131,843	669,900
2032-2034	377,321	24,619	401,940
Total	1,357,565	<u>\$ 384,175</u>	<u>\$ 1,741,740</u>
Current	<u>(81,635)</u>		
Long-term	<u>\$ 1,275,930</u>		

Loan Payable – Solar Project I

In April 2015, the District purchased a solar power system from the State of California-Energy Resources Conservation and Development Commission for \$475,241, with a loan payable for \$475,241 at a 1.0% interest rate per annum. Principal and interest payments are \$17,704 semi-annually on December 22 and June 22. The loan is payable until December 2029. Future remaining payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	32,610	2,797	35,407
2023	32,937	2,470	35,407
2024	33,262	2,145	35,407
2025	33,601	1,806	35,407
2026	33,938	1,470	35,408
2027-2030	121,480	2,445	123,925
Total	287,828	<u>\$ 13,133</u>	<u>\$ 300,961</u>
Current	<u>(32,610)</u>		
Long-term	<u>\$ 255,218</u>		

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 10 – LONG-TERM DEBT OBLIGATIONS PAYABLE (continued)

Loan Payable – Solar Project II

In fiscal year 2018, the District purchased a solar power system from the State of California-Energy Resources Conservation and Development Commission for \$227,475, with a loan payable for \$227,475 at a 1.0% interest rate per annum. Principal and interest payments are \$12,575 semi-annually on December 22 and June 22. The loan is payable until June 2036. Future remaining payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	10,855	1,720	12,575
2023	10,964	1,611	12,575
2024	11,070	1,505	12,575
2025	11,185	1,390	12,575
2026	11,297	1,279	12,576
2027-2031	58,202	4,675	62,877
2032-2036	61,179	1,697	62,876
Total	174,752	<u>\$ 13,877</u>	<u>\$ 188,629</u>
Current	<u>(10,855)</u>		
Long-term	<u>\$ 163,897</u>		

Loan Payable – Administrative Building

On May 24, 2018, the District entered into an installment agreement for \$900,000 to purchase its administration building. The note is payable monthly through August 2030, and compounds interest at a rate of 3.4% per annum. Future remaining payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	63,805	21,946	85,751
2023	66,008	19,743	85,751
2024	68,288	17,463	85,751
2025	70,646	15,105	85,751
2026	73,354	12,674	86,028
2027-2031	332,433	24,623	357,056
Total	674,534	<u>\$ 111,554</u>	<u>\$ 786,088</u>
Current	<u>(63,805)</u>		
Long-term	<u>\$ 610,729</u>		

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 11 – WORKERS’ COMPENSATION CLAIMS PAYABLE

The District is exposed to various risks of loss and has effectively managed risk through a combination of insurance, with deductibles, self-insurance, and employee education and prevention programs. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. In addition, there were no settlements or claims in the past three years that exceeded insurance coverage.

The District is self-insured for workers’ compensation benefits. The District is one of nine participants in the Public Agency Self-Insurance System (PASIS). PASIS is a joint-powers authority which was established in 1977 for the purpose of operating and maintaining a cooperative program of self-insurance and risk management for workers’ compensation. There is no pooling of workers’ compensation liability between the participants, and each participant self-insures their liability up to \$300,000 per occurrence. As of June 30, 2021, the District had \$490,311 on deposit with PASIS. All members are responsible for paying their own claims and related expenses. PASIS may advance funds to members who have incurred large losses; however, these advances must be repaid. Excess insurance is purchased above the self-insured retention. As of June 30, 2021, the liability for workers’ compensation claims payable was estimated at \$3,516,697.

Changes in workers’ compensation claims payable for the year ended June 30, 2021, were as follows:

<u>Description</u>	<u>Balance</u>
Estimated claims balance – July 1, 2020	<u>\$ 3,315,736</u>
Claim payments	(2,369)
Revised claims estimate	<u>203,330</u>
Change in claims balance	<u>200,961</u>
Estimated claims balance – June 30, 2021	<u><u>\$ 3,516,697</u></u>

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Summary

The following balances on the statement of net position will be addressed in this footnote as follows:

Description	Amount
OPEB related deferred outflows of resources	\$ 1,512,981
Net other post-employment benefits obligation	5,624,356

A. General Information about the OPEB Plan

Plan description

The District provides other postemployment benefits (OPEB) to employees who retire from the District and meet certain eligibility requirements. The contribution requirements of single-employer plan members and the District are established and may be amended by the Board of Directors. The District implemented its OPEB plan in the fiscal year ended June 30, 2014 when the District joined CalPERS for medical insurance for its employees and retirees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits provided

Following is a description of the current retiree benefit plan:

	Firefighters	Miscellaneous
Benefit types provided	Medical only	Medical only
Duration of Benefits	Lifetime	Lifetime
Required Service	CalPERS Retirement	CalPERS Retirement
Minimum Age	CalPERS Retirement	CalPERS Retirement
Dependent Coverage	Surviving Spouse only	Surviving Spouse only
District Contribution %	100% to cap	100% to cap
District Cap	Minimum employer contribution under PEMHCA*	Minimum employer contribution under PEMHCA*

* \$152 per month in 2020 indexed to Medical component of the CPI

Employees covered by benefit terms

At June 30, 2021, the following employees were covered by the benefit terms:

Description	Amount
Inactive employees entitled to but not yet receiving benefit payments	34
Active employees	71
Total	<u>105</u>

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

B. Total OPEB Liability

The District's total OPEB liability of \$5,624,356 was measured as of June 30, 2021, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	2.19%
Inflation	2.75%
Salary Increases	Salary Scale plus Merit
Investment Rate of Return	2.19%
Mortality Rate	CalPERS Membership Data
Pre-Retirement Turnover	CalPERS Membership Data
Healthcare Trend Rate	4.5 to 6.5%

Discount Rate

The discount rate used to measure the total OPEB liability was 2.19%. The projection of cash flows used to determine the discount rate assumed that the District's contributions will be made at rates equal to the actuarially determined contribution rates. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

C. Changes in the Net OPEB Liability

The changes in the total OPEB liability are as follows:

	Total OPEB Liability
Balance at July 1, 2020	<u>\$ 4,212,984</u>
Changes for the year:	
Service cost	225,200
Interest	116,665
Changes in assumptions	431,617
Differences between expected a	743,173
Benefit payments	<u>(105,283)</u>
Net changes	<u>1,411,372</u>
Balance at June 30, 2021	<u>\$ 5,624,356</u>

Changes of Assumptions

In fiscal year 2020-21, the measurement period, there were no changes of assumptions.

Change of Benefit Terms

In fiscal year 2020-21, the measurement period, there were no changes to the benefit terms.

Subsequent Events

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

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

C. Changes in the Net OPEB Liability

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.19%) or 1 percentage point higher (3.19%) than the current discount rate:

<u>1% Decrease</u> <u>1.19%</u>	<u>Current</u> <u>Discount Rate</u> <u>2.19%</u>	<u>1% Increase</u> <u>3.19%</u>
<u>\$ 6,668,511</u>	<u>\$ 5,624,356</u>	<u>\$ 4,803,550</u>

Sensitivity of the Total OPEB Liability to Changes in Medical Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using medical trend rates that are 1-percentage point lower:

<u>1% Decrease</u>	<u>Current Healthcare</u> <u>Cost Trend Rate</u>	<u>1% Increase</u>
<u>\$ 4,641,274</u>	<u>\$ 5,624,356</u>	<u>\$ 6,935,251</u>

D. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the District recognized OPEB expense of \$380,932. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows</u> <u>of Resources</u>
Changes of assumptions	\$ 750,541
Differences between expected and actual experience	622,319
Total	<u>\$ 1,372,860</u>

The differences between projected and actual earnings on plan investments is amortized over five years. The District reported \$641,224 as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2022	\$ 143,737
2023	143,737
2024	143,736
2025	129,590
2026	129,590
Thereafter	682,470
Total	<u>\$ 1,372,860</u>

NORTH COUNTY FIRE PROTECTION DISTRICT
Notes to Financial Statements
June 30, 2021

NOTE 13 – NET PENSION LIABILITY AND DEFINED BENEFIT PENSION PLAN

Summary

The following balances on the statement of net position will be addressed in this footnote as follows:

<u>Description</u>	<u>Amount</u>
Pension related deferred outflows of resources	\$ 16,593,289
Net pension liability	8,585,829
Pension related deferred inflows of resources	13,341,424

A. General Information About the Pension Plans (continued)

The Plans Description Schedule

The District has engaged with CalPERS to administer the following pension plans for its employees (members):

	<u>Miscellaneous Plans</u>	
	<u>Classic Tier 1</u>	<u>PEPRA Tier 2</u>
Hire date	Prior to <u>December 31, 2012</u>	On or after <u>January 1, 2013</u>
Benefit formula	2.7% @ 55	2.0% @ 62
Benefit vesting schedule	5-years or service	5-years or service
Benefits payments	Monthly for life	Monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.0%
Required member contribution rates	8.000%	7.250%
Required employer contribution rates	13.945%	7.072%
	<u>Safety Plans</u>	
	<u>Classic Tier 1</u>	<u>PEPRA Tier 2</u>
Hire date	Prior to <u>December 31, 2012</u>	On or after <u>January 1, 2013</u>
Benefit formula	3.0% @ 55	2.7% @ 57
Benefit vesting schedule	5-years or service	5-years or service
Benefits payments	Monthly for life	Monthly for life
Retirement age	50 - 55 & up	50 - 57 & up
Monthly benefits, as a % of eligible compensation	2.4% to 3.0%	2.0% to 2.7%
Required member contribution rates	9.000%	12.750%
Required employer contribution rates	21.748%	13.786%

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 13 – NET PENSION LIABILITY AND DEFINED BENEFIT PENSION PLAN (continued)

A. General Information About the Pension Plans (continued)

Plan Description

The District contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2019 Annual Actuarial Valuation Report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

Members Covered by Benefit Terms

At June 30, 2020 (Measurement Date), the following members were covered by the benefit terms:

Plan Members	Miscellaneous Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Active members	4	31	35
Transferred and terminated members	7	22	29
Retired members and beneficiaries	32	-	32
Total plan members	43	53	96

Plan Members	Safety Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Active members	44	6	50
Transferred and terminated members	54	28	82
Retired members and beneficiaries	73	-	73
Total plan members	171	34	205

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to Plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for nonindustrial disability benefits after five years of service. The death benefit is one of the following the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each Plan are applied as specified by the Public Employees' Retirement Law.

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 13 – NET PENSION LIABILITY AND DEFINED BENEFIT PENSION PLAN (continued)

A. General Information About the Pension Plans (Continued)

Contributions

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

Contributions for the year ended June 30, 2021, (Measurement Date June 30, 2020) were as follows:

Contribution Type	Total Plans		
	Classic Tier 1	PEPRA Tier 2	Total
Contributions – Miscellaneous Plan	\$ 418,633	\$ 95,210	\$ 513,843
Contributions – Safety Plan	1,487,931	104,897	1,592,828
Total contributions	\$ 1,906,564	\$ 200,107	\$ 2,106,671

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

Proportionate Share of Net Pension Liability and Pension Expense

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2020, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020, using standard update procedures. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The following table shows the District's proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous Plan for the fiscal year ended June 30, 2020:

Plan Type and Balance Descriptions	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability
CalPERS – Total Plan:			
Balance as of June 30, 2019 (Measurement Date)	\$ 104,180,849	\$ 77,699,059	\$ 26,481,790
Balance as of June 30, 2020 (Measurement Date)	\$ 108,091,935	\$ 99,506,106	\$ 8,585,829
Change in Plan Net Pension Liability	\$ 3,911,086	\$ 21,807,047	\$ (17,895,961)

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 13 – NET PENSION LIABILITY AND DEFINED BENEFIT PENSION PLAN (continued)

B. Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

The District’s proportionate share percentage of the net pension liability for the June 30, 2020, measurement date was as follows:

<u>CalPERS – Total Plans</u>	<u>Percentage Share of Risk Pool</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2021</u>	<u>Fiscal Year Ending June 30, 2020</u>	
Measurement Date	June 30, 2020	June 30, 2019	
Percentage of Risk Pool Net Pension Liability	0.15707%	0.45236%	-0.29529%
Percentage of Plan (PERF C) Net Pension Liability	0.07891%	0.25843%	-0.17952%

For the fiscal year ended June 30, 2021, the District recognized pension expense of \$5,867,120. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Account Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions made after the measurement date	2,106,671	-
Difference between actual and proportionate share of employer contributions	13,253,360	(608,213)
Adjustment due to differences in proportions	439,346	(12,692,289)
Differences between expected and actual experience	581,459	-
Differences between projected and actual earnings on pension plan investments	212,452	-
Changes in assumptions	-	(40,924)
Total Deferred Outflows/(Inflows) of Resources	\$ 16,593,288	\$ (13,341,426)

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.8 years.

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 13 – NET PENSION LIABILITY AND DEFINED BENEFIT PENSION PLAN (continued)

B. Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

An amount of \$2,106,671 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a reduction to pension expense as follows:

<u>Amortization Period</u> <u>Fiscal Year Ended June 30,</u>	<u>Deferred</u> <u>Outflows/(Inflows)</u> <u>of Resources</u>
2022	\$ 240,449
2023	426,441
2024	373,918
2025	<u>104,387</u>
Total	<u>\$ 1,145,195</u>

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2020 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2019, total pension liability. The June 30, 2020, total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
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. 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
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 13 – NET PENSION LIABILITY AND DEFINED BENEFIT PENSION PLAN (continued)

B. Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (continued)

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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 took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects long-term expected real rate of return by asset class.

<u>Investment Type¹</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10²</u>	<u>Real Return Years 11+³</u>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	0.80%	2.27%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
	<u>100.0%</u>		

¹ In the CalPERS's ACFR, fixed income is included in global debt securities; liquidity is included in short-term investments; inflation assets are included in both global equity securities and global debt securities.

² An expected inflation rate-of-return of 2.5% is used for years 1-10.

³ An expected inflation rate-of-return of 2.9% is used for years 11+.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Subsequent Events

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

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 13 – NET PENSION LIABILITY AND DEFINED BENEFIT PENSION PLAN (continued)

B. Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to 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 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

Plan Type	Plan's Net Pension Liability/(Asset)		
	Discount Rate	Current	Discount Rate
	- 1%	Discount Rate	+ 1%
	6.15%	7.15%	8.15%
CalPERS – Total Plans	\$ 23,238,847	\$ 8,585,829	\$ (3,445,628)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

C. Payable to the Pension Plans

At June 30, 2021, the District reported no payables for outstanding contributions to the CalPERS pension plan required for the year ended June 30, 2021.

NOTE 14 – NET INVESTMENT IN CAPITAL ASSETS

At June 30, 2021, the net investment in capital assets was calculated as follows:

Description	Balance
Capital assets – not being depreciated	\$ 872,639
Capital assets – being depreciated, net	10,788,227
Long-term debt obligations payable – current portion	(580,073)
Long-term debt obligations payable – noncurrent portion	<u>(4,483,441)</u>
Total net investment in capital assets	<u>\$ 6,597,352</u>

NOTE 15 – UNRESTRICTED NET POSITION (DEFICIT)

As of June 30, 2021, the District has an unrestricted net position deficit of (\$25,299,013). The unrestricted net position deficit resulted from the reporting of the District's net pension liability of \$8,585,829 along with the remaining balance of the pension obligation bonds issued of \$19,445,000. These liabilities are being reviewed on an annual basis.

NORTH COUNTY FIRE PROTECTION DISTRICT
Notes to Financial Statements
 June 30, 2021

NOTE 16 – DUE TO/DUE FROM INTERFUND BALANCES

The District’s due to/due from balances consisted of the following:

<u>Due To</u>	<u>Due From</u>	<u>Balance</u>	<u>Purpose</u>
General Fund	Fire Mitigation	<u>\$ 97,521</u>	Capital

NOTE 17 – FUND BALANCES

At June 30, 2021, fund balances of the District’s governmental funds were classified as follows:

<u>Description</u>	<u>General Fund</u>	<u>Fire Mitigation Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable:				
Prepaid items	\$ 100,790	\$ -	\$ -	\$ 100,790
Restricted:				
Fallbrook – mitigation	-	857,299	-	857,299
Rainbow subzone – operations	-	-	1,516,578	1,516,578
Rainbow subzone – mitigation	-	-	4,109	4,109
Total restricted	-	857,299	1,520,687	2,377,986
Assigned:				
Deposits with Public Agencies Self-Insurance System	490,311	-	-	490,311
Compensated absences	2,214,461	-	-	2,214,461
Workers’ compensation claims payable	3,516,697	-	-	3,516,697
Total assigned	6,221,469	-	-	6,221,469
Unassigned	3,187,732	(97,521)	-	3,090,211
Total fund balances	<u>\$ 9,509,991</u>	<u>\$ 759,778</u>	<u>\$ 1,520,687</u>	<u>\$ 11,790,456</u>

NOTE 18 – DEFERRED COMPENSATION SAVINGS PLAN

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program. The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District’s general creditors.

The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statement of net position.

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 19 – JOINT VENTURES

The District is a member of the North County Dispatch Joint Powers Authority (Authority). The Authority was formed on June 11, 1984, and other member agencies include the North County Fire Protection District, and the cities of Vista, San Marcos, Solana Beach, Oceanside, Encinitas, and Carlsbad. The purpose of the Authority is to provide dispatching and emergency communication services for fire protection, security, and medical services. Each member provides an annually determined contribution towards the ongoing operation of the Authority. In the event of dissolution of the Authority, available assets shall be distributed to the member agencies in proportion to the aggregate contribution made by each agency during the entire term of the agreement.

The activities of the Authority are supervised by a board of directors consisting of eight directors who are appointed by each member's governing body. The District's share of the Authority's assets, liabilities, net position, and changes therein are not available and not material to the District's financial statements. Separate financial statements of the Authority are available at 16936 El Fuego Drive (P.O. Box 1206), Rancho Santa Fe, CA 92067.

NOTE 20 – RISK MANAGEMENT

The District is insured for a variety of potential exposures. The following is a summary of the insurance policies carried by the District as of June 30, 2021:

General liability: \$1,000,000 per occurrence and \$3,000,000 aggregate. The District purchased additional excess coverage layers: \$10 million per occurrence and \$20 million aggregate for general and auto liability, which increases the limits on the insurance coverage noted above.

Auto liability: \$1,000,000 liability limits and deductibles applied to specific vehicles with a \$1,000 deductible on Comprehensive and Collision, and other vehicles have a \$1,000 deductible on Comprehensive and on Collision.

NOTE 21 – COMMITMENTS AND CONTINGENCIES

Grant Awards

Grant funds received by the District are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

Litigation

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

NOTE 22 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 31, 2021, the date which the financial statements were available to be issued.

Required Supplementary Information

NORTH COUNTY FIRE PROTECTION DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2021

	Adopted Original Budget	Revised Final Budget	Actual	Variance Positive (Negative)
REVENUES:				
Property taxes	\$ 15,940,646	\$ 16,233,697	\$ 16,338,871	\$ 105,174
Charges for services:				
Ambulance services	2,245,000	2,300,000	2,638,927	338,927
Fire services – CA OES	151,523	180,154	1,754,557	1,574,403
Fire prevention	185,000	185,000	252,471	67,471
Annexation fees	116,942	116,942	116,942	-
Administration	92,000	92,000	103,935	11,935
Operating and capital grant funding	104,157	64,246	153,102	88,856
Rental income – cellular towers	103,000	110,000	101,223	(8,777)
Interest earnings	50,000	60,000	21,637	(38,363)
Other revenues	320,000	320,000	901,870	581,870
Total revenues	19,308,268	19,662,039	22,383,535	2,721,496
EXPENDITURES:				
Current:				
Salaries and wages	9,362,949	9,446,101	10,454,830	(1,008,729)
Employee benefits	3,158,971	3,812,577	3,906,358	(93,781)
Materials and services	4,049,470	4,165,034	3,639,268	525,766
Capital outlay	-	753,000	239,986	513,014
Debt service:				
Principal	2,301,547	1,515,622	1,515,622	-
Interest	748,331	748,331	748,331	-
Total expenditures	19,621,268	20,440,665	20,504,395	(63,730)
Net Changes in Fund Balance	\$ (313,000)	\$ (778,626)	1,879,140	\$ 2,657,766
FUND BALANCE:				
Beginning of year			7,630,851	
End of year			\$ 9,509,991	

NORTH COUNTY FIRE PROTECTION DISTRICT
Budgetary Comparison Schedule – Fire Mitigation Fund
For the Fiscal Year Ended June 30, 2021

	Adopted Original Budget	Revised Final Budget	Actual	Variance Positive (Negative)
REVENUES:				
Mitigation fees	\$ 295,000	\$ 295,000	\$ 375,478	\$ 80,478
Interest earnings	5,000	5,000	1,779	(3,221)
Total revenues	<u>300,000</u>	<u>300,000</u>	<u>377,257</u>	<u>77,257</u>
EXPENDITURES:				
Current:				
Materials and services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER(UNDER) EXPENDITURES	<u>\$ 300,000</u>	<u>\$ 300,000</u>	377,257	<u>\$ 77,257</u>
FUND BALANCE:				
Beginning of year (Deficit)			<u>382,521</u>	
End of year			<u>\$ 759,778</u>	

NORTH COUNTY FIRE PROTECTION DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2021

Last Ten Fiscal Years*

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Measurement Date	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability
June 30, 2014	0.272930%	\$ 16,983,012	\$ 6,429,039	264.16%	78.67%
June 30, 2015	0.248810%	17,078,153	6,452,080	264.69%	78.96%
June 30, 2016	0.251564%	21,768,074	6,461,980	336.86%	74.35%
June 30, 2017	0.248756%	24,669,730	6,671,377	369.78%	73.97%
June 30, 2018	0.252721%	24,352,868	6,905,639	352.65%	75.31%
June 30, 2019	0.258433%	26,481,790	7,036,723	376.34%	74.58%
June 30, 2020	0.078911%	8,585,829	7,347,168	116.86%	92.06%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 and June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014, measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015, measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2019:

There were no significant changes in assumptions.

From fiscal year June 30, 2019 to June 30, 2020:

There were no significant changes in assumptions.

From fiscal year June 30, 2020 to June 30, 2021:

There were no significant changes in assumptions.

*Fiscal year 2014 was the first measurement date year of implementation; therefore, only seven years are shown.

NORTH COUNTY FIRE PROTECTION DISTRICT
Schedule of Pension Contributions
For the Fiscal Year Ended June 30, 2021

Last Ten Fiscal Years*

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2015	\$ 1,905,899	\$ (1,905,899)	\$ -	\$ 6,452,080	29.54%
June 30, 2016	1,929,643	(1,929,643)	-	6,461,980	29.86%
June 30, 2017	2,249,592	(2,249,592)	-	6,671,377	33.72%
June 30, 2018	2,609,648	(2,609,648)	-	6,905,639	37.79%
June 30, 2019	2,307,199	(2,307,199)	-	7,036,723	32.79%
June 30, 2020	2,595,874	(2,595,874)	-	7,347,168	35.33%
June 30, 2021	3,008,132	(23,008,132)	(20,000,000)	7,398,217	40.66%

Notes to Schedule:

Fiscal Year	Valuation Date	Actuarial Cost Method	Asset Valuation	Inflation	Investment Rate of Return
June 30, 2015	June 30, 2013	Entry Age	Market Value	2.75%	7.65%
June 30, 2016	June 30, 2014	Entry Age	Market Value	2.75%	7.65%
June 30, 2017	June 30, 2015	Entry Age	Market Value	2.75%	7.65%
June 30, 2018	June 30, 2016	Entry Age	Market Value	2.75%	7.15%
June 30, 2019	June 30, 2017	Entry Age	Market Value	2.50%	7.15%
June 30, 2020	June 30, 2018	Entry Age	Market Value	2.50%	7.15%
June 30, 2021	June 30, 2019	Entry Age	Market Value	2.50%	7.15%

Amortization Method	Level percentage of payroll, closed
Salary Increases	Depending on age, service, and type of employment
Investment Rate of Return	Net of pension plan investment expense
Retirement Age	Miscellaneous – 2.7%@55 and 2.0%@62 Safety – 3.0%@55 and 2.7%@57
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

*Fiscal year 2015 was the first implementation year; therefore, only seven years are shown.

NORTH COUNTY FIRE PROTECTION DISTRICT

Schedule of Changes in the District's Total OPEB Liability and Related Ratios For the Fiscal Year Ended June 30, 2021

Fiscal Year Ended	Last Ten Fiscal Years*			
	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB liability:				
Service cost	\$ 225,200	\$ 192,094	\$ 102,156	\$ 99,422
Interest	116,665	120,596	87,926	80,966
Changes in assumptions	431,617	316,911	202,727	-
Differences between expected and actual experience	743,173	-	(117,846)	-
Changes of benefit terms	-	-	1,228,696	-
Benefit payments	(105,283)	(105,929)	(52,046)	(50,044)
Net change in total OPEB liability	1,411,372	523,672	1,451,613	130,344
Total OPEB liability - beginning	4,212,984	3,689,312	2,237,699	2,107,355
District's net OPEB liability	\$ 5,624,356	\$ 4,212,984	\$ 3,689,312	\$ 2,237,699
Covered-employee payroll	\$ 5,968,313	\$ 5,808,577	\$ 5,639,395	\$ 6,905,639
District's net OPEB liability as a percentage of covered-employee payroll	94.24%	72.53%	65.42%	32.40%

Notes to Schedule:

Benefit Changes:

Measurement Date June 30, 2017 – There were no changes of benefits terms

Measurement Date June 30, 2018 – There were no changes of benefits terms

Measurement Date June 30, 2019 – There were no changes of benefits terms

Measurement Date June 30, 2020 – There were no changes of benefits terms

Changes in Assumptions:

Measurement Date June 30, 2017 – There were no changes in assumptions

Measurement Date June 30, 2018 – There were no changes in assumptions except change in discount rate

Measurement Date June 30, 2019 – There were no changes in assumptions except change in discount rate

Measurement Date June 30, 2020 – There were no changes in assumptions except change in discount rate

* Fiscal year 2018 was the first year of implementation; therefore, only four years are shown.

Supplementary Information

NORTH COUNTY FIRE PROTECTION DISTRICT
Balance Sheets – Other Governmental Funds
For the Fiscal Year Ended June 30, 2021

	<u>Rainbow Subzone</u>		<u>Total</u>
	<u>Operations Fund</u>	<u>Fire Mitigation Fund</u>	
ASSETS			
Assets:			
Cash and investments	\$ 1,513,057	\$ 4,102	\$ 1,517,159
Accrued interest receivable	2,355	7	2,362
Property taxes receivable	1,166	-	1,166
Total assets	<u>\$ 1,516,578</u>	<u>\$ 4,109</u>	<u>\$ 1,520,687</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expenses	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Restricted	\$ 1,516,578	\$ 4,109	\$ 1,520,687
Total fund balance	<u>1,516,578</u>	<u>4,109</u>	<u>1,520,687</u>
Total liabilities and fund balance	<u>\$ 1,516,578</u>	<u>\$ 4,109</u>	<u>\$ 1,520,687</u>

NORTH COUNTY FIRE PROTECTION DISTRICT*Schedule of Revenues, Expenditures, and Changes in Fund Balance – Other Governmental Funds**For the Fiscal Year Ended June 30, 2021*

	Rainbow Subzone		Total
	Operations Fund	Fire Mitigation Fund	
REVENUES:			
Property taxes	\$ 330,440	\$ -	\$ 330,440
Investment earnings	1,760	(4)	1,756
Total revenues	332,200	(4)	332,196
EXPENDITURES:			
Current:			
Materials and services	3,400	-	3,400
Total expenditures	3,400	-	3,400
REVENUES OVER(UUNDER) EXPENDITURES	328,800	(4)	328,796
FUND BALANCE:			
Beginning of year	1,187,778	4,113	1,191,891
End of year	\$ 1,516,578	\$ 4,109	\$ 1,520,687

Other Independent Auditors' Report



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
North County Fire Protection District
Fallbrook, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North County Fire Protection District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise North County Fire Protection District's basic financial statements, and have issued our report thereon dated December 31, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Murrieta, California
December 31, 2021