

**NORTH COUNTY FIRE PROTECTION DISTRICT
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
For the Fiscal Year Ended
June 30, 2020
(With Comparative Information as of June 30, 2019)**

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& NIGRO^{PC}**

NORTH COUNTY FIRE PROTECTION DISTRICT

For the Fiscal Year Ended June 30, 2020

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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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2020, 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 February 28, 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 the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Murrieta, California
February 28, 2021

NORTH COUNTY FIRE PROTECTION DISTRICT
Management's Discussion and Analysis (Unaudited)
 For the Fiscal Year Ended June 30, 2020

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, 2020. 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 \$2.879 million as a result of this year's operations.
- Total revenues from all sources increased by 2.1%, or \$424,344 from \$20,095,736 to \$20,520,080, from the prior year, primarily due to increases in property taxes of \$778,926.
- Total expenses for the District's operations increased by 9.2% or \$1,962,174 from \$21,436,931 to \$23,399,105, from the prior year, primarily due to increases in salaries, benefits, materials and services and the cost of issuance of the pension obligation bonds.
- The District purchased new capital assets during the year in the amount of \$287,048. Depreciation expense was \$971,021. Also, the District issued \$20,305,000 in pension obligation bonds.

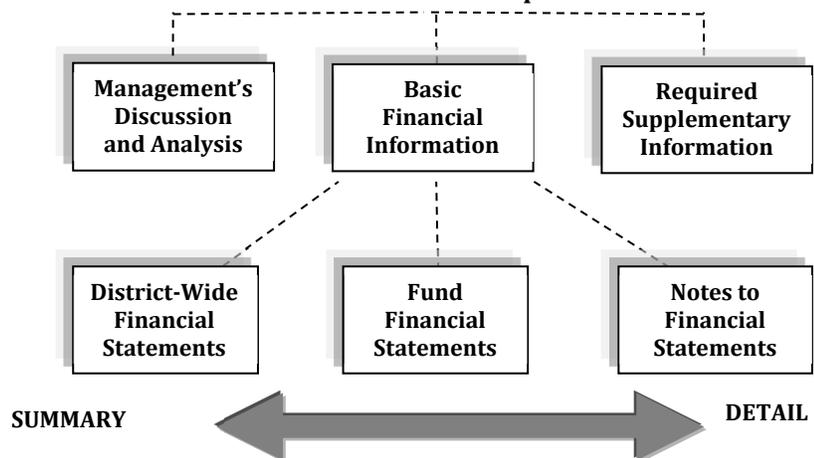
OVERVIEW OF THE FINANCIAL STATEMENTS

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, 2020

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, 2020

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, 2020

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION

Analysis of Net Position

Table A-1: Condensed Statement of Net Position

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Change</u>
Assets:			
Current assets	\$ 8,113,743	\$ 8,661,403	\$ (547,660)
Capital assets, net	<u>14,786,910</u>	<u>15,050,078</u>	<u>(263,168)</u>
Total assets	<u>22,900,653</u>	<u>23,711,481</u>	<u>(810,828)</u>
Deferred outflows of resources	<u>27,240,566</u>	<u>6,766,407</u>	<u>20,474,159</u>
Liabilities:			
Current liabilities	3,456,499	2,505,689	950,810
Non-current liabilities	<u>60,199,084</u>	<u>39,181,416</u>	<u>21,017,668</u>
Total liabilities	<u>63,655,583</u>	<u>41,687,105</u>	<u>21,968,478</u>
Deferred inflows of resources	<u>1,990,485</u>	<u>1,416,607</u>	<u>573,878</u>
Net position (Deficit):			
Net investment in capital assets	7,093,362	5,644,759	1,448,603
Restricted	1,974,412	1,553,607	420,805
Unrestricted (Deficit)	<u>(24,572,623)</u>	<u>(19,824,190)</u>	<u>(4,748,433)</u>
Total net position (deficit)	<u>\$ (15,504,849)</u>	<u>\$ (12,625,824)</u>	<u>\$ (2,879,025)</u>

At the end of fiscal year 2020, the District shows a deficit balance in its unrestricted net position of (\$24,572,623).

Analysis of Revenues and Expenses

Table A-2: Condensed Statements of Activities

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Change</u>
Program revenues	\$ 3,973,607	\$ 4,354,845	\$ (381,238)
Expenses	<u>(23,399,105)</u>	<u>(21,436,931)</u>	<u>(1,962,174)</u>
Net program expense	(19,425,498)	(17,082,086)	(2,343,412)
General revenues	<u>16,546,473</u>	<u>15,740,891</u>	<u>805,582</u>
Change in net position	(2,879,025)	(1,341,195)	(1,537,830)
Net position:			
Beginning of year	<u>(12,625,824)</u>	<u>(11,284,629)</u>	<u>(1,341,195)</u>
End of year	<u>\$ (15,504,849)</u>	<u>\$ (12,625,824)</u>	<u>\$ (2,879,025)</u>

NORTH COUNTY FIRE PROTECTION DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2020

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 (\$2,879,025).

Table A-3: Total Revenues

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Increase (Decrease)</u>
Program revenues:			
Charges for services	\$ 3,619,560	\$ 3,900,666	\$ (281,106)
Operating and capital grant funding	354,047	454,179	(100,132)
Total program revenues	<u>3,973,607</u>	<u>4,354,845</u>	<u>(381,238)</u>
General revenues:			
Property taxes	15,983,497	15,204,571	778,926
Rental income – cellular towers	102,950	109,206	(6,256)
Investment earnings	226,888	185,053	41,835
Other revenues	233,138	242,061	(8,923)
Total general revenues	<u>16,546,473</u>	<u>15,740,891</u>	<u>805,582</u>
Total revenues	<u>\$ 20,520,080</u>	<u>\$ 20,095,736</u>	<u>\$ 424,344</u>

Total revenues from all sources increased by 2.1%, or \$424,344 from \$20,095,736 to \$20,520,080, from the prior year, primarily due to increases in property taxes of \$778,926.

Table A-4: Total Expenses

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Increase (Decrease)</u>
Expenses:			
Salaries and wages	\$ 9,898,114	\$ 9,443,301	\$ 454,813
Employee benefits	7,396,975	6,995,874	401,101
Materials and services	4,511,570	3,757,569	754,001
Depreciation expense	971,021	935,483	35,538
Interest expense	323,290	304,704	18,586
Cost of issuance	298,135	-	298,135
Total expenses	<u>\$ 23,399,105</u>	<u>\$ 21,436,931</u>	<u>\$ 1,962,174</u>

Total expenses for the District's operations increased by 9.2% or \$1,962,174 from \$21,436,931 to \$23,399,105, from the prior year, primarily due to increases in salaries, benefits, materials and services and the cost of issuance of the pension obligation bonds.

NORTH COUNTY FIRE PROTECTION DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2020

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, 2020, the District reported a total fund balance of \$9,205,263. An amount of \$702,151 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 \$19,677,130 less than actual. Actual revenues were greater than the anticipated budget by \$696,988. Actual revenues less expenses were over budget by \$18,980,142.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2019-20 the District had invested \$287,048 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 \$971,021.

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

	<u>Balance, July 1, 2019</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance, June 30, 2020</u>
Capital assets:				
Non-depreciable assets	\$ 882,639	\$ 161,923	\$ -	\$ 1,044,562
Depreciable assets	24,373,647	125,125	(454,614)	24,044,158
Accumulated depreciation	(11,759,815)	(971,021)	454,614	(12,276,222)
Total capital assets, net	<u>\$ 13,496,471</u>	<u>\$ (683,973)</u>	<u>\$ -</u>	<u>\$ 12,812,498</u>

Long-Term Debt

At year-end the District had \$5,719,136 in outstanding long-term debt – a decrease of 27.2% 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, July 1, 2019</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance, June 30, 2020</u>
\$ 7,851,712	\$ -	\$ (2,132,576)	\$ 5,719,136

NORTH COUNTY FIRE PROTECTION DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2020

FACTORS AFFECTING CURRENT AND FUTURE FINANCIAL POSITION

Management has identified specific conditions that exist that could significantly impact the District's current financial and net position. The District has restructured its ambulance service staffing, reducing total personnel costs to fund the District's Capital Equipment Replacement Plan. The District needs to identify funding for future acquisitions as outlined in the District's Facilities Condition Assessment. The specific designated funds for such projects were depleted in the past recession with no identified monies to replenish.

Pension Obligation Bonds

The District's retirement system through CalPERS is another future uncertainty with ballooning costs due to poor CalPERS return-on-investments (ROI), adjustments due to retirees living longer, and anticipated changes in assumption rates. With this in mind, the District issued \$20,305,000 in 20-year 2020 Taxable Pension Obligation Bonds with coupon rates ranging from 1.355% to 3.568%. These bonds are expected to provide significant savings to the District as the District makes a significant \$20 million contribution to its CalPERS Pension Plan's Unamortized Actuarial Liability for its safety employees.

Global Pandemic

At the end of the first quarter of calendar year 2020, the United States and global economy suffered a major decline due to the impact of the COVID-19 virus. This economic decline may affect the District's operations and investment earnings for the remainder of calendar year 2020 and beyond. However, the potential impact to the District is unknown at this time.

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, 2020 (With Comparative Amounts as of June 30, 2019)

	Governmental Activities	
	2020	2019
ASSETS		
Current assets:		
Cash and investments (Note 2)	\$ 6,799,555	\$ 7,288,192
Accrued interest receivable	18,314	46,364
Accounts receivable – ambulance billings, net (Note 4)	666,441	657,887
Other receivables (Note 5)	101,078	163,370
Deposits with Public Agencies Self-Insurance System (Note 6)	490,640	473,794
Prepaid items	37,715	31,796
Total current assets	8,113,743	8,661,403
Non-current assets:		
Restricted – cash and investments (Note 2 and 3)	1,846,167	1,400,277
Restricted – accrued interest receivable (Note 3)	7,397	13,857
Restricted – other receivables (Note 3 and 5)	120,848	139,473
Capital assets – not being depreciated (Note 7)	1,044,562	882,639
Capital assets – being depreciated, net (Note 7)	11,767,936	12,613,832
Total non-current assets	14,786,910	15,050,078
Total assets	22,900,653	23,711,481
DEFERRED OUTFLOWS OF RESOURCES		
OPEB related deferred outflows of resources (Note 12)	420,371	168,939
Pension related deferred outflows of resources (Note 13)	26,820,195	6,597,468
Total deferred outflows of resources	27,240,566	6,766,407
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	173,005	152,274
Accrued payroll and related liabilities	692,378	597,113
Unearned revenue	17,509	14,146
Accrued interest payable	53,436	52,574
Long-term liabilities – due in one year:		
Compensated absences (Note 8)	1,000,000	1,000,000
Pension obligation bonds (Note 9)	860,000	-
Long-term debt (Note 10)	660,171	689,582
Total current liabilities	3,456,499	2,505,689
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (Note 8)	1,684,609	1,079,733
Pension obligation bonds (Note 9)	19,445,000	-
Long-term debt (Note 10)	5,058,965	7,162,130
Workers' compensation claims payable (Note 11)	3,315,736	2,897,373
Net other post-employment benefits obligation (Note 12)	4,212,984	3,689,312
Net pension liability (Note 13)	26,481,790	23,558,181
Pension-related debt – CalPERS side-fund liability (Note 13)	-	794,687
Total non-current liabilities	60,199,084	39,181,416
Total liabilities	63,655,583	41,687,105
DEFERRED INFLOWS OF RESOURCES		
OPEB related deferred outflows of resources (Note 12)	78,564	98,205
Pension related deferred outflows of resources (Note 13)	1,911,921	1,318,402
Total deferred inflows of resources	1,990,485	1,416,607
NET POSITION		
Net investment in capital assets (Note 14)	7,093,362	5,644,759
Restricted (Note 3)	1,974,412	1,553,607
Unrestricted (Deficit) (Note 15)	(24,572,623)	(19,824,190)
Total net position	\$ (15,504,849)	\$ (12,625,824)

NORTH COUNTY FIRE PROTECTION DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2020

With Comparative Amounts For the Fiscal Year Ended June 30, 2019)

	Governmental Activities	
	2020	2019
EXPENSES:		
Fire protection, prevention and emergency medical transport:		
Operations:		
Salaries and wages	\$ 9,898,114	\$ 9,443,301
Employee benefits	7,396,975	6,995,874
Materials and services	4,511,570	3,757,569
Depreciation expense	971,021	935,483
Interest expense	323,290	304,704
Cost of debt issuance (Note 9)	298,135	-
Total expenses	23,399,105	21,436,931
PROGRAM REVENUES:		
Charges for services:		
Ambulance services	2,338,146	2,068,255
Fire services – California Office of Emergency Services	327,631	687,747
Fire prevention	254,859	277,446
Mitigation fees	565,434	587,046
Annexation fees	70,345	68,534
Administration	63,145	211,638
Operating and capital grant funding	354,047	454,179
Total program revenues	3,973,607	4,354,845
Net program expense	(19,425,498)	(17,082,086)
GENERAL REVENUES:		
Property taxes	15,983,497	15,204,571
Rental income – cellular towers	102,950	109,206
Investment earnings	226,888	185,053
Other revenues	233,138	242,061
Total general revenues	16,546,473	15,740,891
Change in net position	(2,879,025)	(1,341,195)
Net Position:		
Beginning of year (Deficit)	(12,625,824)	(11,284,629)
End of year (Deficit)	\$ (15,504,849)	\$ (12,625,824)

NORTH COUNTY FIRE PROTECTION DISTRICT
Balance Sheet – Governmental Funds
June 30, 2020

	General Fund	Fire Mitigation Fund	Other Governmental Funds	Total Funds
ASSETS				
Assets:				
Cash and investments	\$ 6,799,555	\$ -	\$ -	\$ 6,799,555
Restricted – cash and investments	-	660,311	1,185,856	1,846,167
Accrued interest receivable	18,314	-	-	18,314
Restricted – accrued interest receivable	-	2,633	4,764	7,397
Accounts receivable, net	666,441	-	-	666,441
Other receivables	101,078	-	-	101,078
Restricted – other receivables	-	119,577	1,271	120,848
Deposits with PASIS	490,640	-	-	490,640
Prepaid items	37,715	-	-	37,715
Due from other funds (Note 16)	400,000	-	-	400,000
Total assets	\$ 8,513,743	\$ 782,521	\$ 1,191,891	\$ 10,488,155
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	\$ 173,005	\$ -	\$ -	\$ 173,005
Accrued payroll and related liabilities	692,378	-	-	692,378
Unearned revenue	17,509	-	-	17,509
Due to other funds (Note 16)	-	400,000	-	400,000
Total liabilities	882,892	400,000	-	1,282,892
Fund Balances: (Note 17)				
Nonspendable	37,715	-	-	37,715
Restricted	-	782,521	1,191,891	1,974,412
Assigned	6,490,985	-	-	6,490,985
Unassigned	1,102,151	(400,000)	-	702,151
Total fund balance	7,630,851	382,521	1,191,891	9,205,263
Total liabilities and fund balance	\$ 8,513,743	\$ 782,521	\$ 1,191,891	\$ 10,488,155

NORTH COUNTY FIRE PROTECTION DISTRICT

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

Fund Balances – Governmental Funds	\$ 9,205,263
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.	12,812,498
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.	27,240,566
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	(53,436)
Compensated absences	(2,684,609)
Pension obligation bonds	(20,305,000)
Long-term debt	(5,719,136)
Workers' compensation claims payable	(3,315,736)
Net other post-employment benefits payable	(4,212,984)
Net pension liability	(26,481,790)
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>(1,990,485)</u>
Total adjustments	<u>(24,710,112)</u>
Net Position of Governmental Activities	<u><u>\$ (15,504,849)</u></u>

NORTH COUNTY FIRE PROTECTION DISTRICT

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

	<u>General Fund</u>	<u>Fire Mitigation Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:				
Property taxes	\$ 15,684,147	\$ -	\$ 299,350	\$ 15,983,497
Charges for services:				
Ambulance services	2,338,146	-	-	2,338,146
Fire services – CA OES	327,631	-	-	327,631
Fire prevention	254,859	-	-	254,859
Mitigation fees	-	565,434	-	565,434
Annexation fees	70,345	-	-	70,345
Administration	63,145	-	-	63,145
Operating and capital grant funding	354,047	-	-	354,047
Rental income – cellular towers	102,950	-	-	102,950
Investment earnings	170,867	19,579	36,442	226,888
Other revenues	233,138	-	-	233,138
Total revenues	<u>19,599,275</u>	<u>585,013</u>	<u>335,792</u>	<u>20,520,080</u>
EXPENDITURES:				
Current:				
Salaries and wages	9,293,238	-	-	9,293,238
Employee benefits	24,644,662	-	-	24,644,662
Materials and services	4,093,207	-	-	4,093,207
Capital outlay	287,048	-	-	287,048
Debt service:				
Principal	2,132,576	-	-	2,132,576
Interest	322,428	-	-	322,428
Total expenditures	<u>40,773,159</u>	<u>-</u>	<u>-</u>	<u>40,773,159</u>
REVENUES OVER(UUNDER) EXPENDITURES	<u>(21,173,884)</u>	<u>585,013</u>	<u>335,792</u>	<u>(20,253,079)</u>
OTHER FINANCING SOURCES(USES):				
Issuance of debt – pension obligation bonds	20,305,000	-	-	20,305,000
Cost of debt issuance	(298,135)	-	-	(298,135)
Total other financing sources(uses)	<u>20,006,865</u>	<u>-</u>	<u>-</u>	<u>20,006,865</u>
Net Changes in Fund Balance	<u>(1,167,019)</u>	<u>585,013</u>	<u>335,792</u>	<u>(246,214)</u>
FUND BALANCES:				
Beginning of year	<u>8,797,870</u>	<u>(202,492)</u>	<u>856,099</u>	<u>9,451,477</u>
End of year	<u>\$ 7,630,851</u>	<u>\$ 382,521</u>	<u>\$ 1,191,891</u>	<u>\$ 9,205,263</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, 2020*

Net Change in Fund Balances – Governmental Funds \$ (246,214)

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	(604,876)
Change in accrued interest payable	(862)
Change in workers' compensation claims payable	(418,363)
Change in net other post-employment benefits obligations and related deferred resources	(252,599)
Change in net pension liability and related deferred resources	17,500,286

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	287,048
Depreciation expense	(971,021)

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.

2,132,576

Proceeds from issuance of debt are reported as other financing sources in governmental funds and thus contribute to the change in fund balances. In the government-wide statements, however, issuance of debt increases long-term liabilities in the statement of net position and does not affect the statement of activities.

(20,305,000)

Total adjustments (2,632,811)

Change in Net Position of Governmental Activities \$ (2,879,025)

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2020

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, 2020

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, 2020

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, 2020

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, 2020, 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, 2020

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.

7. 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.

8. 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.

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2020

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)

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.

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, 2020

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2020, were categorized on the statement of net position as follows:

Description	Balance
Cash and investments	\$ 6,799,555
Restricted – cash and investments	1,846,167
Total cash and investments	\$ 8,645,722

Cash and investments at June 30, 2020, consisted of the following:

Description	Balance
Cash on hand	\$ 180
Demand deposits held with financial institutions	2,218,750
California Local Agency Investment Fund (LAIF)	2,147,621
San Diego County Pooled Investment Fund (SDCPIF)	4,279,171
Total cash and investments	\$ 8,645,722

Demand Deposits

At June 30, 2020, the carrying amount of the District's demand deposits was \$2,218,750, and the financial institutions balances totaled \$2,247,280. 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, 2020

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, 2020, the District held \$2,147,621 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, 2020, the District had \$4,279,171 in the SDCTIP.

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

Restricted assets and restricted net position as of June 30, 2020, were categorized as follows:

<u>Description</u>	<u>Balance</u>
Restricted – cash and investments	\$ 1,846,167
Restricted – accrued interest receivable	7,397
Restricted – other receivables	<u>120,848</u>
Total restricted net position	<u>\$ 1,974,412</u>

Restricted assets and restricted net position as of June 30, 2020, were received from mitigation fees for capital expenditures and operational revenue for the Rainbow Sub-zone.

NORTH COUNTY FIRE PROTECTION DISTRICT
Notes to Financial Statements
June 30, 2020

NOTE 4 – ACCOUNTS RECEIVABLE – AMBULANCE BILLINGS, NET

Accounts receivable – ambulance billings, net as of June 30, 2020, consisted of the following:

<u>Description</u>	<u>Balance</u>
Accounts receivable – ambulance billings	\$ 1,216,441
Allowance for doubtful accounts	<u>(550,000)</u>
Total accounts receivable – ambulance billings, net	<u>\$ 666,441</u>

NOTE 5 – OTHER RECEIVABLES

Other receivables at June 30, 2020, were categorized on the statement of net position as follows:

<u>Description</u>	<u>Balance</u>
Other receivables	\$ 101,078
Restricted – other receivables	<u>120,848</u>
Total other receivables	<u>\$ 221,926</u>

Other receivables at June 30, 2020, consisted of the following:

<u>Description</u>	<u>Balance</u>
Property taxes receivable	\$ 67,446
Mitigation fees receivable	119,577
Other receivables	<u>34,903</u>
Total other receivables	<u>\$ 221,926</u>

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2020

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, 2020, the District had \$490,640 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, 2020 – Seven member agencies |
| D. Governing board | Seven representatives employed/appointed by members |
| E. District payments for FY 2019: | |
| Contribution | \$0 |
| F. Condensed financial information | June 30, 2020 |
| Audit signed | October 15, 2020 |

	<u>June 30, 2020</u>	<u>District Share</u>
Statement of net position:		
Total assets	\$ 3,667,065	\$ 490,640
Total liabilities	-	-
Net position	<u>\$ 3,667,065</u>	<u>\$ 490,640</u>
Statement of revenues, expenses and changes in net position:		
Total revenues	\$ 120,418	\$ 16,846
Total expenses	-	-
Change in net position	120,418	16,846
Beginning – net position	3,546,647	473,794
Ending – net position	<u>\$ 3,667,065</u>	<u>\$ 490,640</u>
G. District's share of year-end financial position	<u>100.00%</u>	<u>13.38%</u>

NORTH COUNTY FIRE PROTECTION DISTRICT
Notes to Financial Statements
June 30, 2020

NOTE 7 – CAPITAL ASSETS

Changes in capital assets for the year were as follows:

	Balance July 1, 2019	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2020
Non-depreciable capital assets:				
Land	\$ 882,639	\$ -	\$ -	\$ 882,639
Construction-in-process	-	161,923	-	161,923
Total non-depreciable capital assets	<u>882,639</u>	<u>161,923</u>	<u>-</u>	<u>1,044,562</u>
Depreciable capital assets:				
Structures and improvements	10,827,684	40,894	-	10,868,578
Hydrants	267,523	-	-	267,523
Equipment and vehicles	13,278,440	84,231	(454,614)	12,908,057
Total depreciable capital assets	<u>24,373,647</u>	<u>125,125</u>	<u>(454,614)</u>	<u>24,044,158</u>
Accumulated depreciation:				
Structures and improvements	(3,812,846)	(217,059)	-	(4,029,905)
Hydrants	(267,523)	-	-	(267,523)
Equipment and vehicles	(7,679,446)	(753,962)	454,614	(7,978,794)
Total accumulated depreciation	<u>(11,759,815)</u>	<u>(971,021)</u>	<u>454,614</u>	<u>(12,276,222)</u>
Total depreciable capital assets, net	<u>12,613,832</u>	<u>(845,896)</u>	<u>-</u>	<u>11,767,936</u>
Total capital assets, net	<u>\$ 13,496,471</u>	<u>\$ (683,973)</u>	<u>\$ -</u>	<u>\$ 12,812,498</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, 2020 were as follows:

Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Current Portion	Long-term Portion
\$ 2,079,733	\$ 1,562,394	\$ (957,518)	\$ 2,684,609	\$ 1,000,000	\$ 1,684,609

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 9 – PENSION OBLIGATION BONDS

Changes in pension obligation bonds amounts for the year ended June 30, 2020, was as follows:

<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
\$ -	\$ 20,030,500	\$ -	\$ 20,030,500	\$ 860,000	\$ 19,445,000

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, 2020 is \$27,912,561. Future remaining payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 860,000	\$ 546,016	\$ 1,406,016
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
2026-2030	3,905,000	2,400,868	6,305,868
2031-2035	5,935,000	1,744,817	7,679,817
2035-2040	6,725,000	737,149	7,462,149
Total	20,305,000	\$ 7,607,561	\$ 27,912,561
Current	(860,000)		
Long-term	\$ 19,445,000		

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, 2020

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.

NOTE 10 – LONG-TERM DEBT OBLIGATIONS PAYABLE

Changes in long-term debt obligations payable amounts for the year ended June 30, 2020, were as follows:

Long-Term Debt	Balance	Additions	Payments	Balance	Current Portion	Long-term Portion
	July 1, 2019			June 30, 2020		
Bond payable – Station No. 5	\$ 2,518,000	\$ -	\$ (129,000)	\$ 2,389,000	\$ 133,000	\$ 2,256,000
Note payable – Station No. 5	1,542,252	-	(1,542,252)	-	-	-
Capital lease payable – ambulance I	87,728	-	(43,276)	44,452	44,452	-
Capital lease payable – ambulance II	129,015	-	(41,679)	87,336	42,991	44,345
Capital lease payable – EKG monitors	242,665	-	(60,666)	181,999	60,666	121,333
Capital lease payable - ambulance remount	95,400	-	(46,698)	48,702	48,702	-
Capital lease payable - radios	427,964	-	(138,199)	289,765	147,157	142,608
Capital lease payable - equipment	1,464,657	-	(28,598)	1,436,059	78,494	1,357,565
Loan payable – solar project I	352,072	-	(31,957)	320,115	32,287	287,828
Loan payable – solar project II	196,134	-	(10,635)	185,499	10,747	174,752
Loan payable – administrative building	795,825	-	(59,616)	736,209	61,675	674,534
	<u>\$ 7,851,712</u>	<u>\$ -</u>	<u>\$ (2,132,576)</u>	<u>\$ 5,719,136</u>	<u>\$ 660,171</u>	<u>\$ 5,058,965</u>

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2020

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

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 bonds are payable until September 2033. Future remaining payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 133,000	\$ 102,508	\$ 235,508
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
2026-2030	905,000	276,420	1,181,420
2031-2034	757,000	67,251	824,251
Total	2,389,000	\$ 794,984	\$ 3,183,984
Current	(133,000)		
Long-term	\$ 2,256,000		

Note Payable – Station No. 5

On December 29, 2010, the District executed a note payable for Station No. 5 in the principal amount of \$2,200,000 with interest at 3.00% per annum. The note matures on December 1, 2030, with annual payments of \$182,739 which include principal and interest. In fiscal year 2020, the District paid off the note payable remaining principal balance of \$1,542,252.

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. Future remaining payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 44,452	\$ 1,208	\$ 45,660

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>
2021	\$ 42,991	\$ 2,751	\$ 45,742
2022	44,345	1,396	45,741
Total	87,336	\$ 4,147	\$ 91,483
Current	(42,991)		
Long-term	\$ 44,345		

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2020

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

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>
2021	\$ 60,666
2022	60,666
2023	<u>60,667</u>
Total	181,999
Current	<u>(60,666)</u>
Long-term	<u>\$ 121,333</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.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 48,702	\$ 2,092	\$ 50,794

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>
2021	\$ 142,608	\$ 9,243	\$ 151,851
2022	<u>147,157</u>	<u>4,694</u>	<u>151,851</u>
Total	289,765	<u>\$ 13,937</u>	<u>\$ 303,702</u>
Current	<u>(142,608)</u>		
Long-term	<u>\$ 147,157</u>		

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2020

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>
2021	\$ 78,494	\$ 55,486	\$ 133,980
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
2026-2030	517,349	152,551	669,900
2031-2034	493,541	42,379	535,920
Total	1,436,059	\$ 439,661	\$ 1,875,720
Current	(78,494)		
Long-term	\$ 1,357,565		

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>
2021	\$ 32,287	\$ 3,120	\$ 35,407
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
2026-2030	155,418	3,915	159,333
Total	320,115	\$ 16,253	\$ 336,368
Current	(32,287)		
Long-term	\$ 287,828		

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2020

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 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>
2021	\$ 10,747	\$ 1,828	\$ 12,575
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
2026-2030	57,623	5,252	62,875
2031-2035	60,573	2,302	62,875
2036	12,482	93	12,575
Total	185,499	\$ 15,701	\$ 201,200
Current	(10,747)		
Long-term	\$ 174,752		

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>
2021	\$ 61,675	\$ 24,076	\$ 85,751
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
2026-2030	391,556	37,199	428,755
2031	14,231	60	14,291
Total	736,209	\$ 135,592	\$ 871,801
Current	(61,675)		
Long-term	\$ 674,534		

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2020

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 seven 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, 2020, the District had \$473,794 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, 2020, the liability for workers’ compensation claims payable was estimated at \$3,315,736.

Changes in workers’ compensation claims payable for the year ended June 30, 2020, were as follows:

<u>Description</u>	<u>Balance</u>
Estimated claims balance – July 1, 2019	<u>\$ 2,897,373</u>
Claim payments	(271,322)
Revised claims estimate	<u>689,685</u>
Change in claims balance	<u>418,363</u>
Estimated claims balance – June 30, 2020	<u><u>\$ 3,315,736</u></u>

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2020

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	\$ 420,371
Net other post-employment benefits obligation	4,212,984
OPEB related deferred inflows of resources	78,564

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, 2020, the following employees were covered by the benefit terms:

Description	Amount
Inactive employees entitled to but not yet receiving benefit payments	31
Active employees	62
Total	<u>93</u>

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2020

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

B. Total OPEB Liability

The District's total OPEB liability of \$4,212,984 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs

The total OPEB liability in the June 30, 2020 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	2.66%
Inflation	2.75%
Salary Increases	Salary Scale plus Merit
Investment Rate of Return	2.66%
Mortality Rate	CalPERS Membership Data
Pre-Retirement Turnover	CalPERS Membership Data
Healthcare Trend Rate	4%

Mortality, Retirement & Turnover Assumptions

The mortality assumptions are based on the 2014 CalPERS Active and Retiree Mortality for Miscellaneous and Safety Employees table created by CalPERS.

The retirement assumptions are based on the 2009 CalPERS 2.0%@60 Rates for Miscellaneous Employees, the 2009 CalPERS 2.7%@55 Rates for Miscellaneous Employees, and the 2009 PERS 3%@55 FIRE RX tables created by CalPERS.

The turnover assumptions are based on the 2009 CalPERS Turnover for Miscellaneous Employees and Sworn Fire Employees tables created by CalPERS.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.66 percent. The projection of cash flows used to determine the discount rate assumed that contributions would be sufficient to fully fund the obligation over a period not to exceed 30 years. The Bond Buyer 20 Bond Index was used.

C. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2019	\$ 3,689,312
Changes for the year:	
Service cost	192,094
Interest	120,596
Changes in assumptions	316,911
Benefit payments	(105,929)
Net changes	523,672
Balance at June 30, 2020	\$ 4,212,984

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2020

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

C. Changes in the Total OPEB Liability (continued)

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 one percentage-point lower or one percentage-point higher than the current discount rate:

1% Decrease 1.66%	Current Discount Rate 2.66%	1% Increase 3.66%
\$ 4,719,671	\$ 4,212,984	\$ 3,410,229

Sensitivity of the total OPEB liability to changes in the healthcare cost 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 healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

1% Decrease 5.0% HMO/5.5% PPO decreasing to 4.0% HMO/4.0% PPO	Current Healthcare Cost Trend Rate 6.0% HMO/6.5% PPO decreasing to 4.0% HMO/4.0% PPO	1% Increase 7.0% HMO/7.5% PPO decreasing to 6.0% HMO/6.0% PPO
\$ 3,303,526	\$ 4,212,984	\$ 4,893,545

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$358,528. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB of the following:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 420,371	\$ -
Differences between expected and actual experience	-	(78,564)
Total	\$ 420,371	\$ (78,564)

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2020

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

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

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

<u>Year Ended June 30</u>	<u>Amount</u>
2021	\$ 45,838
2022	45,838
2023	45,838
2024	45,837
2025	31,691
Thereafter	126,765
Total	<u>\$ 341,807</u>

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	\$ 26,820,195
Net pension liability	26,481,790
Pension related deferred inflows of resources	1,911,921

A. General Information About the Pension Plans

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%	6.500%
Required employer contribution rates	13.084%	7.266%

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2020

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

A. General Information About the Pension Plans (continued)

The Plans Description Schedule (continued)

	Safety Plans	
	Classic Tier 1	PEPRA Tier 2
Hire date	Prior to December 31, 2012	On or after January 1, 2013
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	20.416%	12.965%

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, 2018 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, 2019 (Measurement Date), the following members were covered by the benefit terms:

Plan Members	Miscellaneous Plans		
	Classic Tier 1	PEPRA Tier 2	Total
Active members	4	23	27
Transferred and terminated members	7	11	18
Retired members and beneficiaries	31	-	31
Total plan members	42	34	76

Plan Members	Safety Plans		
	Classic Tier 1	PEPRA Tier 2	Total
Active members	45	6	51
Transferred and terminated members	55	28	83
Retired members and beneficiaries	70	-	70
Total plan members	170	34	204

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2020

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

A. General Information About the Pension Plans (continued)

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A Classic CalPERS Miscellaneous member becomes eligible for service retirement upon attainment of age 55 with at least 5 years of credited service. Public Employees' Pension Reform Act (PEPRA) Miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 full-time equivalent monthly pay. Retirement benefits for Classic Miscellaneous and Safety members are calculated as a percentage of their plan based the average final 36 months compensation. Retirement benefits for PEPRA Miscellaneous and Safety members are calculated as a percentage of their plan based the average final 36 months compensation.

Participant members are eligible for non-industrial disability retirement if they become disabled and have at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees. A member's beneficiary may receive the basic death benefit if the member dies while actively employed. The member must be actively employed with the District to be eligible for this benefit. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit.

The basic death benefit is a lump sum in the amount of the members' accumulated contributions, where interest is currently credited at 7.15% per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 3%.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers will 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. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The public agency cost-sharing plans covered by the Miscellaneous risk pool, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of members. For the measurement period ended June 30, 2019 (the measurement date), the active member contribution rate for the Classic Miscellaneous and Safety Plans and the PEPRA Miscellaneous and Safety Plans are based above in the Plans Description schedule.

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2020

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

A. General Information About the Pension Plans (continued)

Contributions (continued)

For the year ended June 30, 2020, the contributions made to the Plan were as follows:

Contribution Type	Total Plans		
	Classic Tier 1	PEPRA Tier 2	Total
Contributions – Miscellaneous Plan	\$ 392,646	\$ 75,507	\$ 468,153
Contributions – Safety Plan	22,458,400	81,579	22,539,979
Total contributions	\$ 22,851,046	\$ 157,086	\$ 23,008,132

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

Actuarial Methods and Assumptions Used to Determine the Total Pension Liability

For the measurement period ended June 30, 2019 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2018 total pension liability. The June 30, 2019 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

All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2020

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)

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The long-term expected rate of return on the pension plan investments was determined in which best-estimate ranges of expected future real rates are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were considered. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years.

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

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

<u>Investment Type</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10¹</u>	<u>Real Return Years 11+²</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 An expected inflation rate-of-return of 2.00% is used for years 1 – 10.

² An expected inflation rate-of-return of 2.92% is used for years 11+.

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2020

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 District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

<u>Plan Type</u>	<u>Plan's Net Pension Liability/(Asset)</u>		
	<u>Discount Rate</u>	<u>Current</u>	<u>Discount Rate</u>
	<u>- 1%</u>	<u>Discount Rate</u>	<u>+ 1%</u>
	<u>6.15%</u>	<u>7.15%</u>	<u>8.15%</u>
CalPERS – Miscellaneous Plan	<u>\$ 4,407,514</u>	<u>\$ 3,143,624</u>	<u>\$ 2,100,372</u>

<u>Plan Type</u>	<u>Plan's Net Pension Liability/(Asset)</u>		
	<u>Discount Rate</u>	<u>Current</u>	<u>Discount Rate</u>
	<u>- 1%</u>	<u>Discount Rate</u>	<u>+ 1%</u>
	<u>6.15%</u>	<u>7.15%</u>	<u>8.15%</u>
CalPERS – Safety Plan	<u>\$ 36,327,701</u>	<u>\$ 23,338,166</u>	<u>\$ 12,688,782</u>

<u>Plan Type</u>	<u>Plan's Net Pension Liability/(Asset)</u>		
	<u>Discount Rate</u>	<u>Current</u>	<u>Discount Rate</u>
	<u>- 1%</u>	<u>Discount Rate</u>	<u>+ 1%</u>
	<u>6.15%</u>	<u>7.15%</u>	<u>8.15%</u>
CalPERS – Total Plans	<u>\$ 40,735,215</u>	<u>\$ 26,481,790</u>	<u>\$ 14,789,154</u>

Pension Plan Fiduciary Net Position

Detail information about the 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.

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2020

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)

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan’s proportionate share of the risk pool collective net pension liability over the measurement period for the CalPERS Miscellaneous and Safety Plans:

<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Plan Net Pension Liability</u>
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2018 (Measurement Date)	\$ 8,788,467	\$ 5,754,190	\$ 3,034,277
Balance as of June 30, 2019 (Measurement Date)	\$ 9,396,738	\$ 6,253,114	\$ 3,143,624
Change in Plan Net Pension Liability	\$ 608,271	\$ 498,924	\$ 109,347
<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Plan Net Pension Liability</u>
CalPERS – Safety Plan:			
Balance as of June 30, 2018 (Measurement Date)	\$ 89,855,604	\$ 68,537,013	\$ 21,318,591
Balance as of June 30, 2019 (Measurement Date)	\$ 94,784,111	\$ 71,445,945	\$ 23,338,166
Change in Plan Net Pension Liability	\$ 4,928,507	\$ 2,908,932	\$ 2,019,575
<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Plan Net Pension Liability</u>
CalPERS – Total Plan:			
Balance as of June 30, 2018 (Measurement Date)	\$ 98,644,071	\$ 74,291,203	\$ 24,352,868
Balance as of June 30, 2019 (Measurement Date)	\$ 104,180,849	\$ 77,699,059	\$ 26,481,790
Change in Plan Net Pension Liability	\$ 5,536,778	\$ 3,407,856	\$ 2,128,922

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2020

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)

Proportionate Share of Net Pension Liability and Pension Expense (continued)

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

- (1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2018). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability (TPL) determines the net pension liability (NPL) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2019). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2019 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2018-19 fiscal year).
- (3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date.
- (4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.
- (5) The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

The District's proportionate share of the net pension liability was as follows:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending	Fiscal Year Ending	
	June 30, 2020	June 30, 2019	
CalPERS – Miscellaneous Plan			
Measurement Date	June 30, 2019	June 30, 2018	
Percentage of Risk Pool Net Pension Liability	0.07850%	0.08051%	-0.00201%
Percentage of Plan (PERF C) Net Pension Liability	0.03068%	0.03149%	-0.00081%
CalPERS – Safety Plan			
Percentage Share of Risk Pool			
	Fiscal Year Ending	Fiscal Year Ending	Change Increase/ (Decrease)
	June 30, 2020	June 30, 2019	
Measurement Date	June 30, 2019	June 30, 2018	
Percentage of Risk Pool Net Pension Liability	0.37386%	0.36333%	0.01053%
Percentage of Plan (PERF C) Net Pension Liability	0.22776%	0.22123%	0.00652%

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2020

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)

Proportionate Share of Net Pension Liability and Pension Expense (continued)

For the year ended June 30, 2020, the District recognized pension expense/(credit) in the amount of \$5,507,845 for the CalPERS Miscellaneous and Safety Plans.

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. 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 retired) as of the beginning of the measurement period.

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2020, 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	\$ 23,008,132	\$ -
Difference between actual and proportionate share of employer contributions	143,890	(1,074,996)
Adjustment due to differences in proportions	819,569	(204,174)
Differences between expected and actual experience	1,742,110	(16,917)
Differences between projected and actual earnings on pension plan investments	-	(376,017)
Changes in assumptions	1,106,494	(239,817)
Total Deferred Outflows/(Inflows) of Resources	\$ 26,820,195	\$ (1,911,921)

The District will recognize \$23,008,132 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date as a reduction of the net pension liability in the fiscal year ended June 30, 2021, as noted above.

The District's pension-related debt – CalPERS side-fund liability of \$794,687 as of June 30, 2019 was absorbed by the net pension liability actuarial valuation of June 30, 2019 under CalPERS Fresh Start Program.

The District will recognize \$1,900,142 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date as a reduction of the net pension liability in the fiscal year ended June 30, 2020, as noted on the prior page.

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2020

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)

Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

Other remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized to pension expense in future periods as follows:

<u>Amortization Period</u> <u>Fiscal Year Ended June 30,</u>	<u>Deferred</u> <u>Outflows/(Inflows)</u> <u>of Resources</u>
2021	\$ 1,819,062
2022	(218,813)
2023	226,318
2024	73,575
Total	<u>\$ 1,900,142</u>

NOTE 14 – NET INVESTMENT IN CAPITAL ASSETS

At June 30, 2020, the net investment in capital assets was calculated as follows:

<u>Description</u>	<u>Balance</u>
Capital assets – not being depreciated	\$ 1,044,562
Capital assets – being depreciated, net	11,767,936
Long-term debt obligations payable – current portion	(660,171)
Long-term debt obligations payable – noncurrent portion	<u>(5,058,965)</u>
Total net investment in capital assets	<u>\$ 7,093,362</u>

NOTE 15 – UNRESTRICTED NET POSITION (DEFICIT)

As of June 30, 2020, the District has an unrestricted net position deficit of (\$24,572,623). The unrestricted net position deficit resulted from the reporting of the District's net pension liability and the related deferred inflows of resources – deferred amounts related to net pension liability per GASB No. 68. At June 30, 2020, the District's net pension liability amounted to \$26,481,790 and the related deferred inflows of resources related to net pension liability amounted to \$1,911,921, which totals \$28,393,711. The District has issued \$20 million in pension obligation bonds to reduce its net pension liability in future years.

NORTH COUNTY FIRE PROTECTION DISTRICT
Notes to Financial Statements
 June 30, 2020

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	\$ 400,000	Capital

NOTE 17 – FUND BALANCES

At June 30, 2020, 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	\$ 37,715	\$ -	\$ -	\$ 37,715
Restricted:				
Fallbrook – mitigation	-	782,521	-	782,521
Rainbow subzone – operations	-	-	1,187,778	1,187,778
Rainbow subzone – mitigation	-	-	4,113	4,113
Total restricted	<u>-</u>	<u>782,521</u>	<u>1,191,891</u>	<u>1,974,412</u>
Assigned:				
Deposits with Public Agencies Self-Insurance System	490,640	-	-	490,640
Compensated absences	2,684,609	-	-	2,684,609
Workers' compensation claims payable	3,315,736	-	-	3,315,736
Total assigned	<u>6,490,985</u>	<u>-</u>	<u>-</u>	<u>6,490,985</u>
Unassigned	<u>1,102,151</u>	<u>(400,000)</u>	<u>-</u>	<u>702,151</u>
Total fund balances	<u>\$ 7,630,851</u>	<u>\$ 382,521</u>	<u>\$ 1,191,891</u>	<u>\$ 9,205,263</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, 2020

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, 2020:

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.

NORTH COUNTY FIRE PROTECTION DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 22 - CURRENT AND SUBSEQUENT EVENT

Global Pandemic

At the end of the first quarter of calendar year 2020, the United States and global economy suffered a major decline due to the impact of the COVID-19 virus. This economic decline may affect the District's operations and investment earnings for the remainder of calendar year 2020 and beyond. However, the potential impact to the District is unknown at this time.

Required Supplementary Information

NORTH COUNTY FIRE PROTECTION DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2020

	Adopted Original Budget	Revised Final Budget	Actual	Variance Positive (Negative)
REVENUES:				
Property taxes	\$ 15,685,723	\$ 15,476,356	\$ 15,684,147	\$ 207,791
Charges for services:				
Ambulance services	1,945,000	1,945,000	2,338,146	393,146
Fire services – CA OES	-	89,000	327,631	238,631
Fire prevention	200,000	200,000	254,859	54,859
Annexation fees	-	-	70,345	70,345
Administration	35,000	50,000	63,145	13,145
Operating and capital grant funding	288,215	288,215	354,047	65,832
Rental income – cellular towers	95,000	103,000	102,950	(50)
Interest earnings	30,000	70,000	170,867	100,867
Other revenues	530,000	680,716	233,138	(447,578)
Total revenues	18,808,938	18,902,287	19,599,275	696,988
EXPENDITURES:				
Current:				
Salaries and wages	9,244,645	9,288,975	9,293,238	(4,263)
Employee benefits	4,826,416	4,852,928	24,644,662	(19,791,734)
Materials and services	4,163,731	4,276,375	4,093,207	183,168
Capital outlay	1,818,161	1,818,161	287,048	1,531,113
Debt service:				
Principal	689,582	689,582	2,132,576	(1,442,994)
Interest	170,008	170,008	322,428	(152,420)
Total expenditures	20,912,543	21,096,029	40,773,159	(19,677,130)
REVENUES OVER(UNDER) EXPENDITURES	\$ (2,103,605)	\$ (2,193,742)	(21,173,884)	\$ (18,980,142)
OTHER FINANCING SOURCES(USES):				
Issuance of debt – pension obligation bonds	-	-	20,305,000	20,305,000
Cost of debt issuance	-	-	(298,135)	(298,135)
Total other financing sources (uses)	-	-	20,006,865	20,006,865
Net Changes in Fund Balance	\$ (2,103,605)	\$ (2,193,742)	(1,167,019)	\$ 1,026,723
FUND BALANCE:				
Beginning of year			8,797,870	
End of year			<u>\$ 7,630,851</u>	

NORTH COUNTY FIRE PROTECTION DISTRICT
Budgetary Comparison Schedule – Fire Mitigation Fund
For the Fiscal Year Ended June 30, 2020

	<u>Adopted Original Budget</u>	<u>Revised Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:				
Mitigation fees	\$ 295,000	\$ 295,000	\$ 565,434	\$ 270,434
Interest earnings	5,000	5,000	19,579	14,579
Total revenues	<u>300,000</u>	<u>300,000</u>	<u>585,013</u>	<u>285,013</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>	585,013	<u>\$ 285,013</u>
FUND BALANCE:				
Beginning of year (Deficit)			<u>(202,492)</u>	
End of year			<u>\$ 382,521</u>	

NORTH COUNTY FIRE PROTECTION DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2020

	Last Ten Fiscal Years*					
	California Public Employees' Retirement System (CalPERS)					
Measurement Date:	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
District's Proportion of the Net Pension Liability	0.258433%	0.252721%	0.248756%	0.251564%	0.248810%	0.272930%
District's Proportionate Share of the Net Pension Liability	\$ 26,481,790	\$ 24,352,868	\$ 24,669,730	\$ 21,768,074	\$ 17,078,153	\$ 16,983,012
District's Covered-Employee Payroll	\$ 7,036,723	\$ 6,905,639	\$ 6,671,377	\$ 6,461,980	\$ 6,452,080	\$ 6,429,039
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	<u>376.34%</u>	<u>352.65%</u>	<u>369.78%</u>	<u>336.86%</u>	<u>264.69%</u>	<u>264.16%</u>
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	<u>74.58%</u>	<u>75.31%</u>	<u>78.96%</u>	<u>74.35%</u>	<u>78.96%</u>	<u>78.67%</u>

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

Notes to the Schedule:

Changes of Assumptions and Methods:

In 2018, demographic assumptions and inflation rates were changed from 2.75% to 2.50% in accordance with the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

NORTH COUNTY FIRE PROTECTION DISTRICT
Schedule of Pension Contributions
For the Fiscal Year Ended June 30, 2020

Fiscal Year:	Last Ten Fiscal Years*						
	California Public Employees' Retirement System (CalPERS)						
	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
Actuarially Determined Contribution ¹	\$ 3,008,132	\$ 2,595,874	\$ 2,307,199	\$ 2,609,648	\$ 2,249,592	\$ 1,929,643	\$ 1,905,899
Contribution in Relation to the Actuarially Determined Contribution ¹	<u>(23,008,132)</u>	<u>(2,595,874)</u>	<u>(2,307,199)</u>	<u>(2,609,648)</u>	<u>(2,249,592)</u>	<u>(1,929,643)</u>	<u>(1,905,899)</u>
Contribution Deficiency (Excess)	<u>\$ (20,000,000)</u>	<u>\$ -</u>					
District's Covered-Employee Payroll ²	<u>\$ 7,102,546</u>	<u>\$ 7,036,723</u>	<u>\$ 6,905,639</u>	<u>\$ 6,671,377</u>	<u>\$ 6,461,980</u>	<u>\$ 6,452,080</u>	<u>\$ 6,429,039</u>
Contributions as a Percentage of Covered-Employee Payroll	<u>323.94%</u>	<u>36.89%</u>	<u>33.41%</u>	<u>39.12%</u>	<u>34.81%</u>	<u>29.91%</u>	<u>29.65%</u>

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

¹ Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side-fund or their unfunded liability. Employer contributions for such plan exceed the actuarial determined contributions. CalPERS has determined that employer obligations referred to as *side-funds* are not considered separately financed specific liabilities.

² Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB No. 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

Notes to the Schedule:

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

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, 2020

Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability			
Service cost	\$ 192,094	\$ 102,156	\$ 99,422
Interest	120,596	87,926	80,966
Changes of benefit terms	-	1,228,696	-
Differences between expected and actual experience	-	(117,846)	-
Changes of assumptions or other inputs ^{1 and 2}	316,911	202,727	-
Benefit payments	<u>(105,929)</u>	<u>(52,046)</u>	<u>(50,044)</u>
Net change in total OPEB liability	523,672	1,451,613	130,344
Total OPEB liability - beginning	<u>3,689,312</u>	<u>2,237,699</u>	<u>2,107,355</u>
Total OPEB liability - ending	<u>\$ 4,212,984</u>	<u>\$ 3,689,312</u>	<u>\$ 2,237,699</u>
Covered-employee payroll	<u>\$ 5,808,577</u>	<u>\$ 5,639,395</u>	<u>\$ 6,905,639</u>
Total OPEB liability as a percentage of covered-employee payroll	<u>72.53%</u>	<u>65.42%</u>	<u>32.40%</u>

Notes to Schedule:

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

¹ There was a change in the assumed discount rate from 3.80% in 2017-18 to 3.15% in 2018-19

² There was a change in the assumed discount rate from 3.15% in 2018-19 to 2.66% in 2019-20

Supplementary Information

NORTH COUNTY FIRE PROTECTION DISTRICT
Balance Sheets – Other Governmental Funds
For the Fiscal Year Ended June 30, 2020

	Rainbow Subzone		Total
	Operations Fund	Fire Mitigation Fund	
ASSETS			
Assets:			
Cash and investments	\$ 1,181,760	\$ 4,096	\$ 1,185,856
Accrued interest receivable	4,747	17	4,764
Property taxes receivable	1,271	-	1,271
Total assets	\$ 1,187,778	\$ 4,113	\$ 1,191,891
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expenses	\$ -	\$ -	\$ -
Total liabilities	-	-	-
Fund Balances:			
Restricted	\$ 1,187,778	\$ 4,113	\$ 1,191,891
Total fund balance	1,187,778	4,113	1,191,891
Total liabilities and fund balance	\$ 1,187,778	\$ 4,113	\$ 1,191,891

NORTH COUNTY FIRE PROTECTION DISTRICT*Schedule of Revenues, Expenditures, and Changes in Fund Balance – Other Governmental Funds**For the Fiscal Year Ended June 30, 2020*

	Rainbow Subzone		Total
	Operations Fund	Fire Mitigation Fund	
REVENUES:			
Property taxes	\$ 299,350	\$ -	\$ 299,350
Investment earnings	36,307	135	36,442
Total revenues	335,657	135	335,792
EXPENDITURES:			
Current:			
Materials and services	-	-	-
Total expenditures	-	-	-
REVENUES OVER(UNDER) EXPENDITURES	335,657	135	335,792
FUND BALANCE:			
Beginning of year	852,121	3,978	856,099
End of year	\$ 1,187,778	\$ 4,113	\$ 1,191,891

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, 2020, 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 February 28, 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) as a basis for designing audit procedures 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

A handwritten signature in blue ink that reads "Nigro & Nigro, PC". The signature is written in a cursive, flowing style.

Murrieta, California
February 28, 2021