

# **North County Fire Protection District**

Fallbrook, California

## **Annual Financial Report**

*For the Year Ended June 30, 2015*





**North County Fire Protection District  
Annual Financial Report  
For the Year Ended June 30, 2015**

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**FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
of the 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 the North County Fire Protection District (District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 opinion.

### ***Opinions***

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

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

### ***Emphasis of Matter***

#### ***Implementation of GASB Statements No. 68 and 71***

As discussed in Note 1 to the basic financial statements, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans-an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*. The adoption of these statements requires retrospective application of previously reported net position at July 1, 2014 as described in Note 16 to the basic financial statements. In addition, the Net Pension Liability is reported in the Balance Sheet in the amount of \$14,688,014 as of June 30, 2014, the measurement date. This Net Pension Liability is calculated by actuaries using estimates and actuarial techniques from an actuarial valuation as of June 30, 2014, the measurement date. Our opinion is not modified with respect to this matter.

#### ***Prior Period Adjustment***

As part of our audit of the 2015 financial statements, we also audited the adjustments described in Note 16 that were applied to restate the District's June 30, 2014 net position and fund balance. In our opinion, such adjustments are appropriate and have been properly applied. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 7 through 11 and the Budgetary Comparison Schedule – General Fund, Schedule of Changes in Net Position Liability and Related Ratios, Schedule of Contributions – Pension Plan and the Schedule of Funding Progress – Other Post-Employment Benefits Plan on pages 57 through 61, respectively, are 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.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements as a whole. The combining and individual non-major fund financial statements on pages 65 and 66 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 relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 taken as a whole.



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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Santa Ana, California  
November 30, 2016



**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***

**Independent Auditors' Report**

To the Board of Directors  
of the 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 and each major fund of the North County Fire Protection District (District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated November 30, 2016.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses as items 2015-01.

**Compliance and Other Matters**

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

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

**Purpose of this Report**

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

Santa Ana, California  
November 30, 2016

**North County Fire Protection District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015**

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**Finding 2015-01 – Prior Period Adjustments**

**Criteria:**

Effective internal control over financial reporting provides reasonable assurance for the completeness and accuracy of accounting records and proper year-end closing.

**Condition:**

During the year ended June 30, 2015, the District recorded the following adjustments to beginning net position to adjust for differences in these account balances:

**Government-wide Financial Statements:**

**Other prior period adjustments:**

Accrued interest payable	\$ (51,927)
Workers' compensation claims payable	(4,946,331)
Other post-employment benefits payable	<u>(101,530)</u>
<b>Total other prior period adjustments</b>	<u><u>\$ (5,099,788)</u></u>

**Governmental Fund Financial Statements:**

**Prior period adjustments:**

Compensated absences	\$ 744,138
Loans from County of San Diego	2,000,000
Adjustment to fund balance – due to miscalculation	<u>2,100</u>
<b>Total prior period adjustments</b>	<u><u>\$ 2,746,238</u></u>

**Cause:**

The District's policies and procedures for evaluating, reviewing, and properly recording financial transactions did not properly adjust for these account balances for the year ended June 30, 2014.

**Effect:**

The District's beginning net position was overstated by \$5,099,788 in the government-wide financial statements and the District's beginning fund balance was understated by \$2,746,238 in the governmental fund financial statements.

**Recommendation:**

The District should enhance its review processes over financial reporting and closing procedures to ensure that the account balances are thoroughly evaluated, reviewed, and recorded in order to facilitate the accurate and complete financial statements.

**Management View and Corrective Action Plan:**

Management agrees with the auditor's findings and will implement policies and procedures to strengthen its review processes over financial reporting and closing procedures in the future. Staff will continue to increase their knowledge base as it relates to accounting standards and procedures specific to these types of accounts. Staff will also increase communication with the auditors regarding the recording of unusual or complex transactions.

**North County Fire Protection District**  
**Management's Discussion and Analysis (Continued)(Unaudited)**  
**For the Year Ended June 30, 2015**

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The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the North County Fire Protection District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

**Financial Highlights**

- The District's net position increased \$1,397,538 as a result of this year's operations.
- Also, the District recorded a prior period adjustment of (\$24,673,329) to account for the implementation of GASB Nos. 68 and 71 to record the District's net pension liability and pension-related debt – CalPERS side-fund on the statement of net position (\$19,573,541) and to adjust the District's net position for other adjustments (\$5,099,788) (See Note 16). These adjustments resulted in a restated deficit net position of (\$15,999,186) as of July 1, 2014.
- Total revenues from all sources increased by 10.2%, or \$1,398,395 from \$13,707,942 to \$15,106,337, from the prior year, primarily due to an increase of \$1,015,736 in property tax revenues and \$390,000 in annexation fees.
- Total expenses for the District's operations decreased by 3.5% or \$496,857 from \$14,205,656 to \$13,708,799, from the prior year, primarily due to the implementation of GASB Nos. 68/71 which resulted in a reduction of pension expense of (\$252,260) along with a reduction in the workers' compensation claims payable obligation of (\$1,195,766).

**Using This Financial Report**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Activities. This statement measures the success of the District's operations over the past year and can be used to determine the District's profitability and credit worthiness.

**Government-wide Financial Statements**

**Statement of Net Position and Statement of Activities**

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the District in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's *net position* and changes in them. Think of the District's net position – the difference between assets and liabilities – as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors; however, such as changes in the District's property tax base to assess the *overall health* of the District.

**North County Fire Protection District**  
**Management's Discussion and Analysis (Continued)(Unaudited)**  
**For the Year Ended June 30, 2015**

**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*.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources of the District exceeded assets and deferred outflows by \$14,601,648 as of June 30, 2015.

**Condensed Statement of Net Position**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Change</u>
<b>Assets:</b>			
Current assets	\$ 7,116,991	\$ 9,312,751	\$ (2,195,760)
Capital assets, net	<u>11,178,853</u>	<u>8,733,412</u>	<u>2,445,441</u>
<b>Total assets</b>	<u>18,295,844</u>	<u>18,046,163</u>	<u>249,681</u>
<b>Deferred outflows of resources</b>	<u>2,032,456</u>	<u>-</u>	<u>2,032,456</u>
<b>Liabilities:</b>			
Current liabilities	3,363,380	2,882,608	480,772
Non-current liabilities	<u>27,197,843</u>	<u>6,489,412</u>	<u>20,708,431</u>
<b>Total liabilities</b>	<u>30,561,223</u>	<u>9,372,020</u>	<u>21,189,203</u>
<b>Deferred inflows of resources</b>	<u>4,368,725</u>	<u>-</u>	<u>4,368,725</u>
<b>Net position:</b>			
Net investment in capital assets	5,828,934	3,670,320	2,158,614
Restricted	2,694,649	-	2,694,649
Unrestricted	<u>(23,125,231)</u>	<u>5,003,823</u>	<u>(28,129,054)</u>
<b>Total net position</b>	<u>\$ (14,601,648)</u>	<u>\$ 8,674,143</u>	<u>\$ (23,275,791)</u>

At the end of fiscal year 2015, the District shows a deficit balance in its unrestricted net position of (\$23,125,231).

**North County Fire Protection District**  
**Management's Discussion and Analysis (Continued)(Unaudited)**  
**For the Year Ended June 30, 2015**

**Condensed Statements of Revenues, Expenses and Changes in Net Position**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Change</u>
<b>Program revenues</b>	\$ 2,005,743	\$ 2,065,239	\$ (59,496)
<b>Expenses</b>	<u>(13,708,799)</u>	<u>(14,205,656)</u>	<u>496,857</u>
<b>Net program expense</b>	(11,703,056)	(12,140,417)	437,361
<b>General revenues</b>	<u>13,100,594</u>	<u>11,642,703</u>	<u>1,457,891</u>
<b>Change in net position</b>	1,397,538	(497,714)	1,895,252
<b>Net position – beginning of period</b>	8,674,143	9,171,857	(497,714)
<b>Prior period adjustment</b>	<u>(24,673,329)</u>	<u>-</u>	<u>(24,673,329)</u>
<b>Net position – end of period</b>	<u>\$ (14,601,648)</u>	<u>\$ 8,674,143</u>	<u>\$ (23,275,791)</u>

The statement of activities shows how the government's net position changed during the fiscal year. In the case of the District, the operations of the District increased by \$1,397,538 for the fiscal year ended June 30, 2015. However, the prior period adjustment of (\$24,673,329) placed the District into a deficit net position of (\$14,601,648).

**Total Revenues:**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Increase (Decrease)</u>
<b>Program revenues:</b>			
Charges for services	\$ 1,912,355	\$ 1,877,619	\$ 34,736
Capital and operating grants	<u>93,388</u>	<u>187,620</u>	<u>(94,232)</u>
<b>Total program revenues</b>	<u>2,005,743</u>	<u>2,065,239</u>	<u>(59,496)</u>
<b>General revenues:</b>			
Property taxes	12,462,457	11,446,721	1,015,736
Mitigation fees	113,479	96,205	17,274
Annexation fees	390,000	-	390,000
Rental income – cellular towers	85,864	77,672	8,192
Interest earnings	12,259	18,219	(5,960)
Other revenues	<u>36,535</u>	<u>3,886</u>	<u>32,649</u>
<b>Total general revenues</b>	<u>13,100,594</u>	<u>11,642,703</u>	<u>1,457,891</u>
<b>Total revenues</b>	<u>\$ 15,106,337</u>	<u>\$ 13,707,942</u>	<u>\$ 1,398,395</u>

Total revenues from all sources increased by 10.2%, or \$1,398,395 from \$13,707,942 to \$15,106,337, from the prior year, primarily due to an increase of \$1,015,736 in property tax revenues and \$390,000 in annexation fees.

**North County Fire Protection District  
Management's Discussion and Analysis (Continued)(Unaudited)  
For the Year Ended June 30, 2015**

**Total Expenses:**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Increase (Decrease)</u>
<b>Expenses:</b>			
Operations	\$ 12,877,028	\$ 13,565,794	\$ (688,766)
Depreciation expense	586,493	566,871	19,622
Interest expense	245,278	72,991	172,287
<b>Total expenses</b>	<u>\$ 13,708,799</u>	<u>\$ 14,205,656</u>	<u>\$ (496,857)</u>

Total expenses for the District's operations decreased by 3.5% or \$496,857 from \$14,205,656 to \$13,708,799, from the prior year, primarily due to the implementation of GASB Nos. 68/71 which resulted in a reduction of pension expense of (\$252,260) along with a reduction in the workers' compensation claims payable obligation of (\$1,195,766).

**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, 2015, the District reported a total fund balance of \$6,659,540. An amount of \$2,193,919 constitutes the District's *unassigned fund balance*, which is available for future expenditures.

**General Fund Budgetary Highlights**

The final budgeted expenditures for the District at year-end were \$113,764 less than actual. The variance is principally due to the increase in expenditures for salaries and wages and materials and services than budgeted. Actual revenues were greater than the anticipated budget by \$744,816.

**Capital Asset Administration**

Changes in capital asset balances for the year were as follows:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance June 30, 2015</u>
<b>Capital assets:</b>				
Non-depreciable assets	\$ 3,363,523	\$ 2,489,682	\$ -	\$ 5,853,205
Depreciable assets	14,822,654	542,252	(276,980)	15,087,926
Accumulated depreciation	(9,452,765)	(586,493)	276,980	(9,762,278)
<b>Total capital assets, net</b>	<u>\$ 8,733,412</u>	<u>\$ 2,445,441</u>	<u>\$ -</u>	<u>\$ 11,178,853</u>

At the end of fiscal year 2015, the District's investment in capital assets amounted to \$11,178,853 (net of accumulated depreciation). This investment in capital assets includes structures and improvements, hydrants and equipment and vehicles. Major capital asset additions during the year include \$2,489,682 in construction costs for station no. 5. See note 4 for further information on the District's capital assets.



**North County Fire Protection District**  
**Management's Discussion and Analysis (Continued)(Unaudited)**  
**For the Year Ended June 30, 2015**

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**Debt Administration**

Changes in long-term debt balances for the year were as follows:

<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Principal</u> <u>Payments</u>	<u>Balance</u> <u>June 30, 2015</u>
\$ 5,063,092	\$ 475,241	\$ (188,414)	\$ 5,349,919

See further detail at note 6.

**Conditions Affecting Current Financial Position**

Management is unaware of any conditions, which could have a significant impact on the District's current financial position, net position or operating results in terms of past, present and future.

**Requests for Information**

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 North County Fire Protection District at, 330 South Main Avenue, Fallbrook, California 92028 or (760) 723-2005.

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**BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**North County Fire Protection District**  
**Statement of Net Position**  
**June 30, 2015**

<u>ASSETS</u>	<u>Governmental Activities</u>
<b>Current assets:</b>	
Cash and investments (Note 2)	\$ 6,370,647
Accrued interest receivable	2,770
Accounts receivable – ambulance billings, net (Note 3)	554,869
Property taxes receivable	149,403
Mitigation fees receivable	39,302
<b>Total current assets</b>	<b>7,116,991</b>
<b>Non-current assets:</b>	
Capital assets – not being depreciated (Note 4)	5,853,205
Capital assets – being depreciated, net (Note 4)	5,325,648
<b>Total non-current assets</b>	<b>11,178,853</b>
<b>Total assets</b>	<b>18,295,844</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>	
Pension contributions made after the measurement date (Note 10)	1,929,643
Differences between actual and proportionate share of employer contributions (Note 10)	102,813
<b>Total deferred outflows of resources</b>	<b>2,032,456</b>
<b><u>LIABILITIES</u></b>	
<b>Current liabilities:</b>	
Accounts payable and accrued expenses	72,153
Accrued payroll and related liabilities	385,298
Accrued interest payable	65,294
Long-term liabilities – due in one year:	
Compensated absences (Note 5)	619,840
Long-term debt (Note 6)	220,795
Loans from County of San Diego (Note 7)	2,000,000
<b>Total current liabilities</b>	<b>3,363,380</b>
<b>Non-current liabilities:</b>	
Long-term liabilities – due in more than one year:	
Compensated absences (Note 5)	1,151,132
Long-term debt (Note 6)	5,129,124
Workers' compensation claims payable (Note 8)	3,750,565
Other post-employment benefits obligations (Note 9)	184,010
Aggregate net pension liability (Note 10)	14,688,014
Pension-related debt – CalPERS side-fund liability (Note 10)	2,294,998
<b>Total non-current liabilities</b>	<b>27,197,843</b>
<b>Total liabilities</b>	<b>30,561,223</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Differences between projected and actual earnings on pension plan investments (Note 10)	4,314,249
Adjustment due to differences in proportions (Note 10)	54,476
<b>Total deferred inflows of resources</b>	<b>4,368,725</b>
<b><u>NET POSITION</u></b>	
Net investment in capital assets (Note 11)	5,828,934
Restricted (Note 12)	2,694,649
Unrestricted (deficit) (Note 13)	(23,125,231)
<b>Total net position</b>	<b>\$ (14,601,648)</b>

See accompanying Notes to the Basic Financial Statements.

**North County Fire Protection District**  
**Statement of Activities**  
**For the Year Ended June 30, 2015**

	<b>Governmental Activities</b>
<b>EXPENSES:</b>	
Fire protection, prevention and emergency medical transport:	
Operations	\$ 12,877,028
Depreciation expense	586,493
Interest expense	245,278
<b>Total expenses</b>	<b>13,708,799</b>
<b>PROGRAM REVENUES:</b>	
Charges for services:	
Ambulance services	1,356,262
Fire services – California Office of Emergency Services	385,136
Fire prevention	69,682
Mitigation fees	113,479
Annexation fees	390,000
Administration	101,275
Capital and operating grants	93,388
<b>Total program revenues</b>	<b>2,509,222</b>
<b>Net program expense</b>	<b>(11,199,577)</b>
<b>GENERAL REVENUES:</b>	
Property taxes	12,462,457
Rental income – cellular towers	85,864
Interest earnings	12,259
Other revenues	36,535
<b>Total general revenues</b>	<b>12,597,115</b>
<b>CHANGE IN NET POSITION</b>	<b>1,397,538</b>
<b>NET POSITION:</b>	
Beginning of year, as originally reported	8,674,143
Prior period adjustments (Note 16)	(24,673,329)
End of year	<b>\$ (14,601,648)</b>



**FUND FINANCIAL STATEMENTS**

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**North County Fire Protection District**  
**Balance Sheets**  
**Governmental Funds**  
**June 30, 2015**

<u>ASSETS</u>	<u>General Fund</u>	<u>Fire Mitigation Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Assets:</b>				
Cash and investments	\$ 5,670,661	\$ 289,692	\$ 410,294	\$ 6,370,647
Accrued interest receivable	2,071	282	417	2,770
Accounts receivable – ambulance billings, net	554,869	-	-	554,869
Property taxes receivable	149,253	-	150	149,403
Mitigation fees receivable	-	39,302	-	39,302
Advance to other fund (Note 15)	2,078,524	-	12,617	2,091,141
<b>Total assets</b>	<u>\$ 8,455,378</u>	<u>\$ 329,276</u>	<u>\$ 423,478</u>	<u>\$ 9,208,132</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>Liabilities:</b>				
Accounts payable and accrued expenses	\$ 66,021	\$ -	\$ 6,132	\$ 72,153
Accrued payroll and related liabilities	385,298	-	-	385,298
Advance from other funds (Note 15)	-	2,078,524	12,617	2,091,141
<b>Total liabilities</b>	<u>451,319</u>	<u>2,078,524</u>	<u>18,749</u>	<u>2,548,592</u>
<b>Fund Balances: (Note 14)</b>				
Nonspendable	2,078,524	-	-	2,078,524
Restricted	1,960,644	329,276	404,729	2,694,649
Assigned	1,770,972	-	-	1,770,972
Unassigned (deficit)	2,193,919	(2,078,524)	-	115,395
<b>Total fund balance</b>	<u>8,004,059</u>	<u>(1,749,248)</u>	<u>404,729</u>	<u>6,659,540</u>
<b>Total liabilities and fund balance</b>	<u>\$ 8,455,378</u>	<u>\$ 329,276</u>	<u>\$ 423,478</u>	<u>\$ 9,208,132</u>

**North County Fire Protection District**  
**Reconciliation of the Balance Sheets of Governmental Funds to the**  
**Government-Wide Statement of Net Position**  
**June 30, 2015**

<b>Fund Balances – Governmental Funds</b>	<u>\$ 6,659,540</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those assets as capital assets.	11,178,853
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.	2,032,456
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	(65,294)
Compensated absences	(1,770,972)
Long-term debt	(5,349,919)
Loans from County of San Diego	(2,000,000)
Workers' compensation claims payable	(3,750,565)
Other post-employment benefits payable	(184,010)
Aggregate net pension liability	(14,688,014)
Pension-related debt – CalPERS side-fund liability	(2,294,998)
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>(4,368,725)</u>
Total adjustments	<u>(21,261,188)</u>
<b>Net Position of Governmental Activities</b>	<u><u>\$ (14,601,648)</u></u>

**North County Fire Protection District**  
**Statements of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2015**

	<u>General Fund</u>	<u>Fire Mitigation Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>REVENUES:</b>				
Property taxes	\$ 12,231,986	\$ -	\$ 230,471	\$ 12,462,457
Charges for services:				
Ambulance services	1,356,262	-	-	1,356,262
Fire services – CA Office of Emergency Services	385,136	-	-	385,136
Fire prevention	69,682	-	-	69,682
Mitigation fees	-	113,479	-	113,479
Annexation fees	390,000	-	-	390,000
Administration	101,275	-	-	101,275
Capital and operating grants	85,344	-	8,044	93,388
Rental income – cellular towers	85,864	-	-	85,864
Interest earnings	8,636	1,834	1,789	12,259
Other revenues	36,535	-	-	36,535
<b>Total revenues</b>	<u>14,750,720</u>	<u>115,313</u>	<u>240,304</u>	<u>15,106,337</u>
<b>EXPENDITURES:</b>				
Current:				
Salaries and wages	8,079,366	-	22,596	8,101,962
Employee benefits	3,684,641	-	-	3,684,641
Contracted service costs	94,225	-	25,000	119,225
Materials and services	2,499,321	-	238,911	2,738,232
Capital outlay	3,031,934	-	-	3,031,934
Debt service:				
Principal	188,414	-	-	188,414
Interest	231,911	-	-	231,911
<b>Total expenditures</b>	<u>17,809,812</u>	<u>-</u>	<u>286,507</u>	<u>18,096,319</u>
<b>REVENUES OVER(UNDER) EXPENDITURES</b>	(3,059,092)	115,313	(46,203)	(2,989,982)
<b>OTHER FINANCING SOURCES(USES):</b>				
Proceeds from the issuance of loans payable	475,241	-	-	475,241
Transfers in (Note 15)	598,951	-	73,862	672,813
Transfers (out) (Note 15)	(18,294)	(228,930)	(425,589)	(672,813)
<b>Total other financing sources(uses)</b>	<u>1,055,898</u>	<u>(228,930)</u>	<u>(351,727)</u>	<u>475,241</u>
<b>NET CHANGES IN FUND BALANCE</b>	(2,003,194)	(113,617)	(397,930)	(2,514,741)
<b>FUND BALANCE:</b>				
Beginning of year	7,263,115	(1,635,631)	800,559	6,428,043
Prior period adjustments (Note 16)	2,744,138	-	2,100	2,746,238
End of year	<u>\$ 8,004,059</u>	<u>\$ (1,749,248)</u>	<u>\$ 404,729</u>	<u>\$ 6,659,540</u>

**North County Fire Protection District**  
**Reconciliation of the Statements of Revenues, Expenditures and**  
**Changes in Fund Balance of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2015**

<b>Net Change in Fund Balances – Governmental Funds</b>	<u>\$ (2,514,741)</u>
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	269,431
Change in aggregate net pension liability	384,315
Change in accrued interest payable	(13,367)
Change in net other post-employment benefits obligations	(82,480)
Change in workers' compensation claims payable	1,195,766
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	3,031,934
Depreciation expense	(586,493)
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.	
	188,414
and thus contribute to the change in fund balances. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities.	
	<u>(475,241)</u>
<b>Total adjustments</b>	<u>3,912,279</u>
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ 1,397,538</u></u>

**North County Fire Protection District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 1 – Reporting Entity and Summary of Significant Accounting Policies**

**Organization and Operations of the Reporting Entity**

The North County Fire Protection District (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.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Statements No. 61, *The Financial Reporting Entity*. The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

***Basis of Accounting and Measurement Focus***

***Government-Wide Financial Statements***

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the activities of the primary government. The effect of inter-fund activity has been removed from these statements and eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

***Fund Financial Statements***

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual enterprise funds are reported as separate columns in the fund financial statements.

The District's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

**North County Fire Protection District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)**

***Basis of Accounting and Measurement Focus (Continued)***

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

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

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

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 when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements 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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal year and other revenues when collected within one year of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The primary revenue sources susceptible to accrual are property taxes, charges for services, and interests associated with the current fiscal period and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major funds:

***General Fund*** – This is a government’s primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund when necessary.

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes.

***Special Revenue Fund*** – The Fire Mitigation fund is used to account for fees collected from builders in the service area that can only be used to purchase new capital assets when those assets are needed due to population and infrastructure growth in the service area.

The District reports the following non-major funds:

***Special Revenue Fund*** – The Rainbow Subzone – Operations fund is used to account for revenues collected and expenditures made in the Rainbow Subzone service area.



**North County Fire Protection District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)**

***Basis of Accounting and Measurement Focus (Continued)***

The District reports the following non-major funds: (Continued)

***Special Revenue Fund*** – The Rainbow Subzone – Fire Mitigation fund is used to account for fees collected from builders in the service area that can only be used to purchase new capital assets when those assets are needed due to population and infrastructure growth in the Rainbow Subzone service area.

***Capital Projects Fund*** – is used to accumulate funds for future capital expenditures and equipment replacement.

***Use of Estimates***

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in District net position during the reporting period. Actual results could differ from those estimates.

***Investments Policy***

The District has adopted an investment policy which allows deposits into financial institutions, the California Local Agency Investment Fund (LAIF) and the San Diego County Treasury’s Pooled Investment Fund. The pooled investment fund is carried at fair-value. Any investment losses are proportionality shared by all funds in the pool.

***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, 2015, an allowance for doubtful accounts has been recorded for those uncollectable accounts. (See Note 3)

***Capital Assets***

Capital assets are recorded in the government-wide financial statements. Included in capital assets is equipment used at the District. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated fair market value at the date of donation. Capital outlay is recorded as expenditures of the General Fund and as assets in the government-wide financial statements to the extent the District’s capitalization threshold is met. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Structures and improvements	10 to 50 years
Hydrants	10 years
Equipment and vehicles	5 to 20 years

**North County Fire Protection District  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2015**

**Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)**

***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.

***Pension Plan***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans’ fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. The following timeframes are used for pension reporting:

**CalPERS**

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Measurement Period	July 1, 2013 to June 30, 2014

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

***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 13A 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 the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)**

***Net Position***

Net position is categorized as follows:

***Net Investment in Capital Assets*** – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt outstanding against the acquisition, construction or improvement of those assets.

***Restricted*** – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

***Unrestricted*** – This component of net position consists of net amount of assets that are not included in the determination of *restricted* or *net investment in capital assets*.

***Fund Balance***

The financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

***Nonspendable*** – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

***Restricted*** – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions enabling legislation.

***Committed*** – amounts that can only be used for specific purposes determined by formal action of the District's highest level of decision-making authority (the Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

***Assigned*** – amounts that are constrained by the District's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose.

***Unassigned*** – the residual classification for the District's general fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The Board of Directors established, modifies or rescinds fund balance commitments and assignments by passage of a resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

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

**North County Fire Protection District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)**

***Fund Balance Policy***

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain an unrestricted fund balance in its funds sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned and unassigned fund balances are considered unrestricted.

The purpose of the District's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

***Accounting Changes***

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflow of resources, deferred inflows of resources, and expense/expenditures for pension plans. This Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This statement became effective for periods beginning after June 15, 2014. See notes 10 and 16 for the net pension liability and prior period adjustment that resulted from the implementation of these pronouncements.

GASB has issued Statement No. 69, *Government Combinations and Disposals of Government Operation*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This statement became effective for periods beginning after December 15, 2013 and did not have a significant impact on the District's financial statements for year ended June 30, 2015.

GASB has issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This statement establishes standards relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement became effective for periods beginning after June 15, 2014. See notes 10 and 16 for the net pension liability and prior period adjustment that resulted from the implementation of these pronouncements.

**North County Fire Protection District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 2 – Cash and Investments**

Cash and investments as of June 30, 2015 consisted of the following:

Description	Balance
Cash on hand	\$ 1,000
Deposits held with financial institutions	1,263,816
Deposits held with financial institution for Station No. 5 construction	1,960,644
Deposits held with Public Agency Self Insurance System (PASIS)	502,552
Deposits held with California Local Agency Investment Fund (LAIF)	18,798
Deposits held with San Diego County Pooled Investment Fund (SDCPIF)	2,623,837
Total cash and investments	\$ 6,370,647

***Authorized Deposits and Investments***

The District has adopted an investment policy which allows deposits into financial institutions, the California Local Agency Investment Fund (LAIF) and the San Diego County Treasury’s Pooled Investment Fund (SDCPIF).

***California Local Agency Investment Fund (LAIF)***

The District is a voluntary participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District’s investment in this pool is reported in the accompanying financial statements at amounts 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 that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The District’s investments with LAIF at June 30, 2015, included a portion of the pool funds invested in structured notes and asset-backed securities:

*Structured Notes:* debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

*Asset-Backed Securities:* generally mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2015, the District had \$18,798 invested in LAIF, which had invested 2.08% of the pool investment funds in structured notes and medium-term asset-backed securities. The LAIF fair value factor of 1.000375979 was used to calculate the fair value of the investments in LAIF.

***San Diego County Pooled Investment Fund***

The San Diego County Pooled Investment Fund (SDCPIF) is a pooled investment fund program governed by the San Diego County Board of Supervisors, and administered by the San Diego County Treasurer. Investments in SDCPIF are highly liquid as deposits and withdrawals can be made at any time without penalty. SDCPIF does not impose a maximum investment limit. The County’s Treasurer has indicated to the District that as of June 30, 2015 that the value of the County’s portfolio approximated \$7.5 billion and the portfolio holds no derivative products.

**North County Fire Protection District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 2 – Cash and Investments (Continued)**

***San Diego County Pooled Investment Fund (Continued)***

The San Diego County bank deposits are either federally insured or collateralized in accordance with the California Government Code. The SDCPIF complies with Government Code Section 53646, which requires the SCPIF to meet its expenditure requirements for the next six months. Pool detail may be obtained from the County of San Diego Treasurer-Tax Collector Office – 1600 Pacific Hwy., Room 162 – San Diego, CA 92101 or the Treasurer and Tax Collector’s office website at [www.sdtreastax.com](http://www.sdtreastax.com).

***Custodial Credit Risk***

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and District’s investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: 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% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District’s deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Of the District’s bank balances, up to \$250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District’s name.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Code and the District’s investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government’s indirect investment in securities through the use of mutual funds or government investment pools (such as SDCPIF).

<u>Investments</u>	<u>Credit Rating</u>	<u>Fair Value June 30, 2015</u>	<u>Maturity 12 Months or Less</u>
California Local Agency Investment Fund (LAIF)	Not Rated	\$ 18,798	\$ 18,798
San Mateo County Pooled Investment Fund (SMCPIF)	AAAf/S1	2,623,837	2,623,837
Total investments		<u>\$ 2,642,635</u>	<u>\$ 2,642,635</u>

***Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity an investment has the greater its fair value has sensitivity to changes in market interest rates. District’s investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

***Credit Risk***

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2015, the District’s investment in the SDCPIF was rated by Standard & Poor’s as AAAf/S1.

**North County Fire Protection District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 3 – Accounts Receivable – Ambulance Billings, net**

Accounts receivable – ambulance billings, net as of June 30, 2015 consisted of the following:

Description	Balance
Accounts receivable – ambulance billings	688,244
Allowance for doubtful accounts	(133,375)
<b>Total accounts receivable – ambulance billings, net</b>	<b>\$ 554,869</b>

**Note 4 – Capital Assets**

Changes in capital assets for the year were as follows:

	Balance July 1, 2014	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2015
Non-depreciable capital assets:				
Land	\$ 612,639	\$ -	\$ -	\$ 612,639
Construction-in-process	2,750,884	2,489,682	-	5,240,566
Total non-depreciable capital assets	3,363,523	2,489,682	-	5,853,205
Depreciable capital assets:				
Structures and improvements	4,777,989	-	-	4,777,989
Hydrants	267,523	-	-	267,523
Equipment and vehicles	9,777,142	542,252	(276,980)	10,042,414
Total depreciable capital assets	14,822,654	542,252	(276,980)	15,087,926
Accumulated depreciation:				
Structures and improvements	(3,041,177)	(96,828)	-	(3,138,005)
Hydrants	(267,523)	-	-	(267,523)
Equipment and vehicles	(6,144,065)	(489,665)	276,980	(6,356,750)
Total accumulated depreciation	(9,452,765)	(586,493)	276,980	(9,762,278)
Total depreciable capital assets, net	5,369,889	(44,241)	-	5,325,648
Total capital assets, net	\$ 8,733,412	\$ 2,445,441	\$ -	\$ 11,178,853

**Note 5 – 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, 2015 were as follows:

Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Current Portion	Long-term Portion
\$ 2,040,403	\$ 866,527	\$ (1,135,958)	\$ 1,770,972	\$ 619,840	\$ 1,151,132

**North County Fire Protection District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 6 – Long-term Debt Obligations Payable**

Changes in loan payable amounts for the year ended June 30, 2015 were as follows:

<u>Long-Term Debt</u>	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2015</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
Bond payable – station no. 5	\$ 3,086,000	\$ -	\$ (108,000)	\$ 2,978,000	\$ 107,000	\$ 2,871,000
Capital lease payable – equipment	11,845	-	(4,738)	7,107	4,738	2,369
Loan payable – solar projects	-	475,241	-	475,241	29,161	446,080
Note payable – station no. 5	1,965,247	-	(75,676)	1,889,571	79,896	1,809,675
	<u>\$ 5,063,092</u>	<u>\$ 475,241</u>	<u>\$ (188,414)</u>	<u>\$ 5,349,919</u>	<u>\$ 220,795</u>	<u>\$ 5,129,124</u>

***Bond 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. Future remaining payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 107,000	\$ 128,390	\$ 235,390
2017	114,000	123,671	237,671
2018	116,000	118,690	234,690
2019	123,000	113,557	236,557
2020	129,000	108,163	237,163
2021-2025	727,000	451,313	1,178,313
2026-2030	905,000	276,420	1,181,420
2031-2034	757,000	67,252	824,252
Total	2,978,000	<u>\$ 1,387,456</u>	<u>\$ 4,365,456</u>
Current	<u>(107,000)</u>		
Long-term	<u>\$ 2,871,000</u>		

***Capital Lease Payable***

The District has extended its capital lease agreement through January 2016 for the purchase of a telephone system. The lease does not bear any interest. Future minimum lease payments under the signed agreement are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 4,738	\$ -	\$ 4,738
2017	2,369	-	2,369
Total	7,107	<u>\$ -</u>	<u>\$ 7,107</u>
Current	<u>(4,738)</u>		
Long-term	<u>\$ 2,369</u>		



**North County Fire Protection District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 6 – Long-term Debt Obligations Payable (Continued)**

***Loan Payable***

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>
2016	\$ 29,161	\$ 6,246	\$ 35,407
2017	31,024	4,383	35,407
2018	31,335	4,072	35,407
2019	31,649	3,758	35,407
2020	31,957	3,450	35,407
2021-2025	164,697	12,338	177,035
2026-2030	155,418	3,911	159,329
Total	475,241	<u>\$ 38,158</u>	<u>\$ 513,399</u>
Current	<u>(29,161)</u>		
Long-term	<u>\$ 446,080</u>		

***Note Payable***

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. Future remaining payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 79,896	\$ 102,843	\$ 182,739
2017	84,350	98,388	182,738
2018	89,054	93,685	182,739
2019	94,019	88,720	182,739
2020	99,261	83,478	182,739
2021-2025	585,758	327,936	913,694
2026-2030	768,309	145,385	913,694
2031	88,924	2,445	91,369
Total	1,889,571	<u>\$ 942,880</u>	<u>\$ 2,832,451</u>
Current	<u>(79,896)</u>		
Long-term	<u>\$ 1,809,675</u>		

**Note 7 – Loans from County of San Diego**

On December 9, 2013, the District entered into two \$1,000,000 loans with the County of San Diego. The loans are due and payable to the County of San Diego as cash receipts from property tax collections exceed District operational needs. The loans are accruing interest expense at a rate of 0.675% per annum.

**North County Fire Protection District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 8 – Workers’ Compensation Claims Payable**

The District is self-insured for workers’ compensation benefits. The District is also a participant 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. 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, 2015, the liability for workers’ compensation claims payable was estimated at \$3,750,565 as follows:

Description	Balance
Estimated claims balance – July 1, 2014	\$ 4,946,331
Claim payments	(686,093)
Revised claims estimate	(509,673)
Change in claims balance	(1,195,766)
Estimated claims balance – June 30, 2015	\$ 3,750,565

**Note 9 – Net Other Post-Employment Benefits Payable**

***Plan Description***

The District provides Other Post-Employment Benefits (OPEB) to employees who retire from the District and meet certain eligibility requirements. The contribution requirements of Plan members and the District are established and may be amended by the Board of Directors.

***Funding Policy***

As required by GASB Statement No. 45, an actuary will determine the District's Annual Required Contributions (ARC) at least once every three fiscal years. The ARC is calculated in accordance with certain parameters, and includes (1) the Normal Cost for one year, and (2) a component for amortization of the total Unfunded Actuarial Accrued Liability (UAAL) over a period not to exceed 30 years.

**North County Fire Protection District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 9 – Net Other Post-Employment Benefits Payable (Continued)**

**Annual OPEB Cost**

For the year ended June 30, 2015, the District's annual OPEB cost is \$146,417. The District's net OPEB obligation amounted to \$184,010 as of June 30, 2015. The District paid \$63,937 for current year OPEB health care premiums.

The following table shows the components of the District's Annual OPEB cost for the past three fiscal years ended June 30th, the amount actually contributed to the plan and the changes in the District's net OPEB asset: Summary changes in net other post-employment benefits balances as of June 30, 2015 were as follows:

Description	Balance
<b>Annual OPEB cost:</b>	
Annual required contribution (ARC)	\$ 141,848
Interest on beginning net OPEB obligation	4,569
Adjustment to annual required contribution	-
<b>Total annual OPEB cost</b>	<b>146,417</b>
<b>Contributions made:</b>	
Contributions made	(63,937)
<b>Total contributions made</b>	<b>(63,937)</b>
<b>Change in net other post-employment benefits obligation</b>	82,480
<b>Net other post-employment benefits obligation:</b>	
Beginning of year	101,530
End of year	<b>\$ 184,010</b>

The District's annual OPEB cost, the amounts contributed to the irrevocable trust, retiree benefit payments, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation payable/asset for the fiscal year ended June 30, 2015 and the preceding year are shown in the following table.

<i>Three-Year History of Net OPEB Obligation</i>				
Fiscal Year Ended	Annual OPEB Expense	Contributions Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ 146,417	\$ 63,937	43.67%	\$ 184,010
June 30, 2014	138,052	36,522	26.46%	101,530

The District implemented GASB Statement No 45 in fiscal year ending June 30, 2014.

The most recent valuation (dated July 1, 2013) includes an Actuarial Accrued Liability of \$1,631,302. There were no plan assets. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2013 was \$6,727,225. The ratio of the funded actuarial accrued liability to annual covered payroll was 24.25%.

**North County Fire Protection District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 9 – Net Other Post-Employment Benefits Liability (Continued)**

*Actuarial Methods and Assumptions*

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits.

The following is a summary of the actuarial assumptions and methods:

Valuation date	July 1, 2013
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll amortization
Remaining amortization period	29 Years as of the valuation date
Asset valuation method	30 Year smoothed market
Actuarial assumptions:	
Investment rate of return	4.50%
Projected salary increase	2.75%
Inflation - discount rate	2.75%
Individual salary growth	District annual COLA
Health care trend rate	4.0% - Average 5-year

**North County Fire Protection District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 10 – Aggregate Net Pension Liability and Defined Benefit Pension Plan**

**Summary**

Type of Account	Balance as of July 1, 2014 (As Restated)	Additions	Deletions	Balance as of June 30, 2015
<b>Deferred Outflows of Resources:</b>				
Pension contributions made after the measurement date:				
CalPERS – Miscellaneous Classic Plan Tier 1	\$ 141,749	\$ 195,699	\$ (141,749)	\$ 195,699
CalPERS – Miscellaneous PEPRA Plan Tier 2	-	5,358	-	5,358
CalPERS – Safety Classic Plan Tier 1	1,624,619	1,696,217	(1,624,619)	1,696,217
CalPERS – Safety PEPRA Plan Tier 2	-	32,369	-	32,369
Sub-total	<u>1,766,368</u>	<u>1,929,643</u>	<u>(1,766,368)</u>	<u>1,929,643</u>
Differences between actual and proportionate share of employer contributions:				
CalPERS – Miscellaneous Classic Plan Tier 1	38,993	-	(10,261)	28,732
CalPERS – Safety Classic Plan Tier 1	100,538	-	(26,457)	74,081
Sub-total	<u>139,531</u>	<u>-</u>	<u>(36,718)</u>	<u>102,813</u>
<b>Total deferred outflows of resources</b>	<u>\$ 1,905,899</u>	<u>\$ 1,929,643</u>	<u>\$ (1,803,086)</u>	<u>\$ 2,032,456</u>
<b>Net Pension Liability:</b>				
CalPERS – Miscellaneous Classic Plan Tier 1	\$ 1,463,983	\$ -	\$ (289,355)	\$ 1,174,628
CalPERS – Safety Classic Plan Tier 1	17,341,612	-	(3,828,226)	13,513,386
<b>Total net pension liability</b>	<u>\$ 18,805,595</u>	<u>\$ -</u>	<u>\$ (4,117,581)</u>	<u>\$ 14,688,014</u>
<b>Pension-Related Debt – CalPERS Side-Fund:</b>				
CalPERS – Miscellaneous Classic Plan Tier 1	\$ 1,067,901	\$ -	\$ (39,630)	\$ 1,028,271
CalPERS – Safety Classic Plan Tier 1	1,605,944	-	(339,217)	1,266,727
<b>Total pension-related debt - CalPERS side-fund</b>	<u>\$ 2,673,845</u>	<u>\$ -</u>	<u>\$ (378,847)</u>	<u>\$ 2,294,998</u>
<b>Total pension liability</b>	<u>\$ 21,479,440</u>	<u>\$ -</u>	<u>\$ (4,496,428)</u>	<u>\$ 16,983,012</u>
<b>Deferred Inflows of Resources:</b>				
Differences between projected and actual earnings on pension plan investments:				
CalPERS – Miscellaneous Classic Plan Tier 1	\$ -	\$ 450,070	\$ (90,014)	\$ 360,056
CalPERS – Safety Classic Plan Tier 1	-	4,942,741	(988,548)	3,954,193
Sub-total	<u>-</u>	<u>5,392,811</u>	<u>(1,078,562)</u>	<u>4,314,249</u>
Adjustment due to differences in proportions:				
CalPERS – Miscellaneous Classic Plan Tier 1	-	6,330	(1,666)	4,664
CalPERS – Safety Classic Plan Tier 1	-	67,602	(17,790)	49,812
Sub-total	<u>-</u>	<u>73,932</u>	<u>(19,456)</u>	<u>54,476</u>
<b>Total deferred inflows of resources</b>	<u>\$ -</u>	<u>\$ 5,466,743</u>	<u>\$ (1,098,018)</u>	<u>\$ 4,368,725</u>

**North County Fire Protection District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 10 – Aggregate Net Pension Liability and Defined Benefit Pension Plan (Continued)**

*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>Description</u>	<u>Miscellaneous Plans</u>	
	<u>Classic Tier 1</u>	<u>PEPRA Tier 2</u>
Hire date	Prior to <u>January 1, 2011</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 2.5%
Required member contribution rates	7.947%	6.500%
Required employer contribution rates	16.707%	6.700%

<u>Description</u>	<u>Safety Plans</u>	
	<u>Safety Tier 1</u>	<u>PEPRA Tier 2</u>
Hire date	Prior to <u>January 1, 2011</u>	On or after <u>January 1, 2013</u>
Benefit formula	3.0% @ 50	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	3.00%	2.0% to 2.7%
Required member contribution rates	8.986%	12.250%
Required employer contribution rates	27.877%	12.250%

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, 2013 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.

**North County Fire Protection District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 10 – Aggregate Net Pension Liability and Defined Benefit Pension Plan (Continued)**

*General Information about the Pension Plans (Continued)*

Members Covered by Benefit Terms

At June 30, 2013, the following members were covered by the benefit terms:

Plan Members	Miscellaneous Plans	
	Classic Tier 1	PEPRA Tier 2
Active members	7	2
Transferred and seperated members	10	-
Retired members and beneficiaries	22	-
<b>Total plan members</b>	<b>39</b>	<b>2</b>

  

Plan Members	Safety Plans	
	Classic Tier 1	PEPRA Tier 2
Active members	61	4
Transferred and seperated members	59	-
Retired members and beneficiaries	53	-
<b>Total plan members</b>	<b>173</b>	<b>4</b>

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 7.5 percent 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.

**North County Fire Protection District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 10 – Aggregate Net Pension Liability and Defined Benefit Pension Plan (Continued)**

***General Information about the Pension Plans (Continued)***

*Benefits Provided (Continued)*

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, 2014 (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.

***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, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. Both the June 30, 2013 and the June 30, 2014 total pension liabilities were 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	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds. 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 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter



**North County Fire Protection District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 10 – Aggregate Net Pension Liability and Defined Benefit Pension Plan (Continued)**

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

All other actuarial assumptions used in the June 30, 2013 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.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent, which is net of administrative expenses. An investment return excluding administrative expenses would have been 7.65 percent. CalPERS' Management has determined that using the lower discount rate has resulted in a slightly higher total pension liability and net pension liability and the difference was deemed immaterial to the financial statements. 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.

<u>Investment Type</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10<sup>1</sup></u>	<u>Real Return Years 11+<sup>2</sup></u>
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
	<u>100.00%</u>		

<sup>1</sup> An expected inflation rate-of-return of 2.5% is used for years 1 – 10.

<sup>2</sup> An expected inflation rate-of-return of 3.0% is used for years 11+.

**North County Fire Protection District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 10 – Aggregate Net Pension Liability and Defined Benefit Pension Plan (Continued)**

*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 7.5%, 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 (6.50%) or 1 percentage-point higher (8.50%) than the current rate:

<u>Plan Type</u>	<u>Plan's Net Pension Liability/(Asset)</u>		
	<u>Discount Rate - 1% 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>Discount Rate + 1% 8.50%</u>
CalPERs – Miscellaneous Classic Tier 1 Plan	\$ 3,190,541	\$ 2,202,899	\$ 1,383,250

  

<u>Plan Type</u>	<u>Plan's Net Pension Liability/(Asset)</u>		
	<u>Discount Rate - 1% 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>Discount Rate + 1% 8.50%</u>
CalPERs – Safety Classic Tier 1 Plan	\$ 24,446,367	\$ 14,780,113	\$ 6,815,537

*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.

*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 Safety Plans:

<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Change in Plan Net Pension Liability</u>
<b>CalPERs – Miscellaneous Classic Tier 1 Plan:</b>			
Balance as of June 30, 2013 (Valuation Date)	\$ 7,026,610	\$ 4,494,726	\$ 2,531,884
Balance as of June 30, 2014 (Measurement Date)	\$ 7,444,761	\$ 5,241,862	\$ 2,202,899
<b>Change in Plan Net Pension Liability</b>	<b>\$ 418,151</b>	<b>\$ 747,136</b>	<b>\$ (328,985)</b>
<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Change in Plan Net Pension Liability</u>
<b>CalPERs – Safety Classic Tier 1 Plan:</b>			
Balance as of June 30, 2013 (Valuation Date)	\$ 68,825,461	\$ 49,877,905	\$ 18,947,556
Balance as of June 30, 2014 (Measurement Date)	\$ 72,164,486	\$ 57,384,373	\$ 14,780,113
<b>Change in Plan Net Pension Liability</b>	<b>\$ 3,339,025</b>	<b>\$ 7,506,468</b>	<b>\$ (4,167,443)</b>

**North County Fire Protection District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 10 – Aggregate Net Pension Liability and Defined Benefit Pension Plan (Continued)**

***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, 2013). 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, 2014). 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, 2014 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2013-14).
- (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).

**Pension-Related Debt – CalPERS Side-Fund**

As of June 30, 2003, CalPERS implemented risk-pooling for the District's agent multiple-employer public employee defined benefit pension plan. As a result, the District's defined benefit pension plan with CalPERS converted from an agent multiple-employer plan to a cost-sharing multiple-employer plan. This change in the type of the plan created the CalPERS Side-Fund, which CalPERS financed at a 7.75% interest rate. CalPERS actuarially calculated the amount needed to bring the District into the cost-sharing multiple-employer plan on an equal basis with other governmental agencies that all had less than 100 active and retired employees combined. The reason that CalPERS switched these governmental agencies into the cost-sharing multiple-employer plan was to smooth out the annual costs related to the pension benefit over a longer period of time resulting in a lower cost of service to the governmental agencies.

A portion of the District's annual required contributions to CalPERS are actuarially determined and shared by all governmental agencies within the cost sharing risk pool. Also, the District is required to make annual payments to pay-down the CalPERS Side-Fund, as well. The responsibility for paying-down the District's CalPERS Side-Fund is specific to the District and is not shared by all governmental agencies within the cost sharing risk pool. Therefore, the Side-Fund falls under the definition of pension-related debt and is recorded as liability on the District's financial statements aside from the District's net pension liability.

**North County Fire Protection District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 10 – Aggregate Net Pension Liability and Defined Benefit Pension Plan (Continued)**

**Pension-Related Debt – CalPERS Side-Fund (Continued)**

Annual payments on the CalPERS Side-Fund represent principal and interest payments on the pension-related debt. Debt principal and interest expense is blended into the CalPERS pension benefit rate by individual class of District employee and repaid to CalPERS each payroll period throughout the fiscal year. The following is a pay-down schedule of the remaining payments of the District’s CalPERS Side-Fund at a 7.50% interest rate, which was reduced by CalPERS in fiscal year 2012 for fiscal years 2012 and beyond as follows:

***Pension Related Debt – CalPERS Side-Fund – Miscellaneous Classic Plan***

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 53,360	\$ 69,144	\$ 122,504
2016	61,171	65,008	126,179
2017	69,683	60,281	129,964
2018	78,953	54,910	133,863
2019	89,038	48,841	137,879
2020	100,004	42,011	142,015
2021	111,921	34,355	146,276
2022	124,866	25,798	150,664
2023	138,917	16,257	155,174
2024	154,163	5,676	159,839
Total	<u>\$ 982,076</u>	<u>\$ 422,281</u>	<u>\$ 1,404,357</u>

***Pension Related Debt – CalPERS Side-Fund – Safety Classic Plan***

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 470,337	\$ 421,035	\$ 891,372
2016	484,448	467,243	951,691
Total	<u>\$ 954,785</u>	<u>\$ 888,278</u>	<u>\$ 1,843,063</u>

**North County Fire Protection District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 10 – Aggregate Net Pension Liability and Defined Benefit Pension Plan (Continued)**

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

<b>Calculation Dates</b>	<b>Miscellaneous Plan Classic Tier 1 Percentage</b>
Balance as of June 30, 2013 (Valuation Date)	0.07178%
Balance as of June 30, 2014 (Measurement Date)	0.08913%
<b>Change in Plan Net Pension Liability Percentage</b>	<b>0.01735%</b>
<b>Safety Plan</b>	
<b>Calculation Dates</b>	<b>Safety Plan Classic Tier 1 Percentage</b>
Balance as of June 30, 2013 (Valuation Date)	0.39603%
Balance as of June 30, 2014 (Measurement Date)	0.39403%
<b>Change in Plan Net Pension Liability Percentage</b>	<b>-0.00200%</b>

For the year ended June 30, 2015, the District recognized pension expense in the amounts of \$187,745 and \$1,487,638 for the Classic Miscellaneous and Safety plans, respectively.

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.

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2013-14 measurement period is 3.8 years, which was obtained by dividing the total service years of 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (the total number of participants: active, inactive, and retired).

**North County Fire Protection District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 10 – Aggregate Net Pension Liability and Defined Benefit Pension Plan (Continued)**

*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*

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Account Description</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Employer contributions to pension plan made after the measurement date	\$ 1,929,643	\$ -
Changes in employer contributions and differences between proportionate share of pension expense	102,813	-
Recognized net differences between projected and actual earnings on pension plan investments	-	(4,314,249)
Recognized portion due to differences in proportions	-	(54,476)
<b>Total Deferred Outflows/(Inflows) of Resources</b>	<b>\$ 2,032,456</b>	<b>\$ (4,368,725)</b>
<b>Less:</b>		
<b>Deferred Outflows/(Inflows) of Resources that will be recognized in the following fiscal year:</b>		
Employer contributions to pension plan made after the measurement date	\$ (1,929,643)	\$ -
<b>Total Deferred Outflows/(Inflows) of Resources amounts to be amortized in future periods</b>	<b>\$ 102,813</b>	<b>\$ (4,368,725)</b>

The District will recognize \$1,929,643 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, 2016, as noted above.

**North County Fire Protection District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 10 – Aggregate Net Pension Liability and Defined Benefit Pension Plan (Continued)**

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

*Amortization of Deferred Outflows of Resources and Deferred Inflows of Resources*

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:

Amortization Period Fiscal Year Ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	\$ 36,718	\$ (1,098,018)
2017	36,718	(1,098,018)
2018	29,377	(1,094,126)
2019	-	(1,078,563)
2020	-	-
Thereafter	-	-
<b>Total</b>	<b>\$ 102,813</b>	<b>\$ (4,368,725)</b>

**Note 11 – Net Investment in Capital Assets**

Net investment in capital assets as of June 30, 2015 consisted of the following:

Description	Balance
Capital assets – not being depreciated	\$ 5,853,205
Capital assets – being depreciated, net	5,325,648
Long-term debt obligations payable – current portion	(220,795)
Long-term debt obligations payable – noncurrent portion	(5,129,124)
<b>Total net investment in capital assets</b>	<b>\$ 5,828,934</b>

**Note 12 – Restricted Net Position**

The District has constraints placed on its net position totaling \$2,694,649 through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

**Note 13 – Unrestricted Net Position (Deficit)**

As of June 30, 2015, the District has an unrestricted net position deficit of (\$23,125,231). Due to the nature of the deficit from the implementation of GASB No. 68/71, the District will continue to make its annual required contributions to CalPERS and annually review its outstanding net pension obligation funding requirements.

**North County Fire Protection District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 14 – Fund Balance**

A detailed schedule of fund balances and their funding composition at June 30, 2015 is as follows:

Description	Balance
<b>Restricted:</b>	
Deposits held with financial institution for Station No. 5 construction	\$ 1,960,644
Fallbrook – mitigation	329,276
Rainbow subzone – operations	237,059
Rainbow subzone – mitigation	167,670
<b>Total restricted</b>	2,694,649
<b>Assigned:</b>	
Compensated absences	1,770,972
<b>Unassigned</b>	
	2,193,919
<b>Total fund balances</b>	\$ 6,659,540

**Note 15 – Inter-fund Balances and Activities**

Balances due to and due (from) other funds at June 30, 2015, consisted of the following:

Due To	Due From	Balance	Purpose
General Fund	Special Revenue	\$ 2,078,524	Capital projects
Other Governmental	Other Governmental	12,617	Capital projects
	<b>Total</b>	\$ 2,091,141	

The District utilized mitigation funds first and executed a loan from the General Fund to pay for capital expenditures. The Special Revenue Fund – Fire Mitigation will repay the General Fund the \$2,078,524 as mitigation fees are earned by the District.

Transfers to and transfers (from) other funds at June 30, 2015, consisted of the following:

Transfer To	Transfer From	Balance	Purpose
General Fund	Special Revenue	\$ 228,930	Capital projects
General Fund	Other Governmental	370,021	Capital projects
Other Governmental	General Fund	18,294	Operations
Other Governmental	Other Governmental	55,568	Capital projects
	<b>Total</b>	\$ 672,813	



**North County Fire Protection District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 16 – Prior Period Adjustments – Governmental-wide Financial Statements**

Description	Balance
<b>Beginning net position as of July 1, 2014 – as previously reported</b>	<b>\$ 8,674,143</b>
<b>Prior period adjustments for GASB Nos. 68/71:</b>	
Aggregate net pension liability – GASB Nos. 68/71 implementation	(18,805,595)
Pension-related debt – CalPERS side-fund liability	(2,673,845)
Contributions made after the measurement date	1,766,368
Differences between actual and proportionate share of employer	139,531
<b>Total prior period adjustments for GASB Nos. 68/71</b>	<b>(19,573,541)</b>
<b>Other prior period adjustments:</b>	
Accrued interest payable	(51,927)
Workers' compensation claims payable	(4,946,331)
Net other post-employment benefits obligations	(101,530)
<b>Total other prior period adjustments</b>	<b>(5,099,788)</b>
<b>Total prior period adjustments</b>	<b>(24,673,329)</b>
<b>Beginning net position as of July 1, 2014 – as restated</b>	<b>\$ (15,999,186)</b>

***GASB Statements No. 68 and 71 Adjustments***

With the implementation of GASB Statements No. 68 and 71 in fiscal year 2015, the District was required to record a prior period adjustment of (19,573,541) as of June 30, 2014 and establish the net pension liability of \$(18,805,595), the pension-related debt – CalPERS side-fund of (\$2,673,845) which is net of the deferred outflows of resources of \$1,905,899 as prescribed by GASB Statements No. 68 and 71 accounting standards. See Note 9 for further information on the net pension liability).

***Adjustment for Under-Accrual of Accrued Interest Payable***

At June 30, 2014, the District did not accrue for \$51,927 in accrued interest payable on the District's long-term debt obligations payable.

***Adjustment for Under-Accrual of Workers' Compensation Claims Payable***

At June 30, 2014, the District had not recognized its workers' compensation claims payable obligation as the District is self-insured for these claims. The balance due as of June 30, 2014 was \$4,946,331.

***Adjustment for Under-Accrual of Net Other Post-Employment Benefits Obligation***

At June 30, 2014, the District had not recognized its other post-employment benefits payable obligation as the District is to accrue for this obligation under GASB No. 45 as it continues to pay an annual participation amount towards an other post-employment benefits plan at CalPERS medical. The balance due as of June 30, 2014 was \$4,946,331.

**North County Fire Protection District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 16 – Prior Period Adjustments – Governmental Fund Financial Statements**

Description	Balance
<b>Beginning fund balance as of July 1, 2014 – as previously reported</b>	<b>\$ 6,428,043</b>
<b>Prior period adjustments:</b>	
Compensated absences	744,138
Loans from County of San Diego	2,000,000
Adjustment to fund balance	2,100
<b>Total prior period adjustments</b>	<b>2,746,238</b>
<b>Beginning fund balance as of July 1, 2014 – as restated</b>	<b>\$ 9,174,281</b>

The above listed adjustments for compensated absences and loans payable to the County of San Diego are not due and payable in the current period and accordingly are not reported as liabilities in the governmental funds financial statements.

**Note 17 – 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.

**Note 18 – 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, 2015:

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.

**North County Fire Protection District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 19 - Contingencies**

*Litigation*

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

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**North County Fire Protection District**  
**Required Supplementary Information (Unaudited)**  
**Budgetary Comparison Schedule – General Fund**  
**For the Year Ended June 30, 2015**

	<u>Adopted Original Budget</u>	<u>Revised Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES:</b>				
Property taxes	\$ 11,803,285	\$ 11,803,285	\$ 12,231,986	\$ 428,701
Annexation fees	390,000	390,000	390,000	-
Charges for services:				
Ambulance services	1,350,000	1,370,000	1,356,262	(13,738)
Fire services – CA Office of Emergency Services	-	-	385,136	385,136
Fire prevention	50,000	50,000	69,682	19,682
Administration	110,500	125,000	101,275	(23,725)
Capital and operating grants	72,000	132,619	85,344	(47,275)
Rental income – cellular towers	75,000	75,000	85,864	10,864
Interest earnings	20,000	20,000	8,636	(11,364)
Other revenues	40,000	40,000	36,535	(3,465)
<b>Total revenues</b>	<u>13,910,785</u>	<u>14,005,904</u>	<u>14,750,720</u>	<u>744,816</u>
<b>EXPENDITURES:</b>				
Current:				
Salaries and wages	7,958,100	7,768,627	8,079,366	(310,739)
Employee benefits	3,575,379	3,826,338	3,694,117	132,221
Contracted service costs	100,000	100,000	94,225	5,775
Materials and services	1,900,146	1,887,728	2,499,321	(611,593)
Capital outlay	3,728,972	3,823,591	3,031,934	791,657
Debt service:				
Principal	183,676	183,676	188,414	(4,738)
Interest	115,564	115,564	231,911	(116,347)
<b>Total expenditures</b>	<u>17,561,837</u>	<u>17,705,524</u>	<u>17,819,288</u>	<u>(113,764)</u>
<b>REVENUES OVER(UNDER) EXPENDITURES</b>	(3,651,052)	(3,699,620)	(3,068,568)	858,580
<b>OTHER FINANCING SOURCES(USES):</b>				
Long-term debt obligation payable issuance proceeds	475,241	473,888	475,241	1,353
Transfers in (Note 15)	209,191	259,760	598,951	339,191
Transfers (out) (Note 15)	(331,412)	(331,412)	(18,294)	313,118
<b>Total other financing sources(uses)</b>	<u>353,020</u>	<u>402,236</u>	<u>1,055,898</u>	<u>653,662</u>
<b>NET CHANGES IN FUND BALANCE</b>	(3,298,032)	(3,297,384)	(2,012,670)	<u>\$ 1,512,242</u>
<b>FUND BALANCE:</b>				
Beginning of year, as restated (note 16)	<u>10,007,253</u>	<u>10,007,253</u>	<u>10,007,253</u>	
End of year	<u>\$ 6,709,221</u>	<u>\$ 6,709,869</u>	<u>\$ 7,994,583</u>	

**North County Fire Protection District**  
**Required Supplementary Information (Unaudited)**  
**Schedule of the Plan's Proportionate Share of the Net Pension Liability and Related Ratios**  
**For the Year Ended June 30, 2015**

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**Last Ten Fiscal Years**

**California Public Employees' Retirement System (CalPERS) Miscellaneous Classic Tier 1 Plan**

	<b>June 30, 2014<sup>1</sup></b>
Plan's Proportion of the Net Pension Liability/(Asset) for the Public Agency Cost-Sharing Multiple-Employer Miscellaneous Plans	0.03540%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 2,202,899
Plan's Covered-Employee Payroll	\$ 629,574
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	349.90%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	70.41%

<sup>1</sup> **Historical information is required only for measurement periods for which GASB No. 68 is applicable.**



**North County Fire Protection District**  
**Required Supplementary Information (Unaudited)**  
**Schedule of the Plan's Proportionate Share of the Net Pension Liability and Related Ratios**  
**For the Year Ended June 30, 2015**

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**Last Ten Fiscal Years**

**California Public Employees' Retirement System (CalPERS) Safety Classic Tier 1 Plan**

	<b>June 30, 2014<sup>1</sup></b>
Plan's Proportion of the Net Pension Liability/(Asset) for the Public Agency Cost-Sharing Multiple-Employer Miscellaneous Plans	0.23753%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 14,780,113
Plan's Covered-Employee Payroll	\$ 5,799,465
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	254.85%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	79.52%

<sup>1</sup> **Historical information is required only for measurement periods for which GASB No. 68 is applicable.**

**North County Fire Protection District**  
**Required Supplementary Information (Unaudited)**  
**Schedule of Contributions – Pension Plans**  
**For the Year Ended June 30, 2015**

**Last Ten Fiscal Years**

**California Public Employees' Retirement System (CalPERS) Miscellaneous Classic Tier 1 Plan**

	<b>2014-15<sup>1</sup></b>	<b>2013-14<sup>1</sup></b>
Actuarially Determined Contribution <sup>2</sup>	\$ 225,923	\$ 180,742
Contribution in Relation to the Actuarially Determined Contribution <sup>2</sup>	(225,923)	(180,742)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll <sup>3,4</sup>	\$ 604,719	\$ 629,574
Contributions as a Percentage of Covered-Employee Payroll	37.36%	28.71%

<sup>1</sup> Historical information is required only for measurement periods for which GASB No. 68 is applicable.

<sup>2</sup> Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side-fund or their unfunded liability. Employer contributions for such plan exceed the actuarial determined contributions. CalPERS has determined that employer obligations referred to as *side-funds* are not considered separately financed specific liabilities.

<sup>3</sup> Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 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)

**Changes of Assumptions:** There were no changes in assumptions.

**North County Fire Protection District**  
**Required Supplementary Information (Unaudited)**  
**Schedule of Contributions – Pension Plans**  
**For the Year Ended June 30, 2015**

**Last Ten Fiscal Years**

**California Public Employees' Retirement System (CalPERS) Safety Classic Tier 1 Plan**

	<b>2014-15<sup>1</sup></b>	<b>2013-14<sup>1</sup></b>
Actuarially Determined Contribution <sup>2</sup>	\$ 1,922,857	\$ 1,725,157
Contribution in Relation to the Actuarially Determined Contribution <sup>2</sup>	(1,922,857)	(1,725,157)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll <sup>3,4</sup>	\$ 6,122,506	\$ 5,799,465
Contributions as a Percentage of Covered-Employee Payroll	31.41%	29.75%

<sup>1</sup> Historical information is required only for measurement periods for which GASB No. 68 is applicable.

<sup>2</sup> Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side-fund or their unfunded liability. Employer contributions for such plan exceed the actuarial determined contributions. CalPERS has determined that employer obligations referred to as *side-funds* are not considered separately financed specific liabilities.

<sup>3</sup> Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 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)

**Changes of Assumptions:** There were no changes in assumptions.

**North County Fire Protection District**  
**Required Supplementary Information (Unaudited)**  
**Schedule of Funding Progress – Other Post-Employment Benefits Plan**  
**For the Year Ended June 30, 2015**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Plan Assets (a)</b>	<b>Actuarial Accrued Liability (b)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
July 1, 2013	\$ -	\$ 1,631,302	\$ 1,631,302	0.00%	\$ 6,727,225	24.25%

**Note 1 – Other Post-Employment Benefits**

Funding progress is presented for the year(s) that an actuarial study has been prepared since the effective date of GASB Statement No. 45. Actuarial review and analysis of the post-employment benefits liability and funding status is performed every three years or annually, if there are significant changes in the plan. The next scheduled actuarial review and analysis of the post-employment benefits liability and funding status will be performed in fiscal year 2017, based on the year ending June 30, 2016.

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**SUPPLEMENTARY INFORMATION**

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**North County Fire Protection District**  
**Schedule of Balance Sheets**  
**Other Governmental Funds**  
**June 30, 2015**

<u>ASSETS</u>	<u>Rainbow Subzone – Special Revenue</u>		<u>Capital</u>	<u>Total</u>
	<u>Operations</u>	<u>Fire Mitigation</u>	<u>Projects</u>	
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	
<b>Assets:</b>				
Cash and investments	\$ 230,184	\$ 180,110	\$ -	\$ 410,294
Accrued interest receivable	240	177	-	417
Property taxes receivable	150	-	-	150
Due from other funds (Note 15)	12,617	-	-	12,617
<b>Total assets</b>	<u>\$ 243,191</u>	<u>\$ 180,287</u>	<u>\$ -</u>	<u>\$ 423,478</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>Liabilities:</b>				
Accounts payable and accrued expenses	\$ 6,132	\$ -	\$ -	\$ 6,132
Due to other funds (Note 15)	-	12,617	-	12,617
<b>Total liabilities</b>	<u>6,132</u>	<u>12,617</u>	<u>-</u>	<u>18,749</u>
<b>Fund Balances: (Note 14)</b>				
Restricted	<u>237,059</u>	<u>167,670</u>	<u>-</u>	<u>404,729</u>
<b>Total fund balance</b>	<u>237,059</u>	<u>167,670</u>	<u>-</u>	<u>404,729</u>
<b>Total liabilities and fund balance</b>	<u>\$ 243,191</u>	<u>\$ 180,287</u>	<u>\$ -</u>	<u>\$ 423,478</u>



**North County Fire Protection District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Other Governmental Funds**  
**For the Year Ended June 30, 2015**

	<b>Rainbow Subzone – Special Revenue</b>		<b>Capital</b>	<b>Total</b>
	<b>Operations</b>	<b>Fire Mitigation</b>	<b>Projects</b>	
	<b>Fund</b>	<b>Fund</b>	<b>Fund</b>	
<b>REVENUES:</b>				
Property taxes	\$ 230,471	\$ -	\$ -	\$ 230,471
Capital and operating grants	8,044	-	-	8,044
Interest earnings	1,048	741	-	1,789
<b>Total revenues</b>	<b>239,563</b>	<b>741</b>	<b>-</b>	<b>240,304</b>
<b>EXPENDITURES:</b>				
Current:				
Salaries and wages	22,596	-	-	22,596
Contracted service costs	25,000	-	-	25,000
Materials and services	238,911	-	-	238,911
<b>Total expenditures</b>	<b>286,507</b>	<b>-</b>	<b>-</b>	<b>286,507</b>
<b>REVENUES OVER(UNDER) EXPENDITURES</b>	<b>(46,944)</b>	<b>741</b>	<b>-</b>	<b>(46,203)</b>
<b>OTHER FINANCING SOURCES(USES):</b>				
Transfers in (Note 15)	17,781	56,081	-	73,862
Transfers (out) (Note 15)	(55,568)	-	(370,021)	(425,589)
<b>Total other financing sources(uses)</b>	<b>(37,787)</b>	<b>56,081</b>	<b>(370,021)</b>	<b>(351,727)</b>
<b>NET CHANGES IN FUND BALANCE</b>	<b>(84,731)</b>	<b>56,822</b>	<b>(370,021)</b>	<b>(397,930)</b>
<b>FUND BALANCE:</b>				
Beginning of year	319,690	110,848	370,021	800,559
Prior period adjustments (Note 16)	2,100	-	-	2,100
End of year	<u>\$ 237,059</u>	<u>\$ 167,670</u>	<u>\$ -</u>	<u>\$ 404,729</u>