

NORTH TAHOE FIRE PROTECTION DISTRICT
PLACER COUNTY, CALIFORNIA

BASIC FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORTS

For the Year Ended June 30, 2020

NORTH TAHOE FIRE PROTECTION DISTRICT

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***North Tahoe Fire Protection District
Management Discussion and Analysis
June 30, 2020***

Purpose

This discussion and analysis of the North Tahoe Fire Protection District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2020, and the District's financial status at June 30, 2020. Together with the District's Financial Statements and Independent Auditors' Report, and the required supplementary information, they form the District's annual report. This report is designed to provide our citizens, taxpayers, employees and customers with a general overview of the District's finances and to show the District's accountability for the money it receives.

Financial Highlights

- As of June 30, 2020, the District's cash and investment balance is \$8,597,841. Of this balance, \$84,157 is restricted. Capital assets, net of accumulated depreciation, at June 30, 2020 total \$10,597,718.
- The District used 100% of its property tax, special tax and fire assessment revenues to fund operations and general fund activities.
- Approximately \$2,000,000 of property tax revenues that would have been otherwise allocated to the District will be reallocated to other governmental agencies. The State of California is shifting property taxes from local government to help reduce the State's budget deficit and the Placer County Redevelopment Successor Agency has frozen property tax appreciation in each of three geographically defined areas within the Fire District and subject to a 2% pass-through retains the balance of the District's tax.
- For every dollar of payroll for Tier I Safety employees, the District is responsible to pay approximately \$0.23 in retirement (PERS) expense. For every dollar of payroll for Tier II Safety employees, the District is responsible to pay approximately \$0.21 in retirement expense. For every dollar of payroll for Tier III Safety employees, the District is responsible to pay approximately \$0.13 in retirement expense. The District no longer has any active Tier I Miscellaneous employees. For every dollar of payroll for Tier II Miscellaneous employees, the District is responsible to pay approximately \$0.15 in retirement expense. For every dollar of payroll for Tier III Miscellaneous employees, the District is responsible to pay approximately \$0.07 in retirement expense.
- Regarding workers compensation, \$7.64 of every \$100.00 in gross payroll is allocated to safety personnel and \$4.49 of every \$100.00 in gross payroll to miscellaneous personnel.
- These, along with other employee-related fringe benefits, help to illustrate how employee costs are the largest and most significant portion of the District budget.
- With regards to PERS retirement, having a defined benefit plan historically resulted in broad swings in employer contributions directly tied to gains and losses out of District control. The District participates in a pooled plan with other agencies which has stabilized contribution rates in the short-term. Similar pooling with other agencies has stabilized workers compensation rates. District staff anticipates increases in both programs in the coming years.

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Overview of the Financial Statements

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

- The *government-wide financial statements* consist of the Statement of Net Position and the Statement of Activities. These statements provide both long-term and short-term information about the District’s overall financial status.
- The *fund financial statements* consist of the Governmental Funds Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance. These statements provide the District’s activity on a fund basis. The *fund financial statements* tell how the District’s services were financed in the short-term, as well as what remains for future spending.

Government-wide Statements

The government-wide statements report information about the District’s financial activities as a whole in a way that helps determine if the District is better or worse off as a result of the year’s activities. The Statement of Net Position includes all of the District’s assets and liabilities at the end of the year. All of the current year’s revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. These statements use the accrual basis of accounting, which is similar to the basis of accounting used by most private-sector companies.

These statements report the District’s net assets and the changes in them. The District’s net position – the difference between assets and liabilities – provide one measure of the District’s financial health. Over time, increases or decreases in the District’s net position are an indicator of whether its financial health is improving or deteriorating. To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the property tax base and the condition of the District’s facilities.

Fund Financial Statements

The fund financial statements are reported side-by-side with the Statement of Net Position and the Statement of Activities. These statements provide information by fund. The fund financial statements provide a short-term view of the District’s operations and the service it provides, which is providing full service, all-risk fire protection, fire prevention, paramedic ambulance and rescue services within the boundaries of the District and contractual areas in El Dorado County, Meeks Bay Fire Protection District and Alpine Meadows. The District has only one fund, the General Fund, which serves as the general operating fund.

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Financial Analysis of the District as a Whole

Registered voters within the District passed a special tax increase in August 2005 which provided \$2,832,795 of revenue in the current year. Additionally, property owners within the District passed a special assessment in the fall of 2007 which provided \$779,164 of revenue in the current year. Following direction of the Board of Directors, the District has begun a program of rebuilding unrestricted reserves as a “rainy day” fund and designating restricted reserves for refurbishing and replacing the District’s apparatus and fire stations.

Condensed Financial Information

<i>NET POSITION</i>		
ASSETS:	2019	2020
Non-capital	\$ 9,483,895	\$ 9,860,656
Capital	\$ 10,787,084	\$ 10,597,718
Total Assets	<u>\$ 20,270,979</u>	<u>\$ 20,458,374</u>
 DEFERRED OUTFLOWS OF RESOURCES		
Total Deferred Outflows	<u>\$ 9,213,289</u>	<u>\$ 8,988,085</u>
 LIABILITIES:		
Current	\$ 2,126,549	\$ 2,035,203
Long-term	\$ 36,294,643	\$ 38,429,939
Total Liabilities	<u>\$ 38,421,192</u>	<u>\$ 40,465,142</u>
 DEFERRED INFLOWS OF RESOURCES		
Total Deferred Inflows	<u>\$ 443,246</u>	<u>\$ 628,261</u>
 NET POSITION:		
Net Investment in Capital Assets	\$ 1,678,883	\$ 1,929,943
Restricted	\$ 36,528	\$ 14,241
Unrestricted (Deficit)	\$ (11,095,580)	\$ (13,591,128)
Total Net Position	<u><u>\$ (9,380,169)</u></u>	<u><u>\$ (11,646,944)</u></u>

The figures noted above reflect relatively no change in Total Assets (less than 1%). The 5.32% increase in total liabilities is the result of reporting the net other post-employment benefits (OPEB) liability (see Note 12 for specifics) and aggregate net pension liability (see Note 10 for specifics). Finally, a decrease in Total Net Position of 24.17% is noted from the prior fiscal year.

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This is due to the increase in OPEB liabilities resulting from the GASB 75 actuarial valuation (see Note 12 for specifics).

Changes in Net Position - Governmental Activities

The following presents a summary of revenues and expenses for the fiscal year ending June 30, 2020. The percentage is in relationship to the annual totals for revenue and expenses.

	2019		2020	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
REVENUES:				
Taxes	\$ 10,336,278	63%	\$ 10,879,450	64%
Ambulance services	\$ 2,172,514	13%	\$ 2,405,474	14%
Interest/grants/other	\$ 1,007,787	6%	\$ 929,824	7%
Contract services	\$ 3,042,549	18%	\$ 2,724,078	15%
Total Revenues	\$ 16,559,128	100%	\$ 16,938,826	100%
EXPENSES:				
Salaries	\$ 6,891,998	39%	\$ 7,500,803	39%
Benefits	\$ 6,334,414	35%	\$ 7,499,061	39%
Operating expenses	\$ 3,449,815	19%	\$ 2,914,774	15%
Bad debt	\$ 487,751	3%	\$ 524,583	3%
Depreciation	\$ 761,711	4%	\$ 766,380	4%
Total Expenses	\$ 17,925,689	100%	\$ 19,205,601	100%
Change in Net Position	\$ (1,366,561)		\$ (2,266,775)	
Beginning Net Position	\$ (8,013,608)		\$ (9,380,169)	
Ending Net Position	\$ (9,380,169)		\$ (11,646,944)	

Property tax revenue remains the single largest source of revenue for the Fire District. Beginning in the 2008/2009 fiscal year, the District levied a property owner approved Fire Suppression Assessment. Proceeds from this Assessment were used 1) to obtain, furnish, operate and maintain fire suppression services and apparatus including, but not limited to, emergency communication systems, property inspection and chipping programs, fire engines and station equipment, and 2) to pay the cost of firefighting personnel as to assure that there are always enough personnel available to effectively respond to a fire emergency during periods of peak demand.

In fiscal year 2019/2020, total property tax revenues increased \$543,172; the District received some of the anticipated pass through monies for the Placer County Redevelopment Successor Agency. Additionally, the District received some of the residual disbursement of these funds. During the previous year, the District received pass through monies as well as residual disbursement from the Placer County Redevelopment Successor Agency.

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Revenue received from ambulance service fees increased \$232,960. Ambulance revenue was up in 2019/2020 and then the COVID-19 pandemic began and this changed. In March, April and May 2020, call volume was down significantly which correlates to a direct decrease in revenue in those months. In June 2020, the District experienced a rise in call volume which helped to make up the lost revenue from the previous month. In June 2020, the District rebounded experiencing the highest June call volume on record. We attribute the fluctuation in revenue in 2020 directly to the COVID-19 pandemic. The District continues to participate in both the Ground Emergency Medical Transportation (GEMT) and the Intergovernmental Transfer (IGT) reimbursement programs which are included in the ambulance services revenue total of \$2,405,474.

Overall contract services revenues decreased \$318,471. Contract revenues are based partly on property taxes (as is the case in the District's contract with Alpine Springs County Water District and El Dorado County) and since Property Taxes revenues increased, we would expect to see an increase in these revenues. In fiscal year 2013/2014, the District entered into a contract with Meeks Bay Fire Protection District to provide Fire Management Services and other related services. In 2015, the District entered into an additional companion agreement with a labor group unification provision stating that as of July 1, 2016, all safety personnel would become employees of NTFPD. These payroll costs were incorporated into the contract, which resulted in a substantial increase from fiscal year 2015/2016. Personnel cost increased in 2019/2020 which would in turn cause an increase in the Meeks Bay contract amount.

The reason for the overall decrease in the contract services revenue is due to the strike team revenue decrease in 2019/2020. In 2018/2019, we saw a substantial increase in contract revenue due to the increase in fire season activity. Strike team revenue increased 58.9% from 2017/2018 to 2018/2019, returning to a below median year in 2019/2020. Notable events in 2018/2019 were the District's responses to the Ferguson Fire in the Sierra National Forest, Stanislaus National Forest and Yosemite National Park and the Camp Fire in Paradise, California, which remains the deadliest and most destructive wildfire in California history to date. The Camp Fire was also the most expensive natural disaster in the world in 2018 in terms of insured losses. In 2018/2019 strike teams generated \$1,089,440 in reimbursement type revenue and in 2019/2020 this revenue total was \$277,517, which equates to a 79% decrease. Strike team revenue is generated by providing mutual aid, "assistance for hire agreements", where the District provides fire apparatus and overhead personnel to state and federal forest agencies through cooperative agreements such as the California Fire Assistance Agreement and USFS Operating Agreements.

Grant revenues stayed relatively the same in 2019/2020 with a minimal increase of \$37,544. The FEMA AFG extrication equipment grant was fully expensed in 2018/2019. In 2019/2020, the District was awarded a new FEMA AFG grant for the purchase of power load cots. The primary reason for the increase in grant revenue in 2019/2020 was due to the NV Safe Fire Council payment that was received in the amount of \$34,463. The Nevada Fire Safe Council (NV Fire Safe), a Nevada Corporation, was providing third-party grant management administration services to the District and many neighboring agencies and businesses. In 2012, NV Fire Safe

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Management Discussion and Analysis
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filed for bankruptcy protection and in 2019 the court’s trustee began distributing residual assets to eligible creditors including North Tahoe Fire.

Revenues increased by approximately 2.3% and expenses increased by approximately 7.1% over the previous fiscal year. Expressed as dollars, revenue increased \$379,698, while expenses increased \$1,279,912. The change in revenue was mainly due to the increase in property taxes and ambulance services revenue, which was offset by the decrease in strike team reimbursements. The increase in expenditures is primarily due to increased benefit costs of 18.4% or \$1,164,647. The increase in benefit costs is due to an increase in PERS pension expense per GASB 68 valuation reports and other post-employment benefits (OPEB) expense per GASB 75 valuation reports. It is also attributed to the CalPERS employer contribution increases as well as health insurance premium increases. The district closed 2020 with \$8,597,841 available in cash and investments, of which \$84,157 is restricted.

General Fund Budgetary Highlights

A budget is prepared annually and includes proposed expenditures and the means of financing them for the upcoming year. This includes estimates for the current year and actual data for the preceding year. The budget is reviewed at a properly noticed Board meeting to obtain taxpayer comment. Prior to June 30th, the budget is legally enacted through passage of a resolution. The District’s Board of Directors reviews reports of operations and examines any variance from the approved budget at least monthly. Formal budgetary integration is employed as a management control device during the year. Appropriations lapse at the end of each fiscal year. The District may authorize supplemental appropriations during the year.

Capital Asset & Debt Administration

On June 30, 2020, the District had \$17,911,085 invested in capital assets. There were \$419,754 in fixed asset purchases made and \$157,261 in structural improvements made during the 2019/2020 fiscal year. Fixed asset additions made during the 2019/2020 year consisted of an ambulance lease, the UTV, the electronic plans table, power load cots, a ram fan, and the donated boat. The power load cots were a grant funded purchase. The structural improvements were made at Station 53 and the project was completed in December 2019. Disposals totaled \$7,636 which consisted of the disposal of a 2004 dump trailer.

	2019	2020
Land	\$ 73,455	\$ 73,455
Buildings and improvements	\$ 10,596,918	\$ 10,900,826
Equipment	\$ 6,524,687	\$ 6,936,804
CIP	\$ 146,647	\$ -
Total	\$ 17,341,707	\$ 17,911,085

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Management Discussion and Analysis
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Long-Term Obligations

At year end, the majority of the District's long-term obligations consist of the financing obligation for the new fire station, long term post-retirement benefits, leases and accrued leave payouts. The total long-term liability at June 30, 2020 is \$38,429,939.

Economic Factors

The Fire District completed the Station 51 Public Safety Center construction project in 2012/2013 and earned a LEED Gold accreditation. This project was accomplished in part with the cooperation of the Tahoe City Public Utility District who made the property available for \$1.00 per year in a long-term lease arrangement. New Station 51 serves both as a Fire Station and as the District's Headquarters, thus centralizing executive, administrative and community services for our customers.

Most of the District's other fire stations were built in the 1950s and 1960s. As such, they were built with volunteer firefighters in mind versus full-time 24-hour staff and could not anticipate the garaging capacity required for today's larger fire equipment/apparatus. These older facilities fail to meet seismic standards, Best Management Practices (BMP) required by TRPA, parking and ADA requirements. In addition, they weren't designed with gender diversity requirements of a 24-hour work force and are operationally expensive to heat and repair. During 2019, the District began a remodel and retrofit of Station 53 (Homewood) that will address these issues less the elevated seismic standards for public safety facilities. The station 53 remodel was completed during the 2019/2020 fiscal year. This was another big step forward but the ongoing challenge of replacing aging infrastructure will continue to be an important initiative for many years with Station 52 (Kings Beach) and Station 54 (Dollar Point) as priorities.

After the voter-approved special tax increase implemented in the 2005/2006 fiscal year, the District carefully followed a plan of re-building reserves. Funds are internally tracked by categories including "unrestricted", "facilities" and "apparatus". This effort was consistent with the District's campaign pledge to its constituents. Funds from that tax have also been allocated to maintain staffing levels, training and equipment. While no specific reserve levels have been established by the Board Members, the District is at a point in its "unrestricted" category that more emphasis can be placed on establishing funds for re-building its aging infrastructure and increasing unrestricted reserves until we have an adequate "rainy day" fund.

Reserve funds were largely impacted in the past by broad swings in PERS contributions and "raids" on District revenue by the State of California and Placer County Redevelopment Agency. Beginning in the 2008/2009 fiscal year, the District levied a property owner approved Fire Suppression Assessment. Proceeds from this Assessment were used 1) to obtain, furnish, operate and maintain fire suppression services and apparatus including, but not limited to, emergency communication systems, property inspection and chipping programs, fire engines and station equipment, and 2) to pay the cost of firefighting personnel as to assure that there are always enough personnel available to effectively respond to a fire emergency during periods of peak

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demand. An independent citizen's financial oversight committee was formed to advise the Board on an annual expenditure plan for this assessment and the special tax.

The District's 15-year agreement with the Alpine Springs County Water District for full fire suppression and prevention services stipulates the District's requirement to staff the fire station in Alpine Meadows a minimum of 150 days per year for the term of the agreement. Revenues representing 80% of ASCWD property taxes are provided to offset these new costs. The District has funded a storage building adjacent to the Alpine Meadows fire station to facilitate storage needs of the entire Fire District. The District's 2012 FEMA SAFER grant & subsequent 2015 FEMA SAFER retention grant provide funding for additional Firefighters in order to meet the NFPA 1710 response assembly standard and keep part-time stations (including the Alpine Meadows station) staffed more regularly. As a result, the District has exceeded the minimum contractual days for staffing this fire station for the past five years.

The District has implemented a voter-approved Community Facilities District (CFD) No. 2012-1 (Ladder Truck O&M). Only larger, taller, buildings/structures and dense developments are required to join the CFD and provide funding. The purpose of this CFD is to provide funding of an aerial apparatus which is designed to provide greater fire suppression capabilities for these types of commercial developments. While the District may use this apparatus during various different types of incidents, its primary function would be to respond to larger, taller, dense properties within the District. The District began placing the CFD on the Placer County tax rolls in fiscal year 2019/2020.

The District will continue to provide the highest level of fire suppression, rescue and emergency medical services to property owners and visitors to the area. However, current revenues don't address the need for additional staffing, aging infrastructure and specialized equipment such as an aerial ladder truck. It will provide for a gradual replacement of equipment and apparatus through a combination of "Municipal Leasing", "pay as you go" and grant funding techniques.

In April of 2014, the North Tahoe Fire Protection District (North Tahoe) and the Meeks Bay Fire Protection District (Meeks Bay) entered into a mutual aid management agreement, whereby North Tahoe will provide fire services management and related administrative and operational services to Meeks Bay.

The scope of services within the agreement includes a delegation of authority for all duties required by law previously performed by the Meeks Bay Fire Chief including, but not limited to, fire suppression operations, fire prevention, rescue services, training, emergency medical services, hazardous materials responses, forest fuels management, defensible space programs, equipment, facilities, supplementary staffing and personnel management. The Meeks Bay Fire Protection District pays the full salary and benefits for one North Tahoe Division Chief, three Captains, and three Firefighters, as well as reimburses the District for direct and indirect costs associated with the management and labor agreements.

The State of California's adoption of the Insurance Services Office (ISO) 2012 Fire Suppression Rating Schedule (FSRS™) placed greater emphasis on Fire Prevention, public education and

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catastrophic wildfire avoidance. In turn, the District responded with programs that address these priorities in order to protect the economic and environmental interests in the communities we serve.

Fire prevention programs beyond current levels are necessary to avoid the risk of catastrophic fires. To offset the associated costs of such programs, District staff has implemented a cost recovery program that includes plan check and inspection fees to help fund the fire prevention bureau. The District's Capital Facilities and Mitigation Fee Study justifies the need for these fees with the most recent update being completed in 2019. These monies are intended to address, in part, the impacts that new projects and developments have on Fire District service delivery.

Significant effort has gone into reducing the threat of catastrophic wildfire through funding for fuels reduction and defensible space. The District employs a full time Forest Fuels Coordinator to oversee this critical program aimed at improved forest health, wildfire resiliency and climate change adaption. The District funds a variety of these activities through our Benefit Assessment. The deliverable capacity of this program is exponentially increased by leveraging outside grant funding sources. To meet this end, the District continues an ongoing aggressive grant writing campaign and has developed strategic partnerships in Forest Fuels management with the North Lake Tahoe Fire Protection District, the Meeks Bay Fire Protection District, the Lake Valley Fire Protection District, and the Tahoe Resource Conservation District. As fire knows no boundaries, so should our prevention activities.

In fall of 2018, the Insurance Services Office (ISO) performed a field visit and review (audit) of North Tahoe Fire Protection District, Meeks Bay Fire Protection District and the Alpine Springs County Water District. This is the first-time that they considered all three jurisdictions together as what they call a Fire Protection Service Area; North Tahoe FPSA. The Districts historical Class 4 (PPC 04/8B) improved to a Public Protection Class 3 (PPC 03/3Y) with notable improvements in many categories, including personnel, training and apparatus. Only 3,409 fire agencies across the country are considered Class 3 fire departments. Many insurance companies use the ISO PPC for establishing fire insurance rates for their customers, often times Class 1 – 3 are banded together as the top tier. Following the last few years of devastating wild fires in California, including the largest in history, the Ranch Fire, and the most deadly and destructive, the Camp Fire, many insurance companies have decided not to renew fire insurance policies in high fire danger areas as we have within the District. So, despite the Districts Class 3 ISO PPC rating, many residents continue to have challenges finding suitable fire insurance with affordable premiums.

The District adopted a GASB 45 compliance plan in 2009/2010 that addresses the financial liability the District will face in funding post-employment benefits such as medical insurance. The District sets aside revenue annually, as the budget will allow, helping offset the costs associated with future retirements. The District completes an annual valuation of this Plan in compliance with the California Employers' Retiree Benefit Trust (CERBT) Fund.

GASB 45 was replaced by GASB 75 for fiscal years beginning after June 15, 2017. The primary objective of this statement is to improve accounting and financial reporting for postemployment

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benefits other than pensions. GASB 75 resulted in a single method of attributing the actuarial present value of projected benefit payments to periods of employee service, as well as immediate recognition in OPEB expenses. As a result of the implementation of GASB 75, several new note disclosures and journal entries were required in these financial statements. The District will continue to complete a bi-annual valuation based on the guidelines established by GASB 75.

The District implemented GASB 68 in fiscal year 2014/2015. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense. For defined benefit pensions, such as ours, 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.

Finally, the District's wage and benefit contracts (MOU) with our employee groups were renewed December 1, 2018. These MOUs are for a five-year term (December 1, 2018 – December 31, 2023). These contracts contain pay and benefit packages which are based upon an employee's date of hire and/or entry into CalPERS system. Employees hired prior to December 31, 2012, are classified as "Classic Members" by PERS; as are employees hired after January 1, 2013, who were previously classified as "Classic Members" by PERS, due to their prior service with another PERS agency. Employees hired after January 1, 2013, with no prior service with a PERS agency, are classified as "PEPRA" members by PERS. Salary and Benefit costs associated with PEPRA employees are considerably less per employee than for Classic Members.

Contacting the District's Management

If you have questions about this report or need additional information, contact North Tahoe Fire Protection District at PO Box 5879, Tahoe City, CA 96145.

McCLINTOCK ACCOUNTANCY CORPORATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
North Tahoe Fire Protection District

Report on the Financial Statements

We have audited the accompanying financial statements of North Tahoe Fire Protection District, which comprise the statement of net position and governmental fund balance sheet as of June 30, 2020, and the related statement of activities and governmental fund revenue, expenditures and changes in fund balance for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, government fund balance sheet and the statement of net position, and the aggregate remaining fund information of the North Tahoe Fire Protection District, as of June 30, 2020, 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.

Other Matters

Required Supplementary Information (Unaudited)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1-10, budgetary comparison on page 40, the Schedule of District's Proportionate Share of the Net Pension Liability on page 41, the Schedule of Contributions to the Pension Plan on page 42 and the Schedule of Changes in Net OPEB Liability and Related Ratios on page 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2021 on our consideration of the North Tahoe Fire Protection 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 North Tahoe Fire Protection District's internal control over financial reporting and compliance.

McClintock Accountancy Corporation

McClintock Accountancy Corporation
Tahoe City, California
January 15, 2021

Basic
Financial
Statements

NORTH TAHOE FIRE PROTECTION DISTRICT

Exhibit A

STATEMENT OF NET POSITION
AND GOVERNMENTAL FUND BALANCE SHEET

June 30, 2020

	Governmental Fund		Government-wide Financial Statements
	Balance Sheet	Adjustments (Note 4)	Statement of Net Position
ASSETS			
Cash and cash equivalents	\$ 664,018	\$ -0-	\$ 664,018
Investments	7,849,666	-0-	7,849,666
Restricted investments	84,157	-0-	84,157
Accounts receivable	276,001	307,694	583,695
Grants receivable	136,810	-0-	136,810
Other receivables	468,855	-0-	468,855
Land	-0-	73,455	73,455
Capital assets, net of accumulated depreciation	-0-	10,597,718	10,597,718
Total Assets	\$ 9,479,507	\$ 10,978,867	\$ 20,458,374
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions (Note 10)	\$ -0-	\$ 4,473,159	\$ 4,473,159
Deferred outflows related to OPEB (Note 12)	-0-	4,514,926	4,514,926
Total Deferred Outflows of Resources	\$ -0-	\$ 8,988,085	\$ 8,988,085
LIABILITIES			
Accounts payable	\$ 210,940	\$ -0-	\$ 210,940
Accrued expenses	683,749	114,682	798,431
Other liabilities	271,657	-0-	271,657
Compensated absences	169,127	806,147	975,274
Net OPEB Liability (Note 12)	-0-	12,949,347	12,949,347
Aggregate net pension liability (Note 10)	-0-	16,518,262	16,518,262
Long-term debt:			
Due within one year	-0-	585,048	585,048
Due after one year	-0-	8,156,183	8,156,183
Total Liabilities	\$ 1,335,473	\$ 39,129,669	\$ 40,465,142
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions (Note 10)	\$ -0-	\$ 618,464	\$ 618,464
Deferred inflows related to OPEB (Note 12)	-0-	9,797	9,797
Total Deferred Inflows of Resources	\$ -0-	\$ 628,261	\$ 628,261
FUND BALANCE/NET POSITION			
Fund Balance:			
Restricted fund balance	\$ 14,241	\$ (14,241)	\$ -0-
Unrestricted	8,129,793	(8,129,793)	-0-
Total Fund Balance	8,144,034	(8,144,034)	-0-
Total Liabilities and Fund Balance	\$ 9,479,507		
Net Position:			
Net investment in capital assets		1,929,943	1,929,943
Restricted		14,241	14,241
Unrestricted (deficit)		(13,591,128)	(13,591,128)
Total Net Position (Deficit)		\$ (11,646,944)	\$ (11,646,944)

The accompanying notes are an integral part of this statement.

NORTH TAHOE FIRE PROTECTION DISTRICT

Exhibit B

STATEMENT OF ACTIVITIES
AND GOVERNMENTAL FUND REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE

For the Year Ended June 30, 2020

	<u>Governmental Fund</u>		<u>Government- wide Financial Statements</u>
	Revenue, Expenditures and Change in Fund Balance	Adjustments (Note 5)	Statement of Activities
Revenue:			
Taxes	\$ 10,879,450	\$ -0-	\$ 10,879,450
Ambulance services	1,929,594	475,880	2,405,474
Service and contract fees	2,755,904	(31,826)	2,724,078
Grants	775,143	(78,096)	697,047
Mitigation fees	76,156	-0-	76,156
Gain on disposal of assets	-0-	1,000	1,000
Other	28,296	34,000	62,296
Interest	93,325	-0-	93,325
	<u>16,537,868</u>	<u>400,958</u>	<u>16,938,826</u>
Total Revenue			
Expenditures/Expenses:			
Salaries and wages	7,443,380	57,423	7,500,803
Employee benefits	4,555,498	2,943,563	7,499,061
Total salaries and wages and benefits	<u>11,998,878</u>	<u>3,000,986</u>	<u>14,999,864</u>
Maintenance and operations	779,765	(5,736)	774,029
General and administrative	430,069	-0-	430,069
Uniforms and supplies	358,156	-0-	358,156
Utilities	146,793	-0-	146,793
Professional fees	411,725	-0-	411,725
Bad debt	-0-	524,583	524,583
Depreciation	-0-	766,380	766,380
Grant expense	658,738	(163,668)	495,070
Capital outlay	232,236	(207,712)	24,524
Debt service:			
Principal	605,325	(605,325)	-0-
Interest	277,634	(3,226)	274,408
	<u>15,899,319</u>	<u>3,306,282</u>	<u>19,205,601</u>
Total Expenditures/Expenses			
Revenues Over (Under) Expenditures/Expenses			
Change in Net Position	638,549	(2,905,324)	(2,266,775)
Fund Balances/Net Position:			
Beginning of the Year (Deficit)	<u>7,505,485</u>	<u>(16,885,654)</u>	<u>(9,380,169)</u>
End of the Year (Deficit)	<u>\$ 8,144,034</u>	<u>\$ (19,790,978)</u>	<u>\$ (11,646,944)</u>

The accompanying notes are an integral part of this statement.

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020

1. Summary of Significant Accounting Policies

North Tahoe Fire Protection District (the "District") was created on June 29, 1993 as a consolidation of the North Tahoe Fire Protection District and the Tahoe City Fire Protection District. The District operates under the State of California Fire Protection District Law of 1987 and State Senate Bill 515. The District operates under a board-fire chief form of government and provides fire suppression, fire prevention, ambulance, emergency medical services and rescue services to Placer County residents living in the North Lake Tahoe area.

The District's basic financial statements include the accounts of all operations.

The accounting policies of the District conform to generally accepted accounting principles ("GAAP") as applicable to governmental type organizations. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of such significant policies:

Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when they are earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year in which they are levied. Grants and contracts are recognized as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statements are prepared using a different measurement focus than the governmental fund financial statements (see further detail below). Therefore, a reconciliation has been provided to better identify the relationship between the government-wide financial statements and the governmental fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to pay liabilities of the current period.

The District generally considers all revenues available if they are collected within 90 days after year-end. Principal revenue sources of the District that are susceptible to accrual include property taxes, ambulance and emergency medical services, interest income, and contract fees. Mitigation fees and reimbursable revenues are not susceptible to accrual as they are generally not measurable until received in cash. The period of availability is increased to 90 days because the collection period for ambulance and emergency services revenues generally extends beyond 60 days. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020

related to compensated absences paid 90 days after year-end, are recorded only when payment is due.

Since the District is engaged in a single governmental program, the District has elected to combine the fund financial statements with the government-wide financial statements using a columnar format that reconciles individual line items of the fund financial statements to the government-wide statements in a separate column.

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

The District's accounting system is operated on a fund basis. A fund is a separate accounting entity with a self-balancing set of accounts. A fund is maintained for the purpose of carrying on specific activities or to obtain certain objectives. The District uses one fund. The following fund and fund type is used by the District:

Governmental Fund Type

General Fund - Used to account for all unrestricted resources of the District. The general fund is accounted for using the current financial resources measurement focus. Only current assets and current liabilities are generally included in the balance sheet. Its operating statement presents sources and uses of available resources during a given period.

Budgets and Budgetary Accounting

By state law, the District's governing board must adopt a preliminary budget prior to the beginning of each fiscal year. A final budget must be adopted by October 1st. The budget must be adopted in a properly noticed meeting.

Actual revenues and expenditures are compared to budgeted amounts monthly as a management control device for all budgeted funds. The District monitors capital expenditures by comparison to specific project appropriation accounts.

Restricted Investments

Restricted investments consist of funds held in the Placer County Investment Pool on behalf of the North Tahoe Firefighters Association ("NTFA"). The corresponding liability to the NTFA is recorded as "other liabilities" in the accompanying financial statements.

Capital Assets

Capital assets are reported in the government-wide Statement of Net Position but are not reported in the fund financial statements.

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

All capital assets, except for land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the estimated useful lives ranging from 3 to 40 years.

Compensated Absences

It is the District's policy to permit employees to accumulate vacation benefits of up to 960 hours, which will be paid to the employee upon separation from District service. In addition, certain District employees are eligible to accumulate comp time up to 216 hours. Accumulated vacation and comp time that is expected to be liquidated within 90 days after the year-end is considered to be current and is reported as an expenditure and a liability of the fund financial statements. The entire compensated absence liability and expense is reported on the government-wide financial statements.

The District's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest but unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the District has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made in the accompanying financial statements.

Pensions

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

For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2018
Measurement Date (MD)	June 30, 2019
Measurement Period (MP)	July 1, 2018 to June 30, 2019

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020

Post-Employment Benefits Other Than Pensions

In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (“OPEB”). This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to OPEB. These standards apply to all public employers that pay any part of the cost of retiree health benefits for current or future retirees. The District engaged Total Compensation Systems, Inc. (TCS) to analyze liabilities associated with its current retiree health program as of June 30, 2019.

For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2019
Measurement Date (MD)	June 30, 2019
Measurement Period (MP)	July 1, 2018 to June 30, 2019

Net Position (Deficit)

At June 30, 2020, the District had an unrestricted (deficit) of (\$13,591,128). This deficit is primarily a result of implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* as well as GASB Statement No. 75, *Accounting and Financial Reporting for Other Post-Employment Benefits*. The District expects that these deficits will be funded with future subsidies.

Fund Balance

In the fund financial statements, the District reserves those portions of fund balance which are legally restricted for a specific future use. The Restricted Fund balance represents the portion of fund balance restricted by mitigation fees. Mitigation fees are charged on all new building and construction in the District’s service area. The fees, in accordance with Placer County ordinance, can be used only for new construction and development of fire protection facilities, apparatus and services. The District spent approximately \$100,000 of mitigation fees during the year ended June 30, 2020. Unrestricted Fund balance is the portion of fund balance available for use in future periods.

In accordance with GASB issued statement No. 54, *Fund Balance Reporting and Governmental Fund type Definitions*, Fund Balance is classified into the following five components:

- * *Non-spendable fund balance*—amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund).

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020

- * *Restricted fund balance*—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- * *Committed fund balance*—amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- * *Assigned fund balance*—amounts a government *intends* to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- * *Unassigned fund balance*—amounts that are available for any purpose; these amounts are reported only in the general fund.

Net Position

Net Position represents the District’s financial and capital resources and is calculated as the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources.

Use of Estimates

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

2. Cash and Investments

A summary of cash held by the District at June 30, 2020 is as follows:

Cash on deposit at Plumas bank	\$ 664,018
--------------------------------	------------

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District’s deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. All District deposits in excess of insurance from the Federal Deposit Insurance Corporation are collateralized with eligible securities, in amounts equal to at least 110% of the District's carrying value of the deposits (demand deposits and certificates of deposit). Such collateral, as permitted by the State of California, is held in each respective bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds.

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020

With the exception of deposit insurance provided by the Federal Deposit Insurance Corporation, none of the District's bank balances at June 30, 2020 are exposed to custodial credit risk with deposits uninsured and collateralized with securities held by the pledging financial institution or its agent but not in the District's name.

Investments

Pursuant to the District's Investment Policy, the District is allowed to invest in the Placer County investment pool, Tax and Revenue Anticipation Note and Guaranteed Investment Contract. The District investments consist of deposits held in the Placer County investment pool. The District had no funds invested in the Guaranteed Investment Contract during the year ended June 30, 2020.

The District's investments are recorded at fair value at June 30, 2020 as follows:

	<u>Maturities</u>	<u>Fair Value</u>
Placer County Investment Pool	Less than 1 year	<u>\$ 7,933,823</u>

Interest Rate Risk

The District does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District's investments in the Placer County investment pool have not been rated by a nationally recognized statistical agency.

3. Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2020:

- a) Placer County Pooled Investment Fund of \$7,933,823 (including \$84,157 of restricted investments) is valued using the underlying quoted market prices (Level 2 inputs)

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020

4. Explanation of the Differences between the Governmental Fund Balance Sheet and the Statement of Net Position

The District's "Total fund balance" of \$8,144,034 in Exhibit A differs from "Net Position" of (\$11,646,944) reported in the Statement of Net Position. This difference results from the long-term economic focus of the statement of Net Position versus the current financial resources focus of the governmental fund balance sheet. An explanation of the reconciliation adjustments between the statements is described below:

Ambulance billing receivables, grant reimbursements, and service contracts not collected within 90 days after the District's fiscal year are not considered "available" revenues in the Governmental Funds and, therefore, have not been recorded in the Governmental Funds.

\$ 307,694

When capital assets (land, construction in progress, buildings, and equipment) are purchased or constructed, the costs of those assets are reported as expenditures in the Governmental Funds. The statement of Net Position includes these capital assets.

Land	<u>\$ 73,455</u>
Construction in progress	<u>\$ -0-</u>
Depreciated capital assets	\$ 17,837,629
Accumulated depreciation	(7,239,911)
	<u>\$ 10,597,718</u>

Deferred outflows of resources related to pensions and OPEB will not be realized as current financial resources and are not reported in the Governmental Funds. The statement of Net Position includes these deferred outflows of resources.

Deferred outflows related to pensions	<u>\$ 4,473,159</u>
Deferred outflows related to OPEB	<u>\$ 4,514,926</u>

Interest payable on long-term debt is not accrued in the Governmental Funds, but is recognized as an expenditure when due.

\$ 114,682

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020

Certain liabilities and deferred inflows of resources are not payable from current financial resources and therefore are not reported in the Governmental Funds. Those liabilities and deferred inflows of resources consist of:

	Compensated absences	\$ 806,147
		<u> </u>
	Net OPEB Liability	\$ 12,949,347
		<u> </u>
	Aggregate net pension liability	\$ 16,518,262
		<u> </u>
	Notes payable	\$ 8,741,231
		<u> </u>
	Deferred inflows related to pensions	\$ 618,464
		<u> </u>
	Deferred inflows related to OPEB	\$ 9,797
		<u> </u>

5. Explanation of Differences between Governmental Fund Operating Statement and the Statement of Activities

The District’s “Revenues over expenditures” of \$638,549 in Exhibit B differs from the “change in Net Position” of (\$2,266,775) reported in the Statement of Activities. The difference arises from the long-term economic focus of the statement of activities versus the current financial resources focus of the Governmental Funds. The components of the difference are described below:

Ambulance billing receivables, grant reimbursements, and service contracts not collected within 90 days after the District’s fiscal year ends are not considered “available” revenues in the Governmental Funds:

	Change in accounts receivable	\$ (117,806)
		<u> </u>
	Ambulance billing receivables written off as not collectable are not considered “available” revenues in the Governmental Funds	483,764
		<u> </u>
		\$ 365,958
		<u> </u>
	Certain capital asset activity is not reported in the Governmental Fund operating statement	\$ 35,000
		<u> </u>

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures of the Governmental Funds:

Change in salaries payable	\$ 57,423
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Change in compensated absences payable and deferred outflows and inflows of resources associated with long term net pension liability and net OPEB liability	\$ 2,943,563
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Ambulance billing revenues written off as uncollectable (bad debt expense) do not use current financial resources and are not reported as expenditures of the Governmental Funds:

Ambulance billing receivables written off as not collectable	\$ 483,764
--	------------

Change in the allowance for doubtful accounts	40,819
	\$ 524,583

When capital assets are purchased or constructed in the Governmental Funds, the resources expended for those assets are reported as expenditures in the Governmental Funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreased by the amount of depreciation expense charged for the year:

Depreciation expense	\$ 766,380
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Capital outlay	\$ (207,712)
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Maintenance and operations	\$ (5,736)
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Grant expense	\$ (163,668)
---------------	--------------

Debt service	\$ (35,316)
--------------	-------------

Principal payments made on long-term debt is reported as expenditures in the Governmental funds. However, this balance should be removed from the statement of activities to report on the accrual basis of accounting

\$ (570,009)

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020

Interest on long-term debt is not accrued in the Governmental Funds, but is recognized as an expenditure when due. However, in the Statement of Activities, interest expense is recognized as it accrues, regardless of when it is due. The net change in accrued interest is reported in the Statement of Activities

\$ (3,226)

6. Proceeds of Taxes Limitation and Property Taxes

Article XIII B of the California Constitution, as implemented by SB1352 of 1980, specifies that proceeds of taxes of governmental entities may increase by an amount not to exceed the change in population, and the changes in the United States Consumer Price Index or California per capita personal income, whichever is less.

The proceeds of taxes limitation for the fiscal year corresponding to that of the State of California (July 1, 2019 to June 30, 2020) is \$21,411,152.

Property taxes attach as an enforceable lien on property as of the first Monday in March. Property taxes are payable in two installments and are delinquent after December 10th and April 10th. The District collects its share of property taxes through Placer County. Property tax revenues are recognized when levied to the extent that they result in current receivables.

7. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>Beginning Balances</u>	<u>Additions/ Depreciation</u>	<u>Disposals/ Transfers</u>	<u>Ending Balances</u>
Capital assets not depreciated:				
Land	\$ 73,455	\$ -0-	\$ -0-	\$ 73,455
Construction in progress	146,647	-0-	(146,647)	-0-
Total capital assets not depreciated	<u>220,102</u>	<u>-0-</u>	<u>(146,647)</u>	<u>73,455</u>
Capital assets being depreciated:				
Buildings and improvements	10,596,918	157,261	146,647	10,900,826
Equipment	6,524,687	419,754	(7,637)	6,936,804
Total capital assets being depreciated	<u>17,121,605</u>	<u>577,015</u>	<u>139,010</u>	<u>17,837,630</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,701,849)	(359,994)	-0-	(2,701,849)
Equipment	(3,779,319)	(406,386)	7,637	(3,779,319)
Total accumulated depreciation	<u>(6,481,168)</u>	<u>(766,380)</u>	<u>412,565</u>	<u>(6,481,168)</u>
Total capital assets being depreciated, net	<u>10,640,437</u>	<u>(189,366)</u>	<u>146,647</u>	<u>10,597,718</u>
Capital assets, net	<u>\$ 10,860,539</u>	<u>\$ (189,366)</u>	<u>\$ -0-</u>	<u>\$ 10,671,173</u>

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020

8. Long-Term Debt

Long-term debt is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Note payable to Community First National Bank; interest rate of 2.93%; annual principal and interest payments of \$34,369 due December 15; final payment due December 15, 2019; secured by a District ambulance.	\$ 33,391	\$ -0-	\$ (33,391)	\$ -0-	\$ -0-
Note payable to Community First National Bank; interest rate of 2.92%; annual principal and interest payments of \$99,022 due February 17; final payment due February 17, 2023; secured by two District fire engines.	\$ 368,780	\$ -0-	\$ (88,254)	\$ 280,526	\$ 90,830
Note payable to Community First National Bank; interest rate of 2.96%; annual principal and interest payments of \$56,637 due October 21; final payment due October 21, 2025; secured by District fire engine.	\$ 353,336	\$ -0-	\$ (46,162)	\$ 307,174	\$ 47,531
Note payable to Community First National Bank; interest rate of 3.5%; annual principal and interest payments of \$36,120 due January 15; final payment due January 15, 2022; secured by a District ambulance.	\$ 101,206	\$ -0-	\$ (32,584)	\$ 68,622	\$ 33,722
Note payable to Community First National Bank; interest rate of 4%; annual principal and interest payments of \$79,663 due January 5; final payment due January 5, 2021; secured by a District ambulance.	\$ 150,256	\$ -0-	\$ (73,656)	\$ 76,600	\$ 76,600
Note payable to Community First National Bank; interest rate of 3.5%; annual principal and interest payments of \$35,316 due August 6; final payment due August 6, 2023; secured by District ambulance.	\$ -0-	\$ 164,898	\$ (35,316)	\$ 129,582	\$ 30,723
Note payable to the California Economic and Infrastructure Bank; interest rate of 3.27%; final payment due Aug. 1, 2038; secured by the new District Station.	\$ 8,174,688	\$ -0-	\$ (295,962)	\$ 7,878,726	\$ 305,641
	<u>\$ 9,181,657</u>	<u>\$ 164,898</u>	<u>\$ (605,325)</u>	<u>\$ 8,741,231</u>	<u>\$ 585,048</u>

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Principal and interest maturities of long-term debt due during the next five years and thereafter are as follows:

Year Ending June 30	Principal	Interest
2021	\$ 585,048	\$ 260,672
2022	524,771	251,282
2023	505,499	235,373
2024	422,606	220,214
2025	401,045	207,463
2026-2038	6,302,262	1,614,532
	\$ 8,741,231	\$ 2,789,535

9. Compensated Absences

The District offers certain qualifying employees comp time and paid vacation. Changes in obligations for vacation and comp time at June 30, 2020, are as follows:

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Current Portion
Accrued vacation	\$ 812,082	\$ 621,366	\$ (628,010)	\$ 805,438	\$ 121,472
Accrued comp time	132,349	244,827	(207,340)	169,836	47,655
Total	\$ 944,431	\$ 866,191	\$ (835,350)	\$ 975,274	\$ 169,127

10. Employee Retirement System

A. Plan Description

The District contributes to two defined benefit pension plans: the Safety Plan of the North Tahoe Fire Protection District (the “Safety Plan”) and the Miscellaneous Plan of the North Tahoe Fire Protection District (the “Miscellaneous Plan”). Each plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Each plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. Since each of the Plans has less than 100 active members, it is required to participate in a cost-sharing risk pool. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees’ Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through Placer County ordinance and Board of Director approval. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS’

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020

annual financial report for each plan may be obtained from the CalPERS Executive Office - 400 P Street - Sacramento, CA 95814.

Effective January 1, 2010, the District amended its contract with CalPERS to include a second tier retirement plan for all new hires between January 1, 2010 and December 31, 2012. Employees classified as classic members under CalPERS are also included in this category.

Effective January 1, 2013, as part of the CalPERS reform, a new tier created was for all new members joining CalPERS.

B. Funding Policy

Active members in the Safety Plan and the Miscellaneous Plan are required to contribute a percentage of their annual covered salary towards their retirement plan. Beginning January 1, 2013, Safety Tier I and Tier II members paid 5% and Miscellaneous Tier I and Tier II members paid 4% of their employee contributions. Effective March 2014, Safety Tier I and Tier II members paid an additional 4% of their employee contributions for a total of 9% as well paying 1% of the employer's contributions. Similarly, Miscellaneous Tier I and Tier II members paid an additional 4% of their employee contributions for a total of 8%. Effective January 2015, Safety Tier I and Tier II members paid 9% of their employee contributions as well as 2% of the employer's contributions. Similarly, Miscellaneous Tier I and Tier II members paid 8% of their employee contributions. Members to both plans after January 1, 2013 are considered Tier III (PEPRA) members. Safety Tier III members contribute 12% and Miscellaneous Tier III members contribute 6.25% to their respective plans.

The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 2019/20 was 22.423% for the Tier I Safety Plan, 20.412% for the Tier II Safety Plan, 13.034% for the PEPRA Safety Plan, 0% for the Tier I Miscellaneous Plan, 14.387% for the Tier II Miscellaneous Plan and 6.985% for the PEPRA Miscellaneous Plan. In addition, contributions to unfunded liabilities of \$1,704,023 and \$102,854 were required to be made for the Tier I Safety Plan and Tier I Miscellaneous Plan, respectively. The contribution requirements of both the Safety Plan and the Miscellaneous Plan members are established by State statute and the employer contribution rate and unfunded liability contribution is established and may be amended by CalPERS.

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020

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

The following tables show the District's proportionate share of the collective net pension liabilities over the measurement period.

Miscellaneous Plan			
Increase (Decrease)			
	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability/(Asset) (c)=(a)-(b)
Balance at: 6/30/18 (VD)	\$ 3,131,620	\$ 2,140,270	\$ 991,350
Balance at: 6/30/19 (MD)	3,307,292	2,271,699	1,035,593
Net Changes during 2018-19	\$ 175,672	\$ 131,429	\$ 44,243

Safety Plan			
Increase (Decrease)			
	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability/(Asset) (c)=(a)-(b)
Balance at: 6/30/18 (VD)	\$ 56,084,770	\$ 41,332,952	\$ 14,751,818
Balance at: 6/30/19 (MD)	59,827,005	44,344,336	15,482,669
Net Changes during 2018-19	\$ 3,742,235	\$ 3,011,384	\$ 730,851

At June 30, 2020, the District reported net pension liabilities for its proportionate share of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 1,035,593
Safety	15,482,669
Total	\$ 16,518,262

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2019, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020

District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each Plan as of 2020 was as follows:

	Miscellaneous	Safety
Proportion - June 30, 2020	0.02586%	0.24802%

At June 30, 2020, the District recognized pension expense of \$3,724,565.

As of June 30, 2020, the District reports other amounts for the Plan as deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,082,805	\$ 5,573
Changes of assumptions	683,990	141,349
Difference between projected and actual investment earnings	-0-	231,095
Difference between employer's contributions and proportionate share of contributions	553,417	-0-
Change in employer's proportion	33,981	240,447
Employer contributions subsequent to the measurement date	2,118,966	-0-
Total	\$ 4,473,159	\$ 618,464

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Amounts reported as deferred outflows and deferred inflows of resources related to pensions, other than the employer-specific item of \$2,118,966, will be recognized in future pension expense as follows:

Measurement Period Ended June 30:	Miscellaneous	Safety	Total
2021	\$ 90,719	\$ 1,353,653	\$ 1,444,372
2022	(3,543)	24,778	21,235
2023	16,602	208,420	225,022
2024	3,659	41,441	45,100
2025	-0-	-0-	-0-
Thereafter	-0-	-0-	-0-
	\$ 107,437	\$ 1,628,058	\$ 1,735,729

D. Actuarial Method and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2019 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2018 total pension liability. Both the June 30, 2019 total pension liability and the June 30, 2018 total pension liability 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	7.15%
Inflation	2.50%
Salary Increases	Varies by entry age and service
Investment Rate of Return	7.15% net of pension plan investment and administrative expenses; includes Inflation
Mortality Rate Table *1	Derived using CALPERS' membership date for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.5% until purchasing power protection allowance floor on purchasing power applies, 2.50% thereafter

*1 The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2001, including

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020

updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS’ website under Forms and Publications.

E. Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

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 are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of real arithmetic rates of return for each major asset class are summarized in the following table:

Asset Class	New Strategic Allocation	Real Return Years 1-10	Real Return Years 11+
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0	1.0	2.62
Inflation Assets	0.0	0.77	1.81
Private Equity	8.0	6.30	7.23
Real Estate	13.0	3.75	4.93
Liquidity	1.0	0.0	(0.92)

Sensitivity of Net Pension Liability to Changes in the Discount Rate

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

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

		Discount Rate	Current	Discount Rate
		- 1% (6.15%)	Discount Rate (7.15%)	+1% (8.15%)
Plan's Net Pension Liability/(Asset)	Miscellaneous Plan	\$ 1,480,434	\$ 1,035,593	\$ 668,408
	Safety Plan	\$ 23,681,565	\$ 15,482,669	\$ 8,760,860

F. Payables to the Pension Plan

At June 30, 2020, the employer's contribution for the final payroll of the fiscal year had not been paid and was included in accounts payable for \$78,852.

11. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District is a member of a Joint Powers Authority for the operation of common risk management and insurance programs. The program covers workers' compensation insurance. The Authority is governed by Executive Boards consisting of representatives from member districts. The Executive Boards control the operations of the Authority, including selection of management and approval of operating budgets.

The relationship between the District and the Joint Powers Authority is such that the Authority is not a component unit of the District for financial reporting purposes.

For workers' compensation insurance, the District has joined together with other special districts within the state to form the Fire District Association of California Fire Association Self Insurance System ("FDAC-FASIS"). The District pays estimated annual premiums to the FDAC-FASIS based upon estimated payroll classified into rate categories set by FDAC-FASIS and an experience modification based upon the District's loss history over the past three years. Actual premium due is determined after the fiscal year end and is based upon actual payroll. The FDAC-FASIS is entitled to assess additional premiums or to refund premiums based upon a pro rata allocation of the District's premium paid to total premiums paid. The District is not assessed additional premiums or refunded premiums on an individual basis based upon claims or loss experience. The FDAC-FASIS agrees to pay all amounts legally required by California workers' compensation laws.

For property, liability, directors and officers, and errors and omissions insurance, the District purchases commercial insurance through the Special District Risk Management Authority, a joint powers agency formed pursuant to *California Government Code* Section 6500 et. seq., comprised of California special districts, agencies and cities.

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

12. Other Post-Employment Benefits

A. Plan Description

In addition to the pension benefits described in Note 10, the District administers a defined benefit OPEB plan through CalPERS, an agent multiple-employer retirement system for all eligible retired employees and their dependents. Benefit provisions are established and may be amended by District agreements and memorandums of understanding between the District, its management employees and unions representing its employees, which are approved by the District Board of Directors. The plan does not issue a stand-alone financial report.

The District provides eligible retirees medical benefits through the California Public Employees' Retirement system healthcare program (PEMHCA). It pays retiree healthcare benefits up to a cap for eligible retirees, dependent on bargaining unit and hire date.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions ("OPEB") and would replace GASB statements 45 and 57. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to OPEB. These standards apply to all public employers that pay any part of the cost of retiree health benefits for current or future retirees (including early retirees), whether they pay directly or indirectly. This is the third year of implementation for the District.

At June 30, 2019, the following numbers of participants were covered by the benefit terms

	Number of Covered Participants
Inactive employees receiving benefits	24
Inactive employees entitled to but not receiving benefits	-0-
Participating active employees	59

B. Funding Policy

The District currently pays for these costs on a "pay as you go basis", in addition to making annual contributions to the CalPERS California Employers' Retiree Benefit Trust (CERBT). For fiscal year 2019, the District's contributions were \$336,210 which consisted of \$286,210 in cash benefit payments and a \$50,000 contribution to the trust.

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020

D. Net OPEB Liability

As of June 30, 2020, the District report a net OPEB liability of \$12,949,347. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019.

The following table summarizes the changes in the net OPEB liability:

Changes in Net OPEB Liability as of June 30, 2019	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2018	\$11,494,498	\$303,392	\$11,191,106
Changes for the year:			
Service cost	781,960	-0-	781,960
Interest on total OPEB liability	458,105	-0-	458,105
Employer contributions	-0-	336,210	(336,210)
Employee contributions	-0-	-0-	-0-
Assumption changes	622,571	-0-	622,571
Experience changes	242,564	-0-	242,564
Expected investment income	-0-	12,806	(12,806)
Investment gains/losses	-0-	5,812	(5,812)
Administrative expenses	-0-	(65)	65
Benefit payments	(286,210)	(286,210)	-0-
Actual minus expected benefit payments	7,804	-	7,804
Net change during 2018-19	1,826,794	68,553	1,758,241
Balance at June 30, 2019	\$13,321,292	\$371,945	\$12,949,347

E. OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended June 30, 2020, the District recognized OPEB expense of \$1,744,496. At June 30, 2020, the District reports deferred outflows of resources related to OPEB from the following sources:

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

	Deferred Outflows of Resources	Deferred Inflows of Resources
Experience (gains)/losses	\$ 222,236	\$ -0-
Assumption changes	3,886,158	-0-
Investment (gains)/losses	-0-	9,797
District contributions subsequent to the measurement date	406,532	-0-
Total	\$ 4,514,926	\$ 9,797

District contributions of \$356,532 (including a \$50,000 payment to the trust) reported as deferred outflows of resources to OPEB and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020.

E. Actuarial Methods and Assumptions

The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. For the measurement period ending June 30, 2019 (the measurement date), the net OPEB liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry age normal in accordance with the requirement of GASB Statement No. 75
Actuarial Assumptions	
Discount Rate	3.6% per year net of expenses
Inflation	2.75%
Investment Return	3.6%
Salary Increases	2.75%
Healthcare Cost Trend	4%
Mortality Rate Table	Derived using CALPERS' 2014 Mortality Data
Retirement Rates	Hired < 1/1/10: 3% @50 Retirement Rates for Firefighters Hired 1/1/10 to 12/31/12: 3% @55 Retirement Rates for Firefighters Hired > 12/31/12: 2.7% @57 Retirement Rates for Firefighters 2009 CalPERS 2% @60 Rates for Miscellaneous Employees
Service Requirement	50% at 10 years of service; 100% at 15 years of service

The investment return is based on assumed long-term return on plan assets assuming 100% funding through CERBT using the building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major class of asset. The ranges are

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020

combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Asset Class	Percentage of Portfolio	Assumed Gross Return
US Large Cap	43.00	7.795
US Small Cap	23.00	7.795
Long-Term Corporate Bonds	12.00	5.295
Long-Term Government Bonds	6.00	4.500
Treasury Inflation Protected Securities (TIPS)	5.00	7.795
US Real Estate	8.00	7.795
All Commodities	3.00	7.795

Discount Rate - The discount rate used to measure the total OPEB liability was 3.6%. The District assumed that contribution would be sufficient to fully fund the obligation over a period not to exceed 30 years. The district used 35 year real rates of return for each asset class along with the assumed long-term inflation assumptions to set the discount rate. The District offset the expected investment return by investment expense of 25 basis points.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following represents the net OPEB liability of the District as of the measurement date, calculated using the discount rate of 3.6 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.6 percent) or 1 percentage-point higher (4.6 percent) than the current rate:

	Discount Rate - 1% (2.6%)	Current Discount Rate (3.6%)	Discount Rate +1% (4.6%)
Net OPEB Liability	\$ 15,382,873	\$ 12,949,347	\$ 11,023,699

Sensitivity of the Net OPEB Liability to Changes in Healthcare Cost Trends - The following presents the total OPEB liability of the District as of the measurement date, calculated using the healthcare cost trend of 4 percent, as well as what the total OPEB liability would be if it were calculated using a trend that is 1 percentage-point lower (3 percent) or 1 percentage-point higher (5 percent) than the current rate:

	Trend Rate - 1% (3%)	Current Trend Rate (4%)	Trend Rate +1% (5%)
Net OPEB Liability	\$ 11,078,633	\$ 12,949,347	\$ 15,212,271

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020

F. OPEB Plan Fiduciary Net Position

Detailed information about OPEB plan fiduciary net position is available in the separately issued CalPERS financial Report.

13. Alpine Springs County Water District

In September 2006, North Tahoe Fire District (“the District”) entered into a revised agreement with Alpine Springs County Water District (“Alpine Springs”) in which the District agreed to provide all fire protection, fire prevention, fire suppression, rescue and emergency medical services for the indicated area. In return Alpine Springs agreed to lease to the District the Alpine Meadows Fire Station and attached fixtures for one dollar per year for the duration of the agreement. Additionally, Alpine Springs agreed to transfer to the District possession and title to the existing fire apparatus, tools and equipment and all fire station furnishings and equipment.

This agreement shall terminate in December 2021. Upon termination of this agreement, the District shall return possession of the fire station to Alpine Springs. Additionally, the District shall transfer to Alpine Springs its right, title and interest to and possession of the fire apparatus, tools and equipment and all fire station furnishings and equipment. Aforementioned property shall be in like kind condition as when received by the District, ordinary wear and tear excepted. Alternatively, the District may elect to pay Alpine Springs a sum equal to the then fair market value of any such property not returned to Alpine Springs.

14. Meeks Bay Fire Protection District

In April 2014, North Tahoe Fire District (“the District”) entered into an agreement with Meeks Bay Fire Protection District (“Meeks Bay”) in which the District agreed to provide fire services management and related services to Meeks Bay. In return Meeks Bay shall pay the District for performance of services. Additionally, Meeks Bay agreed to provide office facilities and supplies and office managerial support as well as providing an appointed fire chief’s vehicle, fuel, vehicle insurance and maintenance.

In 2015, the District entered into an additional companion agreement with a labor group unification provision stating that as of July 1, 2016, all safety personnel will become employees of NTFPD. These payroll costs were incorporated into the contract.

This agreement will automatically renew for each fiscal year commencing July 1 and ending June 30 unless terminated by either party.

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020

15. Fire Station

The District underwent construction to relocate Station 51 in Tahoe City from the downtown area to Fairway Drive. The total cost of the facility was \$10,140,844.

In May 2010, the District entered into a lease with the California Infrastructure and Economic Development Bank (CIEDB). The District will lease the facilities located at 288 Northshore Blvd., King's Beach, 5424 W. Lake Blvd., Homewood, 159 Observation Drive, Tahoe City, and 240 Carnelian Bay Road, Carnelian Bay from CIEDB as a material consideration for the financing of the construction of the facility up to \$10 million. The District will make bi-annual payments calculated from the remaining principal balance. Payments are to approximate \$585,000 per year through August 1, 2038. The first payment was made in August 2012.

As part of the construction of the station, the District entered into a lease with Tahoe City Public Utility District to lease the land for the station. The term of the lease is for a period of sixty years commencing on December 1, 2009. The District will be charged \$1 per annum during the term of the lease.

16. Community Facilities District

During 2012, a voter-approved Community Facilities District (CFD) was created to provide funding of an aerial apparatus by the levy of an additional tax on specific developments within the District. As of June 30, 2019, one development was required to join and pay the tax. The balance is recorded as a liability until requirements are met and the amount can be recognized as revenue. The District began placing the CFD on the Placer County tax rolls in fiscal year 2019/2020. The tax was levied against an additional 18 properties for a total of \$16,028. These funds, less any expenses incurred during the fiscal year, are recorded as a net asset. The balance in this account will continue to accumulate each year until there are sufficient funds to purchase an aerial apparatus.

17. Operating Lease

The District has an operating lease for a copier. Rental expense for the year ended June 30, 2019 was \$8,199. Future minimum lease payments are as follows:

2021	\$ 7,162
2022	7,162
2023	6,565
	<u>\$ 20,889</u>

18. Subsequent Events

Subsequent events have been evaluated by management through January 15, 2021, the date that the statements were available for issuance.

Required
Supplementary
Information
(Unaudited)

NORTH TAHOE FIRE PROTECTION DISTRICT

Schedule 1

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE, BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended June 30, 2020
(Unaudited)

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
	Original	Final			
Revenues:					
Taxes	\$ 10,689,795	\$ 10,689,795	\$ 10,879,450	\$ -0-	\$ 10,879,450
Ambulance services	1,577,367	1,577,367	1,986,369	(56,775)	1,929,594
Service and contract fees	3,055,360	3,055,360	2,996,923	(241,019)	2,755,904
Grants	839,692	839,692	835,297	(60,154)	775,143
Mitigation fees	125,000	125,000	76,156	-0-	76,156
Other	24,200	24,200	28,296	-0-	28,296
Interest	104,000	104,000	93,325	-0-	93,325
Total Revenues	16,415,414	16,415,414	16,895,817	(357,949)	16,537,868
Expenditures:					
Salaries and wages	7,441,129	7,441,129	7,456,545	(13,165)	7,443,380
Employee benefits	4,666,338	4,666,338	4,567,156	(11,658)	4,555,498
Total salaries and wages and benefits	12,107,467	12,107,467	12,023,700	(24,822)	11,998,878
Maintenance and operations	828,259	828,259	779,765	-0-	779,765
General and administrative	491,418	491,418	430,069	-0-	430,069
Uniforms and supplies	577,384	577,384	358,156	-0-	358,156
Utilities	138,043	138,043	146,793	-0-	146,793
Professional fees	508,194	508,194	411,725	-0-	411,725
Grant expense	831,625	831,625	658,738	-0-	658,738
Capital outlay	253,876	253,876	232,236	-0-	232,236
Debt service:					
Principal	451,171	451,171	605,325	-0-	605,325
Interest	431,329	431,329	277,634	-0-	277,634
Total Expenditures	16,618,766	16,618,766	15,924,143	(24,822)	15,899,319
Revenues Over (Under) Expenditures	\$ (203,352)	\$ (203,352)	\$ 971,674	\$ (333,126)	638,549
Fund Balance, July 1, 2019					7,505,485
Fund Balance, June 30, 2020					<u>\$ 8,144,034</u>
(1) The District budgets for ambulance service, service and contract fees, and grants revenues on the cash basis, rather than the modified accrual basis.				\$ (357,949)	
(2) The District budgets for salaries and wages, employee benefits, and compensated absences on the cash basis, rather than the modified accrual basis.				(24,822)	
Net Increase in Fund Balance - Budget to GAAP				<u>\$ (333,127)</u>	

NORTH TAHOE FIRE PROTECTION DISTRICT

Schedule 2

Schedule of District's Proportionate Share of the Net Pension Liability
Last 10 Years *
(Unaudited)

Miscellaneous Plan

<u>Fiscal Year</u>	<u>Proportion of the net pension liability</u>	<u>Proportionate share of the net pension liability</u>	<u>Covered- employee payroll</u>	<u>Net pension liability proportion as a percentage of covered-employee payroll</u>	<u>Fiduciary net position as a percentage of the total pension liability</u>
2015	0.03109 %	\$ 768,359	\$ 366,542	210%	70.65 %
2016	0.03287	812,938	280,756	290%	69.52
2017	0.02680	929,734	645,358	144%	67.25
2018	0.02609	1,028,400	523,457	196%	66.87
2019	0.02630	991,350	727,872	136%	68.34
2020	0.02586	1,035,593	788,439	131%	68.69

Safety Plan

<u>Fiscal Year</u>	<u>Proportion of the net pension liability</u>	<u>Proportionate share of the net pension liability</u>	<u>Covered- employee payroll</u>	<u>Net pension liability proportion as a percentage of covered-employee payroll</u>	<u>Fiduciary net position as a percentage of the total pension liability</u>
2015	0.26823 %	\$ 10,061,279	\$ 3,017,608	333%	76.20 %
2016	0.27199	11,207,127	3,722,320	301%	74.68
2017	0.26310	13,627,308	4,903,959	278%	71.23
2018	0.25261	15,093,885	6,110,713	247%	70.71
2019	0.25141	14,751,818	6,449,276	229%	73.70
2020	0.24802	15,482,669	6,726,664	230%	74.12

*Fiscal 2015 was the 1st year of implementation; therefore, only six years shown

Schedule of Contributions to the Pension Plan
Last 10 Years*
(Unaudited)

Miscellaneous Plan					
Fiscal Year	Actuarially determine contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
2015	\$ 98,650	\$ (98,650)	\$ -0-	\$ 366,542	-27%
2016	80,469	(80,469)	-0-	280,756	-29%
2017	96,782	(96,782)	-0-	645,358	-15%
2018	103,375	(103,375)	-0-	523,457	-20%
2019	133,028	(133,028)	-0-	727,872	-18%
2020	147,779	(147,779)	-0-	788,439	-19%

Safety Plan					
Fiscal Year	Actuarially determine contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
2015	\$ 1,266,407	\$ (1,266,407)	\$ -0-	\$ 3,017,608	-42%
2016	1,436,135	(1,436,135)	-0-	3,722,320	-39%
2017	1,619,780	(1,619,780)	-0-	4,903,959	-33%
2018	1,850,916	(1,850,916)	-0-	6,110,713	-30%
2019	2,002,879	(2,002,879)	-0-	6,449,276	-31%
2020	2,267,120	(2,267,120)	-0-	6,726,665	-34%

*Fiscal 2015 was the 1st year of implementation; therefore, only six years shown

Notes to Required Supplementary Information

1. 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, 2014 as they have minimal cost impact.

2. Changes in Assumptions:

The discount rate changed from 7.5% (net of administrative expense) in 2015 to 7.65 percent in 2016 to 7.15 percent in 2018 per GASB Statement Number 68.

NORTH TAHOE FIRE PROTECTION DISTRICT

Schedule 4

Schedule of Changes in Net OPEB Liability and Related Ratios
Last 10 Years*
(Unaudited)

Measurement Period 2017/18	2020	2019	2018*
Total OPEB Liability			
Service cost	\$ 781,960	\$ 341,056	\$ 331,928
Interest on total OPEB liability	458,105	273,095	452,345
Assumption changes	622,571	4,177,475	-0-
Experience (gains)/losses	242,564	-0-	-0-
Benefit payments	(286,210)	(258,055)	(248,130)
Expected minus actual benefit payments	7,804	-0-	-0-
Net Change in total Open Liability	1,576,426	4,533,571	536,146
Total OPEB Liability - beginning	11,494,498	6,960,927	6,424,781
Total OPEB Liability – ending (a)	\$ 13,321,292	\$ 11,494,498	\$ 6,960,927
Plan Fiduciary Net Position			
Employer contributions	\$ 336,210	\$ 308,055	\$ 248,130
Net investment income	18,618	18,711	22,542
Benefit payments	(286,210)	(258,055)	(248,130)
Administrative expenses	(65)	(436)	(189)
Other	-0-	186	-0-
Net change in plan fiduciary net position	68,553	68,461	22,353
Plan fiduciary net position – beginning	303,392	234,931	212,578
Plan fiduciary net position – ending (b)	\$ 371,945	\$ 303,392	\$ 234,931
Net OPEB liability – ending (a) – (b)	\$ 12,949,347	\$ 11,191,106	\$ 6,725,996
Plan fiduciary net position as a percentage of the total OPEB liability	2.79%	2.71%	3.37%
Covered-employee payroll	\$ 7,515,104	\$ 7,177,148	\$ 6,634,170
Net OPEB Liability as a percentage of covered-employee payroll	172%	156%	101%

*Fiscal 2018 was the 1st year of implementation; therefore, only three years shown

NORTH TAHOE FIRE PROTECTION DISTRICT

PLACER COUNTY, CALIFORNIA

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

For the Year Ended June 30, 2020

McCLINTOCK ACCOUNTANCY CORPORATION

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To the Board of Directors
North Tahoe Fire Protection District

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 statement of net position and governmental fund balance and the related statement of activities and governmental fund revenue, expenditures and changes in fund balance of North Tahoe Fire Protection District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise North Tahoe Fire Protection District's basic financial statements, and have issued our report thereon dated January 15, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Tahoe Fire Protection 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*.

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.

The logo for McClintock Accountancy Corporation is written in a black, cursive, handwritten-style font.

McCLINTOCK ACCOUNTANCY CORPORATION
Tahoe City, California
January 15, 2021