North County Fire Protection District

Fallbrook, California

Annual Financial Report

For the Year Ended June 30, 2017

THE PUN GROUP
ACCOUNTANTS & ADVISORS

North County Fire Protection District
Annual Financial Report
For the Year Ended June 30, 2017

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North County Fire Protection District (District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 9 and the Budgetary Comparison Schedule – General Fund, Budgetary Comparison Schedule – Special Revenue – Fire Mitigation Fund, Budgetary Comparison Schedule – Special Revenue – Rainbow Subzone Operations Fund, Schedule of Changes in Net Position Liability and Related Ratios, Schedule of Contributions – Pension Plan and the Schedule of Funding Progress – Other Post-Employment Benefits Plan on pages 55 through 60, respectively, are presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements as a whole. The combining and individual non-major fund financial statements on pages 63 and 64 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

San Diego, California
December 31, 2017

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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the North County Fire Protection District (District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated December 31, 2017.

Internal Control Over Financial Reporting

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

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

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

Purpose of this Report

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

San Diego, California
December 31, 2017

North County Fire Protection District
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2017

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the North County Fire Protection District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- The District's net position increased $430,234 as a result of this year's operations.
- Total revenues from all sources increased by 8.9%, or $1,460,827 from $16,394,770 to $17,855,597, from the prior year, primarily due to an increase of $195,290 in charges for services, $478,498 in grant funding, $624,738 in property tax revenues and $220,379 in other revenues.
- Total expenses on a full-accrual basis for the District's operations increased by 23.0% or $3,262,639 from $14,162,724 to $17,425,363, from the prior year, primarily due to an increase in operations expense of $3,104,876 of which the District incurred $1,522,193 in pension expense associated with the increase in the net pension liability and an increase in the workers' compensation claims payable liability and expense of $1,002,643.

Using This Financial Report

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

Government-wide Financial Statements

Statement of Net Position and Statement of Activities

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

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

Governmental Funds Financial Statements

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

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

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

Notes to the Basic Financial Statements

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources of the District exceeded assets and deferred outflows of resources by $11,939,368 as of June 30, 2017.

Condensed Statement of Net Position

	June 30, 2017	June 30, 2016	Change
Assets:			
Current assets	$ 6,950,153	$ 5,416,218	$ 1,533,935
Capital assets, net	10,847,169	11,126,671	(279,502)
Total assets	17,797,322	16,542,889	1,254,433
Deferred outflows of resources	6,853,890	2,549,355	4,304,535
Liabilities:			
Current liabilities	1,911,791	1,534,992	376,799
Non-current liabilities	32,829,291	26,604,515	6,224,776
Total liabilities	34,741,082	28,139,507	6,601,575
Deferred inflows of resources	1,849,498	3,322,339	(1,472,841)
Net position (Deficit):			
Net investment in capital assets	5,353,227	5,997,547	(644,320)
Restricted	1,033,825	932,761	101,064
Unrestricted (Deficit)	(18,326,420)	(19,299,910)	973,490
Total net position (deficit)	$ (11,939,368)	$ (12,369,602)	$ 430,234

At the end of fiscal year 2017, the District shows a deficit balance in its unrestricted net position of ($18,326,420).

Condensed Statement of Activities

	June 30, 2017	June 30, 2016	Change
Program revenues	$ 3,723,753	$ 3,088,681	$ 635,072
Expenses	(17,425,363)	(14,162,724)	(3,262,639)
Net program expense	(13,701,610)	(11,074,043)	(2,627,567)
General revenues	14,131,844	13,306,089	825,755
Change in net position	430,234	2,232,046	(1,801,812)
Net position:			
Beginning of year	(12,369,602)	(14,601,648)	2,232,046
End of year	$ (11,939,368)	$ (12,369,602)	$ 430,234

The statement of activities shows how the government's net position changed during the fiscal year. In the case of the District, the operations of the District increased by $430,234.

Total Revenues:

	June 30, 2017	June 30, 2016	Increase (Decrease)
Program revenues:			
Charges for services	$ 2,798,918	$ 2,603,628	$ 195,290
Mitigation fees	65,416	179,132	(113,716)
Annexation fees	75,000	-	75,000
Operating and capital grant funding	784,419	305,921	478,498
Total program revenues	3,723,753	3,088,681	635,072
General revenues:			
Property taxes	13,665,463	13,040,725	624,738
Rental income – cellular towers	90,936	82,639	8,297
Investment earnings	31,586	59,245	(27,659)
Other revenues	343,859	123,480	220,379
Total general revenues	14,131,844	13,306,089	825,755
Total revenues	$ 17,855,597	$ 16,394,770	$ 1,460,827

Total revenues from all sources increased by 8.9%, or $1,460,827 from $16,394,770 to $17,855,597, from the prior year, primarily due to an increase of $195,290 in charges for services, $478,498 in grant funding, $624,738 in property tax revenues and $220,379 in other revenues.

Total Expenses:

	June 30, 2017	June 30, 2016	Increase (Decrease)
Expenses:			
Operations	$ 16,331,365	$ 13,226,489	$ 3,104,876
Depreciation expense	865,123	657,221	207,902
Interest expense	228,875	279,014	(50,139)
Total expenses	$ 17,425,363	$ 14,162,724	$ 3,262,639

Total expenses on a full-accrual basis for the District's operations increased by 23.0% or $3,262,639 from $14,162,724 to $17,425,363, from the prior year, primarily due to an increase in operations expense of $3,104,876 of which the District incurred $1,522,193 in pension expense associated with the increase in the net pension liability.

Governmental Funds Financial Analysis

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

As of June 30, 2017, the District reported a total fund balance of $6,130,796. An amount of $2,458,094 constitutes the District's *unassigned fund balance*.

Governmental Funds Total Expenditures Analysis:

EXPENDITURES:	June 30, 2017	June 30, 2016	Increase (Decrease)
Fire protection and medical transport:			
Salaries and wages	$ 8,665,437	$ 8,452,483	$ 212,954
Employee benefits	4,469,159	4,313,546	155,613
Contracted service costs	133,179	106,661	26,518
Materials and services	2,810,123	2,251,886	558,237
Capital outlay	585,621	605,039	(19,418)
Debt service:			-
Principal	276,693	2,220,795	(1,944,102)
Interest	228,643	301,357	(72,714)
Total expenditures	$ 17,168,855	$ 18,251,767	$ (1,082,912)

Expenditures on a governmental fund basis remained similar between the two years except for an increase of $218,454 in bad debt expense for write-offs in ambulance services in the materials and supplies expense line item and the $2,000,000 principal repayment back to the County of San Diego Treasurer.

Operations Fund Budgetary Highlights

The final budgeted expenditures for the District’s operational fund at year-end were ($45,085) less than actual. Actual revenues were greater than the anticipated budget by $1,306,154.

Capital Asset Administration

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

	June 30, 2017	June 30, 2016
Capital assets:		
Non-depreciable assets	$ 612,639	$ 612,639
Depreciable assets	20,947,044	20,933,531
Accumulated depreciation	(10,712,514)	(10,419,499)
Total capital assets, net	$ 10,847,169	$ 11,126,671

At the end of fiscal year 2017, the District’s investment in capital assets amounted to $10,847,169 (net of accumulated depreciation). This investment in capital assets includes structures and improvements, hydrants and equipment and vehicles. See note 4 for further information on the District’s capital assets.

Debt Administration

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

Balance July 1, 2016	Additions	Principal Payments	Balance June 30, 2017
$ 5,129,124	$ 641,511	$ (276,693)	$ 5,493,942

See further detail at note 6.

Conditions Affecting Current Financial Position

Management has identified conditions exist that could significantly impact the District’s current financial and net positions. The District needs to identify funding for future acquisitions as outlined in the District’s Capital Equipment replacement plan for both apparatus and facilities. The specific designated funds for such projects were depleted in the past recession with no identified monies to replenish The District’s retirement system through CalPERS is another future uncertainty with ballooning costs due to poor CalPERS return on investments (ROI), adjustments due to retirees living longer and anticipated changes in assumption rates. In addition, anticipated potential increases in cost for healthcare due to the President’s administration changes to the Affordable Care Act (ACA).

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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North County Fire Protection District
Statement of Net Position
June 30, 2017

ASSETS	Governmental Activities
Current assets:	
Cash and investments (Note 2)	$ 5,563,184
Accrued interest receiveble	12,220
Accounts receivable – ambulance billings, net (Note 3)	614,681
Property taxes receiveble	141,122
Mitigation fees receivable	42,625
Deposits with Public Ageneices Self Insurance System (Note 7)	453,737
Prepaid items	122,584
Total current assets	6,950,153
Non-current assets:	
Capital assets – not being depreciated (Note 4)	612,639
Capital assets – being depreciated, net (Note 4)	10,234,530
Total non-current assets	10,847,169
Total assets	17,797,322
DEFERRED OUTFLOWS OF RESOURCES	
Pension related deferred outflows of resources (Note 9)	6,853,890
Total deferred outflows of resources	6,853,890
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	279,984
Accrued payroll and related liabilities	527,733
Unearned revenue	11,640
Accrued interest payable	43,534
Long-term liabilities – due in one year:	
Compensated absences (Note 5)	721,895
Long-term debt (Note 6)	327,005
Total current liabilities	1,911,791
Non-current liabilities:	
Long-term liabilities – due in more than one year:	
Compensated absences (Note 5)	1,340,661
Long-term debt (Note 6)	5,166,937
Workers' compensation claims payable (Note 7)	4,141,268
Net other post-employment benefits obligations (Note 8)	412,351
Net pension liability (Note 9)	20,372,115
Pension-related debt – CalPERS side-fund liability (Note 9)	1,395,959
Total non-current liabilities	32,829,291
Total liabilities	34,741,082
DEFERRED INFLOWS OF RESOURCES	
Pension related deferred inflows of resources (Note 9)	1,849,498
Total deferred inflows of resources	1,849,498
NET POSITION	
Net investment in capital assets (Note 10)	5,353,227
Restricted (Note 11)	1,033,825
Unrestricted (Deficit) (Note 12)	(18,326,420)
Total net position	$ (11,939,368)

See accompanying Notes to the Basic Financial Statements.

North County Fire Protection District
Statement of Activities
For the Year Ended June 30, 2017

	Governmental Activities
Expenses:	
Fire protection, prevention and emergency medical transport:	
Operations	$ 16,331,365
Depreciation expense	865,123
Interest expense	228,875
Total expenses	17,425,363
Program revenues:	
Charges for services:	
Ambulance services	1,925,376
Fire services – California Office of Emergency Services	654,625
Fire prevention	124,789
Administration	94,128
Mitigation fees	65,416
Annexation fees	75,000
Operating and capital grant funding	784,419
Total program revenues	3,723,753
Net program expense	(13,701,610)
General revenues:	
Property taxes	13,665,463
Rental income – cellular towers	90,936
Investment earnings	31,586
Other revenues	343,859
Total general revenues	14,131,844
Change in net position	430,234
Net position:	
Beginning of year (Deficit)	(12,369,602)
End of year (Deficit)	$ (11,939,368)

See accompanying Notes to the Basic Financial Statements.

FUND FINANCIAL STATEMENTS

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North County Fire Protection District
Balance Sheets
Governmental Funds
June 30, 2017

ASSETS	Major Funds: General Fund	Major Funds: Fire Mitigation Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and investments	$ 4,621,651	$ 521,473	$ 420,060	$ 5,563,184
Accrued interest receiveble	9,218	1,650	1,352	12,220
Accounts receivable – ambulance billings, net	614,681	-	-	614,681
Property taxes receiveble	140,058	-	1,064	141,122
Mitigation fees receivable	-	42,625	-	42,625
Deposits with Public Ageneices Self Insurance S	453,737	-	-	453,737
Prepaid items	122,584	-	-	122,584
Due from other funds (Note 14)	-	-	83,945	83,945
Advance to other funds (Note 14)	2,078,524	-	-	2,078,524
Total assets	$ 8,040,453	$ 565,748	$ 506,421	$ 9,112,622
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	$ 254,257	$ -	$ 25,727	$ 279,984
Accrued payroll and related liabilities	527,733	-	-	527,733
Unearned revenue	11,640	-	-	11,640
Due to other funds (Note 14)	71,328	-	12,617	83,945
Advance from other funds (Note 14)	-	2,078,524	-	2,078,524
Total liabilities	864,958	2,078,524	38,344	2,981,826
Fund Balances: (Note 13)				
Nonspendable	2,201,108	(2,078,524)	-	122,584
Restricted	-	565,748	468,077	1,033,825
Assigned	2,516,293	-	-	2,516,293
Unassigned	2,458,094	-	-	2,458,094
Total fund balance	7,175,495	(1,512,776)	468,077	6,130,796
Total liabilities and fund balance	$ 8,040,453	$ 565,748	$ 506,421	$ 9,112,622

See accompanying Notes to the Basic Financial Statements.

North County Fire Protection District
Reconciliation of the Balance Sheets of Governmental Funds to the Government-Wide Statement of Net Position
June 30, 2017

Fund Balances – Governmental Funds	$ 6,130,796
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those assets as capital assets.	10,847,169
Deferred outflows of resources used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those deferred outflows of resources.	6,853,890
Long-term liabilities applicable to the District are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities' both current and long-term, are reported in the statement of net position as follows:	
Accrued interest payable	(43,534)
Compensated absences	(2,062,556)
Long-term debt	(5,493,942)
Workers' compensation claims payable	(4,141,268)
Net other post-employment benefits payable	(412,351)
Net pension liability	(20,372,115)
Pension-related debt – CalPERS side-fund liability	(1,395,959)
Deferred inflows of resources used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those deferred inflows of resources.	(1,849,498)
Total adjustments	(18,070,164)
Net Position of Governmental Activities	$ (11,939,368)

See accompanying Notes to the Basic Financial Statements.

North County Fire Protection District
Statements of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2017

	Major Funds			
	General Fund	Fire Mitigation Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property taxes	$ 13,413,614	$ -	$ 251,849	$ 13,665,463
Charges for services:				
Ambulance services	1,925,376	-	-	1,925,376
Fire services – CA Office of Emergency Servi	654,625	-	-	654,625
Fire prevention	124,789	-	-	124,789
Administration	94,128	-	-	94,128
Mitigation fees	-	65,416	-	65,416
Annexation fees	75,000	-	-	75,000
Operating and capital grant funding	775,919	-	8,500	784,419
Rental income – cellular towers	90,936	-	-	90,936
Investment earnings	25,824	3,227	2,535	31,586
Other revenues	343,851	-	8	343,859
Total revenues	17,524,062	68,643	262,892	17,855,597
EXPENDITURES:				
Fire protection and emergency medical transport:				
Salaries and wages	8,663,547	-	1,890	8,665,437
Employee benefits	4,468,401	-	758	4,469,159
Contracted service costs	108,179	-	25,000	133,179
Materials and services	2,672,168	-	137,955	2,810,123
Capital outlay	585,621	-	-	585,621
Debt service:				
Principal	276,693	-	-	276,693
Interest	228,643	-	-	228,643
Total expenditures	17,003,252	-	165,603	17,168,855
REVENUES OVER(UNDER) EXPENDITURE	520,810	68,643	97,289	686,742
OTHER FINANCING SOURCES(USES):				
Proceeds from issuance of debt	641,511	-	-	641,511
Transfers in (Note 14)	148,813	-	-	148,813
Transfers (out) (Note 14)	-	(40,000)	(108,813)	(148,813)
Total other financing sources(uses)	790,324	(40,000)	(108,813)	641,511
NET CHANGES IN FUND BALANCE	1,311,134	28,643	(11,524)	1,328,253
FUND BALANCE:				
Beginning of year	5,864,361	(1,541,419)	479,601	4,802,543
End of year	$ 7,175,495	$ (1,512,776)	$ 468,077	$ 6,130,796

See accompanying Notes to the Basic Financial Statements.

North County Fire Protection District
Reconciliation of the Statements of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017

Net Change in Fund Balances – Governmental Funds	$ 1,328,253
Amounts reported for governmental activities in the statement of activities is different because:	
Some expenses reported in the statement of activities do not require the use of current financial resources. Therefore, those expenses are not reported as expenditures in governmental funds as follows:	
Change in compensated absences	(215,061)
Change in accrued interest payable	(583)
Change in workers' compensation claims payable	(1,002,643)
Change in net other post-employment benefits obligations	(122,867)
Change in net pension liability	1,087,455
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those capitalized assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	585,621
Depreciation expense	(865,123)
Principal repayment of long-term debt obligations are reported as expenditures in governmental funds. However, principal repayments reduce liabilities in the statement of net position and do not result in expenses in the statement of activities.	276,693
Debt issuance proceeds are reported as other financing sources in governmental funds and thus contribute to the change in fund balances. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities.	(641,511)
Total adjustments	(898,019)
Change in Net Position of Governmental Activities	$ 430,234

See accompanying Notes to the Basic Financial Statements.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

Organization and Operations of the Reporting Entity

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

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

Basis of Accounting and Measurement Focus

The District’s financial statements are prepared in conformity with U.S. GAAP. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

Government-Wide Financial Statements

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all of the District’s assets and liabilities, including capital assets, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function.

The types of transactions reported as program revenues for the District are to be reported in three categories, if applicable: 1) charges for services, 2) operating grants and contributions, and, 3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grant and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

In accordance with U.S. GAAP the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

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

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

Basis of Accounting and Measurement Focus (Continued)

Fund Financial Statements

These statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. Incorporated into these statements is a schedule to reconcile and explain the differences in net position as presented in these statements to the net position presented in the Government-wide Financial Statements. The District has presented its General Fund, as its major fund, in this statement to meet the qualifications of U.S. GAAP.

Governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period.

Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60-days after year-end) are recognized when due. The primary sources susceptible to accrual for the District are property taxes and assessments, interest earnings, investment revenue and operating and capital grant revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, exceptions to this rule include principal and interest on debt, which are recognized when due.

The District reports the following major funds:

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

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

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

Other Governmental Funds

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

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

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

Use of Estimates

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

Investments

Changes in fair value that occur during a fiscal year are recognized as unrealized gains or losses and reported for that fiscal year. Investment income comprises interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statements of Net Position, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1 that are observable for assets or liabilities through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable – ambulance billings consist of amounts owed by individuals for services rendered for ambulance transport. Uncollectable accounts are based on prior experience and management’s assessment of the collectability of existing accounts. As of June 30, 2017, an allowance for doubtful accounts has been recorded for those uncollectable accounts.

Capital Assets

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

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

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

Compensated Absences

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

Pension Plan

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

CalPERS	
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Measurement Period	July 1, 2015 to June 30, 2016

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

Property Taxes

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

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

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

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

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

Net Position

Net position is categorized as follows:

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

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

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

Fund Balance

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

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

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

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

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

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

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

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

Note 2 – Cash and Investments

Cash and investments as of June 30, 2017 consisted of the following:

Description		Balance
Cash on hand	$	442
Demand deposits held with financial institutions		2,189,918
Investments		3,372,824
Total cash and investments	$	5,563,184

Demand Deposits

At June 30, 2017, the carrying amount of the District's demand deposits was $2,189,918 and the financial institutions balances totaled $2,278,241. The $88,323 net difference represents outstanding checks, deposits-in-transit and/or other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to $250,000 by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an agent of depositor has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California agents of depository are considered to be held for, and in the name of, the local government.

Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's investment policy requires that collateral be held by an independent third party with whom the District has a current custodial agreement.

The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District's investment policy requires that all security transactions are conducted on a delivery-versus-payment (DVP) method and that all securities are held by a qualified, third-party custodian, as evidenced by safekeeping receipts. The trust department of the District's bank may act as third-party custodian, provided that the custodian agreement is separate from the banking agreement. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF or SDCPIF).

As of June 30, 2017 none of the District's deposits or investments were exposed to disclosable custodial credit risk.

Note 2 – Cash and Investments (Continued)

Investments

Investments as of June 30, 2017 consisted of the following:

Investments	Measurement Input	Credit Rating	Fair Value June 30, 2017	Maturity 12 Months or Less
California Local Agency Investment Fund (LAIF)	Uncategorized	Not Rated	$ 18,961	$ 18,961
San Diego County Pooled Investment Fund (SDCPIF)	Level 2	AAAf/S1	3,353,863	3,353,863
Total investments			$ 3,372,824	$ 3,372,824

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

The District has adopted an investment policy which allows deposits into financial institutions, LAIF and the San Diego County Treasury's Pooled Investment Fund. Investment types are authorized by the California Government Code Section 53600 et seq. and Section 5922(d).

California Local Agency Investment Fund (LAIF)

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

The District's investments with LAIF at June 30, 2017, included a portion of the pool funds invested in structured notes and asset-backed securities:

> **Structured Notes**: debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.
>
> **Asset-Backed Securities**: generally mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2017, the District had $18,961 invested in LAIF, which had invested 2.89% of the pool investment funds in structured notes and medium-term asset-backed securities. The LAIF fair value factor of .998940670709 was used to calculate the fair value of the investments in LAIF.

Note 2 – Cash and Investments (Continued)

San Diego County Pooled Investment Fund

The SDCPIF is a local government investment pool managed by the County Treasurer's Office on behalf of Investment Pool participants. Depositors in the Investment Pool include both mandatory participants, those agencies required by law to deposit their funds with the County Treasurer's Office, and voluntary participants, agencies that place their funds in the Investment Pool as an investment option. Voluntary participants, including cities, fire districts, and various special districts accounted for approximately 5.16% of the Investment Pool as of June 30, 2017.

Pursuant to Section 27130-27137 of the California Government Code, the County Board of Supervisors has established the Treasurer's Oversight Committee (TOC) that monitors and reviews the Investment Policy. The TOC consists of members appointed from the districts or offices that they represent, and up to five members of the public having expertise in, or an academic background in public finance.

To mitigate credit risk, the Investment Pool's Investment Policy, which is more restrictive than the Government Code, places a minimum standard on the ratings of investments held in the Investment Pool. Investments in securities other than those guaranteed by the U.S. Treasury or Government Sponsored Enterprises must have a credit rating of no less than "A" for long-term or "A1" for short-term. Non-rated securities include sweep accounts, collateralized certificates of deposit and repurchase agreements. Sweep accounts and collateralized certificates of deposit must be FDIC insured and collateralized with securities held by a named agent of the depository. Repurchase agreements are collateralized by securities, authorized by the California Government Code Section 53601, having fair market value of 102% or greater than the amount of the repurchase agreement. The Investment Pool does not hold any investments in structured notes.

The District's investments with the County Treasurer's Office include a portion of the pool funds invested in asset-backed securities. As of June 30, 2017, the District had $3,353,863 invested with the SDCPIF, which had invested 2.03% of the pool investment funds in asset-backed securities.

SDPIF has indicated to the District that as of June 30, 2017 the value of its portfolio approximated $8.950 billion and the portfolio holds some derivative products. The SDPIF fair value factor of 0.99605 was used to calculate the fair value of the investments in SDPIF as of June 30, 2017.

Fair Value Measurement Input

The District categorizes its fair value measurement inputs within the fair value hierarchy established by generally accepted accounting principles. The District has presented its measurement inputs as noted in the table above.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2017, the District's investment in the SDCPIF was rated by Standard & Poor's as AAAf/S1 as noted in the table above.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the fair values of investments with longer maturities have greater sensitivity to changes in market interest rates. The District's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The District has elected to use the segmented time distribution method of disclosure for the maturities of its investments as related to interest rate risk as noted in the table above.

Note 2 – Cash and Investments (Continued)

Concentration of Credit Risk

The District's investment policy contains no limitations on the amount that can be invested in any one governmental agency or non-governmental issuer beyond that stipulated by the California Government Code. There were no investments in any one governmental or non-governmental issuer that represented 5% or more of the District's total investments except for those in the SDCPIF.

Note 3 – Accounts Receivable – Ambulance Billings, net

Accounts receivable – ambulance billings, net as of June 30, 2017 consisted of the following:

Description	Balance
Accounts receivable – ambulance billings	$ 1,066,317
Allowance for doubtful accounts	(451,636)
Total accounts receivable – ambulance billings, net	$ 614,681

Note 4 – Capital Assets

Changes in capital assets for the year were as follows:

Description	Balance July 1, 2016	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2017
Non-depreciable capital assets:				
Land	$ 612,639	$ -	$ -	$ 612,639
Total non-depreciable capital assets	612,639	-	-	612,639
Depreciable capital assets:				
Structures and improvements	10,327,984	-	-	10,327,984
Hydrants	267,523	-	-	267,523
Equipment and vehicles	10,338,024	585,621	(572,108)	10,351,537
Total depreciable capital assets	20,933,531	585,621	(572,108)	20,947,044
Accumulated depreciation:				
Structures and improvements	(3,340,499)	(202,494)	-	(3,542,993)
Hydrants	(267,523)	-	-	(267,523)
Equipment and vehicles	(6,811,477)	(662,629)	572,108	(6,901,998)
Total accumulated depreciation	(10,419,499)	(865,123)	572,108	(10,712,514)
Total depreciable capital assets, net	10,514,032	(279,502)	-	10,234,530
Total capital assets, net	$ 11,126,671	$ (279,502)	$ -	$ 10,847,169

Note 5 – Compensated Absences

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

The changes to the compensated absences balance at June 30, 2017 were as follows:

Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Current Portion	Long-term Portion
$ 1,847,495	$ 1,102,546	$ (887,485)	$ 2,062,556	$ 721,895	$ 1,340,661

Note 6 – Long-term Debt Obligations Payable

Changes in loan payable amounts for the year ended June 30, 2017 were as follows:

Long-Term Debt	Balance July 1, 2016	Additions	Payments	Balance June 30, 2017	Current Portion	Long-term Portion
Bond payable – station no. 5	$ 2,871,000	$ -	$ (114,000)	$ 2,757,000	$ 116,000	$ 2,641,000
Capital lease payable – equipment	2,369	-	(2,369)	-	-	-
Capital lease payable – ambulance I	-	205,444	(34,574)	170,870	41,014	129,856
Capital lease payable – ambulance II	-	208,592	-	208,592	39,172	169,420
Loan payable – solar project I	446,080	-	(31,024)	415,056	31,335	383,721
Loan payable – solar project II	-	227,475	(10,376)	217,099	10,430	206,669
Note payable – station no. 5	1,809,675	-	(84,350)	1,725,325	89,054	1,636,271
	$ 5,129,124	$ 641,511	$ (276,693)	$ 5,493,942	$ 327,005	$ 5,166,937

Bond Payable

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

Fiscal Year	Principal	Interest	Total
2018	$ 116,000	$ 118,690	$ 234,690
2019	123,000	113,557	236,557
2020	129,000	108,163	237,163
2021	133,000	102,508	235,508
2022	139,000	96,657	235,657
2023-2027	795,000	385,888	1,180,888
2028-2032	985,000	195,163	1,180,163
2033-2034	337,000	14,769	351,769
Total	2,757,000	$ 1,135,395	$ 3,892,395
Current	(116,000)		
Long-term	$ 2,641,000		

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

Capital Lease Payable - Equipment

The District has extended its capital lease agreement through January 2017 for the purchase of a telephone system. The lease does not bear any interest. The capital lease was paid off in January 2017.

Capital Lease Payable – Ambulance I

The District entered into a capital lease for the purchase of an ambulance for $205,444 at a 2.72% interest rate. Annual principal and interest payments are due on February 25 each year. Future remaining payments are as follows:

Fiscal Year	Principal	Interest	Total
2018	$ 41,014	$ 4,648	$ 45,662
2019	42,129	3,532	45,661
2020	43,275	2,386	45,661
2021	44,452	1,209	45,661
Total	170,870	$ 11,775	$ 182,645
Current	(41,014)		
Long-term	$ 129,856		

Capital Lease Payable – Ambulance II

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

Fiscal Year	Principal	Interest	Total
2018	$ 39,172	$ 6,570	$ 45,742
2019	40,406	5,337	45,743
2020	41,678	4,064	45,742
2021	42,991	2,751	45,742
2022	44,345	1,397	45,742
Total	208,592	$ 20,119	$ 228,711
Current	(39,172)		
Long-term	$ 169,420		

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

Loan Payable- Solar Project I

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

Fiscal Year	Principal	Interest	Total
2018	$ 31,335	$ 4,072	$ 35,407
2019	31,649	3,758	35,407
2020	31,957	3,450	35,407
2021	32,287	3,120	35,407
2022	32,610	2,797	35,407
2023-2027	168,016	9,019	177,035
2028-2030	87,202	1,313	88,515
Total	415,056	$ 27,529	$ 442,585
Current	(31,335)		
Long-term	$ 383,721		

Loan Payable- Solar Project II

In fiscal year 2017, the District purchased a solar power system from the State of California – Energy Resources Conservation and Development Commission for $227,475, with a loan payable for $227,475 at a 1.0% interest rate per annum. Principal and interest payments are $12,575 semi-annually on December 22 and June 22. The loan is payable until June 2036. Future remaining payments are as follows:

Fiscal Year	Principal	Interest	Total
2018	$ 10,430	$ 2,145	$ 12,575
2019	10,535	2,040	12,575
2020	10,635	1,940	12,575
2021	10,747	1,828	12,575
2022	10,855	1,721	12,576
2023-2027	55,925	6,953	62,878
2028-2032	58,783	4,093	62,876
2033-2036	49,189	1,114	50,303
Total	217,099	$ 21,834	$ 238,933
Current	(10,430)		
Long-term	$ 206,669		

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

Note Payable

On December 29, 2010, the District executed a note payable for station no. 5 in the principal amount of $2,200,000 with interest at 3.00% per annum. The note matures on December 1, 2030, with annual payments of $182,739 which include principal and interest. Future remaining payments are as follows:

Fiscal Year	Principal	Interest	Total
2018	$ 89,054	$ 93,685	$ 182,739
2019	94,019	88,720	182,739
2020	99,261	83,478	182,739
2021	104,796	77,943	182,739
2021	110,639	72,100	182,739
2022-2026	652,897	260,797	913,694
2027-2031	574,659	64,926	639,585
Total	1,725,325	$ 741,649	$ 2,466,974
Current	(89,054)		
Long-term	$ 1,636,271		

Note 7 – Workers' Compensation Claims Payable

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

The District is self-insured for workers' compensation benefits. The District is one of nine participants in the Public Agency Self-Insurance System (PASIS). PASIS is a joint-powers authority which was established in 1977 for the purpose of operating and maintaining a cooperative program of self-insurance and risk management for workers' compensation. There is no pooling of workers' compensation liability between the participants, and each participant self-insures their liability up to $300,000 per occurrence. As of June 30, 2017, the District had $453,737 on deposit with PASIS.

All members are responsible for paying their own claims and related expenses. PASIS may advance funds to members who have incurred large losses; however, these advances must be repaid. Excess insurance is purchased above the self-insured retention. As of June 30, 2017, the liability for workers' compensation claims payable was estimated at $4,141,268. Changes in workers' compensation claims payable for the year ended June 30, 2017, were as follows:

Description	Balance
Estimated claims balance – July 1, 2016	$ 3,138,625
Claim payments	(6,498,426)
Revised claims estimate	7,501,069
Change in claims balance	1,002,643
Estimated claims balance – June 30,. 2017	$ 4,141,268

Note 8 – Net Other Post-Employment Benefits Payable

Plan Description

The District provides Other Post-Employment Benefits (OPEB) to employees who retire from the District and meet certain eligibility requirements. The contribution requirements of Single Employer Plan members and the District are established and may be amended by the Board of Directors. The District implemented its OPEB Plan in fiscal year ending June 30, 2014 when the District joined CalPERS for medical insurance for their employees and retirees.

Funding Policy

The District has an actuary prepare an Annual Required Contributions (ARC) calculation at least once every three fiscal years. The ARC is calculated in accordance with certain parameters, and includes (1) the Normal Cost for one year, and (2) a component for amortization of the total Unfunded Actuarial Accrued Liability (UAAL) over a period not to exceed 30 years.

Annual OPEB Cost

For the year ended June 30, 2017, the District‘s annual OPEB cost was $174,618. The District’s net OPEB obligation amounted to $412,351 as of June 30, 2017. The District paid $51,751 for current year OPEB health care premiums.

Summary changes in net other post-employment benefits balances as of June 30, 2017 were as follows:

Description	2017
Annual OPEB cost:	
Annual required contribution (ARC)	$ 161,591
Interest on beginning net OPEB obligation	13,027
Total annual OPEB cost	174,618
Contributions made:	
Contributions made	(51,751)
Total contributions made	(51,751)
Change in net other post-employment benefits obligation	122,867
Net other post-employment benefits obligation:	
Beginning of year	289,484
End of year	$ 412,351

Note 8 – Net Other Post-Employment Benefits Payable

The following table shows the components of the District's Annual OPEB cost for the past three fiscal years ended June 30th, the amount actually contributed to the plan and the changes in the District's net OPEB asset:

Three-Year History of Net OPEB Obligation

Fiscal Year Ended	Annual OPEB Expense	Contributions Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	$ 174,618	$ 51,751	29.64%	$ 412,351
June 30, 2016	154,030	48,556	31.52%	289,484
June 30, 2015	146,417	63,937	43.67%	184,010

The most recent valuation (dated July 1, 2016) includes an Actuarial Accrued Liability of $1,842,945. There were no plan assets. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2016 was $6,461,980. The ratio of the funded actuarial accrued liability to annual covered payroll was 28.52%.

Actuarial Methods and Assumptions

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

Valuation date	July 1, 2016
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll amortization
Remaining amortization period	27 Years as of the valuation date
Asset valuation method	30 Year smoothed market
Actuarial assumptions:	
Investment rate of return	4.50%
Projected salary increase	2.75%
Inflation - discount rate	2.75%
Individual salary growth	District annual COLA
Health care trend rate	4.0% - Average 5-year

Note 9 – Net Pension Liability and Defined Benefit Pension Plan

The net pension liability balances have a Measurement Date of June 30, 2016, which are rolled-forward for the District's fiscal year ended June 30, 2017.

In this footnote, the District's net pension liability is comprised of a net pension liability balance and the balance of the District's pension-related debt – CalPERS side-funds as follows:

Description	Balance
Net pension liability	$ 20,372,115
Pension-related debt – CalPERS side-fund	1,395,959
Total net pension liability balance for footnote	$ 21,768,074

Pension-Related Debt – CalPERS Side-Fund

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

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

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

Pension Related Debt	Balance July 1, 2016	Additions	Payments	Balance June 30, 2017
CalPERS Side-Fund – Miscellaneous	$ 982,076	$ -	$ (53,360)	$ 928,716
CalPERS Side-Fund – Safety	888,278	-	(421,035)	467,243
	$ 1,870,354	$ -	$ (474,395)	$ 1,395,959

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

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

The following represents the District's repayment schedules for the pension-related debt as follows:

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

Fiscal Year	Principal	Interest	Total
2018	$ 61,171	$ 65,008	$ 126,179
2019	69,683	60,281	129,964
2020	78,953	54,910	133,863
2021	89,038	48,841	137,879
2022	100,004	42,011	142,015
2023	111,921	34,355	146,276
2024	124,866	25,798	150,664
2025	138,917	16,257	155,174
2026	154,163	5,676	159,839
Total	$ 928,716	$ 353,137	$ 1,281,853

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

Fiscal Year	Principal	Interest	Total
2018	$ 467,243	$ 17,205	$ 484,448

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Type of Account	Balance as of July 1, 2016	Additions	Deletions	Balance as of June 30, 2017
Deferred Outflows of Resources:				
Pension contributions made after the measurement date:				
CalPERS – Miscellaneous Plan	$ 264,460	$ 268,384	$ (264,460)	$ 268,384
CalPERS – Safety Plan	1,985,132	2,341,264	(1,985,132)	2,341,264
Sub-total	2,249,592	2,609,648	(2,249,592)	2,609,648
Difference between actual and proportionate share of employer contributions:				
CalPERS – Miscellaneous Plan	37,335	76,568	(37,692)	76,211
CalPERS – Safety Plan	47,624	-	(26,457)	21,167
Sub-total	84,959	76,568	(64,149)	97,378
Adjustment due to differences in proportions:				
CalPERS – Miscellaneous Plan	201,922	-	(72,115)	129,807
CalPERS – Safety Plan	-	103,096	(27,864)	75,232
Sub-total	201,922	103,096	(99,979)	205,039
Differences between projected and actual earnings on pension plan investments:				
CalPERS – Miscellaneous Plan	-	465,370	-	465,370
CalPERS – Safety Plan	-	3,469,170	-	3,469,170
Sub-total	-	3,934,540	-	3,934,540
Differences between expected and actual experience:				
CalPERS – Miscellaneous Plan	12,882	-	(5,597)	7,285
Total deferred outflows of resources	$ 2,549,355	$ 6,723,852	$ (2,419,317)	$ 6,853,890
Net Pension Liability:				
CalPERS – Miscellaneous Plan	$ 2,513,559	$ 609,494	$ (264,460)	$ 2,858,593
CalPERS – Safety Plan	14,564,594	6,330,019	(1,985,132)	18,909,481
Total net pension liability	$ 17,078,153	$ 6,939,513	$ (2,249,592)	$ 21,768,074
Deferred Inflows of Resources:				
Differences between projected and actual earnings on pension plan investments:				
CalPERS – Miscellaneous Plan	$ 61,093	$ -	$ (61,093)	$ -
CalPERS – Safety Plan	530,067	-	(530,067)	-
Sub-total	591,160	-	(591,160)	-
Difference between actual and proportionate share of employer contributions:				
CalPERS – Safety Plan	206,266	20,615	(79,239)	147,642
Adjustment due to differences in proportions:				
CalPERS – Miscellaneous Plan	2,998	34,316	(10,941)	26,373
CalPERS – Safety Plan	1,126,755	-	(408,766)	717,989
Sub-total	1,129,753	34,316	(419,707)	744,362
Differences between expected and actual experience:				
CalPERS – Safety Plan	227,399	-	(65,446)	161,953
Changes in assumptions:				
CalPERS – Miscellaneous Plan	121,869	-	(32,455)	89,414
CalPERS – Safety Plan	1,045,892	-	(339,765)	706,127
Sub-total	1,167,761	-	(372,220)	795,541
Total deferred inflows of resources	$ 3,322,339	$ 54,931	$ (1,527,772)	$ 1,849,498

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

General Information about the Pension Plans

The Plans Description Schedule

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

	Miscellaneous Plans	
	Classic Tier 1	PEPRA Tier 2
Hire date	Prior to December 31, 2012	On or after January 1, 2013
Benefit formula	2.7% @ 55	2.0% @ 62
Benefit vesting schedule	5-years or service	5-years or service
Benefits payments	Monthly for life	Monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required member contribution rates	7.946%	6.500%
Required employer contribution rates	13.850%	7.555%

	Safety Plans	
	Classic Tier 1	PEPRA Tier 2
Hire date	Prior to December 31, 2012	On or after January 1, 2013
Benefit formula	3.0% @ 55	2.7% @ 57
Benefit vesting schedule	5-years or service	5-years or service
Benefits payments	Monthly for life	Monthly for life
Retirement age	50 - 55 & up	50 - 57 & up
Monthly benefits, as a % of eligible compensation	2.4% to 3.0%	2.0% to 2.7%
Required member contribution rates	8.980%	12.250%
Required employer contribution rates	15.627%	11.332%

Plan Description

The District contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2013 Annual Actuarial Valuation Report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

General Information about the Pension Plans (Continued)

Members Covered by Benefit Terms

At June 30, 2016 (Valuation Date), the following members were covered by the benefit terms:

Plan Members	Miscellaneous Plans Classic Tier 1	PEPRA Tier 2	Total
Active members	7	2	9
Transferred and terminated members	8	1	9
Retired members and beneficiaries	25	-	25
Total plan members	40	3	43

Plan Members	Safety Plans Classic Tier 1	PEPRA Tier 2	Total
Active members	52	16	68
Transferred and terminated members	59	2	61
Retired members and beneficiaries	61	-	61
Total plan members	172	18	190

Benefits Provided

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

Participant members are eligible for non-industrial disability retirement if they become disabled and have at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees.

A member's beneficiary may receive the basic death benefit if the member dies while actively employed. The member must be actively employed with the District to be eligible for this benefit. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the members’ accumulated contributions, where interest is currently credited at 7.5 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

General Information about the Pension Plans (Continued)

Benefits Provided (Continued)

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

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

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers will be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The public agency cost-sharing plans covered by the Miscellaneous risk pool, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of members. For the measurement period ended June 30, 2016 (the measurement date), the active member contribution rate for the Classic Miscellaneous and Safety Plans and the PEPRA Miscellaneous and Safety Plans are based above in the Plans Description schedule.

For the year ended June 30, 2017, the contributions made to the Plan were as follows:

	Miscellaneous Plans		
Contribution Type	**Classic Tier 1**	**PEPRA Tier 2**	**Total**
Contributions – employer	$ 256,691	$ 11,693	$ 268,384
Contributions – members	36,969	10,954	47,923
Total contributions	$ 293,660	$ 22,647	$ 316,307

	Safety Plans		
Contribution Type	**Classic Tier 1**	**PEPRA Tier 2**	**Total**
Contributions – employer	$ 2,217,462	$ 123,802	$ 2,341,264
Contributions – members	503,875	118,356	622,231
Total contributions	$ 2,721,337	$ 242,158	$ 2,963,495

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

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

Actuarial Methods and Assumptions Used to Determine the Total Pension Liability

For the measurement period ended June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. The June 30, 2016 total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent, which is net of administrative expenses. An investment return excluding administrative expenses would have been 7.65 percent. CalPERS' Management has determined that using the lower discount rate has resulted in a slightly higher total pension liability and net pension liability and the difference was deemed immaterial to the financial statements. The long-term expected rate of return on the pension plan investments was determined in which best-estimate ranges of expected future real rates are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were considered. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years.

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

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

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

Discount Rate (Continued)

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

Investment Type	New Strategic Allocation	Real Return Years 1 - 10[1]	Real Return Years 11+[2]
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
	100.00%		

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

[2] An expected inflation rate-of-return of 3.0% is used for years 11+.

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

The following presents the District's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.5%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50%) or 1 percentage-point higher (8.50%) than the current rate:

	Plan's Net Pension Liability/(Asset)		
Plan Type	Discount Rate - 1% 6.65%	Current Discount Rate 7.650%	Discount Rate + 1% 8.65%
CalPERS – Miscellaneous Plans	$ 3,922,738	$ 2,858,593	$ 1,979,131

	Plan's Net Pension Liability/(Asset)		
Plan Type	Discount Rate - 1% 6.65%	Current Discount Rate 7.650%	Discount Rate + 1% 8.65%
CalPERS – Safety Plans	$ 29,356,058	$ 18,909,481	$ 10,333,913

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

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

Pension Plan Fiduciary Net Position

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

Proportionate Share of Net Pension Liability and Pension Expense

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

Plan Type and Balance Descriptions	Plan Total Pension Liability	Plan Fiduciary Net Position	Change in Plan Net Pension Liability
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2015 (Measurement Date)	$ 7,585,882	$ 5,072,323	$ 2,513,559
Balance as of June 30, 2016 (Measurement Date)	$ 7,904,147	$ 5,045,554	$ 2,858,593
Change in Plan Net Pension Liability	$ 318,265	$ (26,769)	$ 345,034

Plan Type and Balance Descriptions	Plan Total Pension Liability	Plan Fiduciary Net Position	Change in Plan Net Pension Liability
CalPERS – Safety Plan:			
Balance as of June 30, 2015 (Measurement Date)	$ 73,600,799	$ 59,036,205	$ 14,564,594
Balance as of June 30, 2016 (Measurement Date)	$ 76,958,123	$ 58,048,642	$ 18,909,481
Change in Plan Net Pension Liability	$ 3,357,324	$ (987,563)	$ 4,344,887

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

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

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

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

(1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2015). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability (TPL) determines the net pension liability (NPL) at the valuation date.

(2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2015). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2015 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2015-16).

(3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date.

(4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.

(5) The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.

(6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued

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

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

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

	Percentage Share of Risk Pool		
CalPERS – Miscellaneous Plan	**Fiscal Year Ending June 30, 2017**	**Fiscal Year Ending June 30, 2016**	**Change Increase/ (Decrease)**
Measurement Date	June 30, 2016	June 30, 2015	
Percentage of Risk Pool Net Pension Liability	0.082288%	0.091620%	-0.009332%
Percentage of Plan (PERF C) Net Pension Liability	0.033035%	0.036620%	-0.003584%

	Percentage Share of Risk Pool		
CalPERS – Safety Plan	**Fiscal Year Ending June 30, 2017**	**Fiscal Year Ending June 30, 2016**	**Change Increase/ (Decrease)**
Measurement Date	June 30, 2016	June 30, 2015	
Percentage of Risk Pool Net Pension Liability	0.365103%	0.353471%	0.011632%
Percentage of Plan (PERF C) Net Pension Liability	0.218529%	0.212191%	0.006338%

For the year ended June 30, 2017, the District recognized pension expense in the amounts of $112,787 and $1,409,406 for the Classic Miscellaneous and Safety plans, respectively, which total $1,522,193.

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

The expected average remaining service lifetime (EARSL) for PERF C for the measurement date ending June 30, 2016 is 3.7 years, which was obtained by dividing the total service years of 475,689 (the sum of remaining service lifetimes of the active employees) by 127,009 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

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

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Account Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions made after the measurement date	$ 2,609,648	$ -
Difference between actual and proportionate share of employer contributions	97,378	147,642
Adjustment due to differences in proportions	205,039	744,362
Differences between expected and actual experience	7,285	161,953
Differences between projected and actual earnings on pension plan investments	3,934,540	-
Changes in assumptions	-	795,541
Total Deferred Outflows/(Inflows) of Resources	$ 6,853,890	$ 1,849,498

The District will recognize $2,609,648 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date as a reduction of the net pension liability in the fiscal year ended June 30, 2018, as noted above.

Amortization of Deferred Outflows of Resources and Deferred Inflows of Resources

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

Amortization Period Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2018	$ (306,840)
2019	(139,091)
2020	1,817,013
2021	1,023,662
Total	$ 2,394,744

Note 10 – Net Investment in Capital Assets

Net investment in capital assets as of June 30, 2017 consisted of the following:

Description	Balance
Capital assets – not being depreciated	$ 612,639
Capital assets – being depreciated, net	10,234,530
Long-term debt obligations payable – current portion	(327,005)
Long-term debt obligations payable – noncurrent portion	(5,166,937)
Total net investment in capital assets	$ 5,353,227

Note 11 – Restricted Net Position

The District has constraints placed on its net position totaling $1,033,825 through external constraints to use these funds for specific perposes.

Note 12 – Unrestricted Net Position (Deficit)

As of June 30, 2017, the District has an unrestricted net position deficit of ($18,326,420). The unrestricted net position deficit resulted from the reporting of the District's net pension lability, the pension-related debt – CalPERS side-fund liability, and the deferred inflows of resources – deferred amounts related to net pension liability per GASB No. 68. At June 30, 2017, the District's net pension lability amounted to $20,372,115, the pension-related debt – CalPERS side-fund liability amounted to $1,395,959, and the deferred inflows of resources – net deferred amounts related to net pension liability amounted to $1,849,498, which totals $23,617,572. The District will continue to make its actuarial determined contributions to CalPERS and annually review its outstanding net pension obligation funding requirements.

Note 13 – Fund Balance

A detailed schedule of fund balances and their funding composition at June 30, 2017 is as follows:

Description	General Fund	Fire Mitigation Fund	Other Governmental Funds	Total
Nonspendable:				
Prepaid items	$ 122,584	$ -	$ -	$ 122,584
Advance to other fund	2,078,524	(2,078,524)	-	-
Total nonspendable	2,201,108	(2,078,524)	-	122,584
Restricted:				
Fallbrook – mitigation	-	565,748	-	565,748
Rainbow subzone – operations	-	-	464,493	464,493
Rainbow subzone – mitigation	-	-	3,584	3,584
Total restricted	-	565,748	468,077	1,033,825
Assigned:				
Deposits with Public Agencies Self Insurance System	453,737	-	-	453,737
Compensated absences	2,062,556	-	-	2,062,556
Total assigned	2,516,293	-	-	2,516,293
Unassigned	2,458,094	-	-	2,458,094
Total fund balances	$ 7,175,495	$ (1,512,776)	$ 468,077	$ 6,130,796

Note 14 – Inter-fund Balances and Activities

Balances due to and due (from) other funds at June 30, 2017, consisted of the following:

Due To	Due From	Balance	Purpose
General Fund	Other Governmental	$ 71,328	Operations
Other Governmental	Other Governmental	12,617	Operations
	Total	$ 83,945	

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

Advance From	Advance To	Balance	Purpose
General Fund	Special Revenue	$ 2,078,524	Capital projects

Transfers to and transfers (from) other funds at June 30, 2017, consisted of the following:

Transfer To	Transfer From	Balance	Purpose
General Fund	Other Governmental	$ 148,813	Operations
Special Revenue	Other Governmental	(40,000)	Operations
Other Governmental	Other Governmental	(108,813)	Operations
	Total	$ -	

Note 15 – Deferred Compensation Savings Plan

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

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

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

Note 16 – Joint Ventures

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

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

Note 17 – Risk Management

The District is insured for a variety of potential exposures. The following is a summary of the insurance policies carried by the District as of June 30, 2017:

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

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

Note 18 - Contingencies

Litigation

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

REQUIRED SUPPLEMENTARY INFORMATION

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North County Fire Protection District
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2017

	Adopted Original Budget	Revised Final Budget	Actual	Variance Positive (Negative)
REVENUES:				
Property taxes	$ 13,124,770	$ 13,220,686	$ 13,413,614	$ 192,928
Charges for services:				
Ambulance services	1,616,988	1,616,988	1,925,376	308,388
Fire services – CA OES	-	-	654,625	654,625
Fire prevention	90,000	100,000	124,789	24,789
Administration	85,000	85,000	94,128	9,128
Annexation fees	-	255,404	75,000	(180,404)
Operating and capital grant funding	635,144	724,830	775,919	51,089
Rental income – cellular towers	85,000	85,000	90,936	5,936
Investment earnings	20,000	20,000	25,824	5,824
Other revenues	75,000	110,000	343,851	233,851
Total revenues	15,731,902	16,217,908	17,524,062	1,306,154
EXPENDITURES:				
Fire protection and emergency medical transport:				
Salaries and wages	8,594,869	8,741,593	8,663,547	78,046
Employee benefits	4,365,728	4,460,411	4,468,401	(7,990)
Contracted service costs	-	-	108,179	(108,179)
Materials and services	2,372,346	2,320,945	2,672,168	(351,223)
Capital outlay	581,805	1,016,805	585,621	431,184
Debt service:				
Principal	198,350	198,350	276,693	(78,343)
Interest	220,063	220,063	228,643	(8,580)
Total expenditures	16,333,161	16,958,167	17,003,252	(45,085)
REVENUES OVER(UNDER) EXPENDITURE	(601,259)	(740,259)	520,810	1,351,239
OTHER FINANCING SOURCES(USES):				
Proceeds from issuance of debt	228,307	228,307	641,511	413,204
Transfers in	378,574	511,952	148,813	(363,139)
Transfers (out)	(155,622)	(175,000)	-	175,000
Total other financing sources(uses)	451,259	565,259	790,324	225,065
NET CHANGES IN FUND BALANCE	$ (150,000)	$ (175,000)	1,311,134	$ 1,576,304
FUND BALANCE:				
Beginning of year			5,864,361	
End of year			$ 7,175,495	

North County Fire Protection District
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule – Special Revvenue –Fire Mitigation Fund
For the Year Ended June 30, 2017

	Adopted Original Budget	Revised Final Budget	Actual	Variance Positive (Negative)
REVENUES:				
Mitigation fees	$ 145,000	$ 170,000	$ 65,416	$ (104,584)
Interest earnings	5,000	5,000	3,227	(1,773)
Total revenues	150,000	175,000	68,643	(106,357)
EXPENDITURES:				
Total expenditures	-	-	-	-
REVENUES OVER(UNDER) EXPENDITURE	150,000	175,000	68,643	(106,357)
OTHER FINANCING SOURCES(USES):				
Transfers (out)	(150,000)	(175,000)	(40,000)	135,000
Total other financing sources(uses)	(150,000)	(175,000)	(40,000)	135,000
NET CHANGES IN FUND BALANCE	$ -	$ -	28,643	$ 28,643
FUND BALANCE:				
Beginning of year (Deficit)			(1,541,419)	
End of year (Deficit)			$ (1,512,776)	

North County Fire Protection District
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule – Rainbow Subzone Operations Fund
For the Year Ended June 30, 2017

	Adopted Original Budget	Revised Final Budget	Actual	Variance Positive (Negative)
REVENUES:				
Property taxes	$ 242,000	$ 242,000	$ 251,849	$ 9,849
Operating and capital grant funding	-	-	8,500	8,500
Investment earnings	1,000	1,000	2,434	1,434
Other revenues	-	-	8	8
Total revenues	243,000	243,000	262,791	19,791
EXPENDITURES:				
Fire protection and emergency medical transport:				
Salaries and wages	-	-	1,890	(1,890)
Employee benefits	-	-	758	(758)
Contracted service costs	25,000	25,000	25,000	-
Materials and services	137,200	137,200	137,955	(755)
Capital outlay	80,800	80,800	-	80,800
Total expenditures	243,000	243,000	165,603	77,397
REVENUES OVER(UNDER) EXPENDITURE	-	-	97,188	(57,606)
OTHER FINANCING SOURCES(USES):				
Transfers in	10,000	10,000	(108,813)	(118,813)
Transfers (out)	(10,000)	(10,000)	-	10,000
Total other financing sources(uses)	-	-	(108,813)	(108,813)
NET CHANGES IN FUND BALANCE	$ -	$ -	(11,625)	$ (166,419)
FUND BALANCE:				
Beginning of year			476,118	
End of year			$ 464,493	

North County Fire Protection District
Required Supplementary Information (Unaudited)
Schedule of the District's Proportionate Share of the Plan's Net Pension Liability
For the Year Ended June 30, 2017

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS)

Measurement Date:	**June 30, 2016[1]**	**June 30, 2015[1]**	**June 30, 2014[1]**
District's Proportion of the Net Pension Liability	0.251564%	0.248810%	0.272930%
District's Proportionate Share of the Net Pension Liability	$ 21,768,074	$ 17,078,153	$ 16,983,012
District's Covered-Employee Payroll	$ 6,461,980	$ 6,452,080	$ 6,429,039
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	336.86%	264.69%	264.16%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	74.35%	78.96%	78.67%

[1] Historical information is presented only for measurement periods for which GASB No. 68 is applicable.

North County Fire Protection District
Required Supplementary Information (Unaudited)
Schedule of the District's Contributions to the Pension Plan
For the Year Ended June 30, 2017

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS)

Fiscal Year:	**2016-17[1]**	**2015-16[1]**	**2014-15[1]**	**2013-14[1]**
Actuarially Determined Contribution[2]	$ 2,609,648	$ 2,249,592	$ 1,929,643	$ 1,905,899
Contribution in Relation to the Actuarially Determined Contribution[2]	(2,609,648)	(2,249,592)	(1,929,643)	(1,905,899)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
District"s Covered-Employee Payroll[3]	$ 6,671,377	$ 6,461,980	$ 6,452,080	$ 6,429,039
Contributions as a Percentage of Covered-Employee Payroll	39.12%	34.81%	29.91%	29.65%

[1] Historical information is presented only for measurement periods for which GASB No. 68 is applicable.

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

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

Notes to the Schedule:

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

North County Fire Protection District
Required Supplementary Information (Unaudited)
Schedule of Funding Progress – Other Post-Employment Benefits Plan
For the Year Ended June 30, 2017

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2016	$ -	$ 1,842,945	$ 1,842,945	0.00%	$ 6,461,980	28.52%
July 1, 2013	$ -	$ 1,631,302	$ 1,631,302	0.00%	$ 6,727,225	24.25%

Note 1 – Other Post-Employment Benefits

Funding progress is presented for the year(s) that an actuarial study has been prepared since the effective date of GASB Statement No. 45. Actuarial review and analysis of the post-employment benefits liability and funding status is performed every three years or annually, if there are significant changes in the plan. The next scheduled actuarial review and analysis of the post-employment benefits liability and funding status will be performed in fiscal year 2020, based on the year ending June 30, 2019.

SUPPLEMENTARY INFORMATION

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North County Fire Protection District
Balance Sheets
Other Governmental Funds
June 30, 2017

ASSETS	Rainbow Subzone – Special Revenue Operations Fund	Rainbow Subzone – Special Revenue Fire Mitigation Fund	Total
Assets:			
Cash and investments	$ 403,907	$ 16,153	$ 420,060
Accrued interest receiveble	1,304	48	1,352
Property taxes receiveble	1,064	-	1,064
Due from other funds (Note 15)	83,945	-	83,945
Total assets	$ 490,220	$ 16,201	$ 506,421
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expenses	25,727	-	25,727
Due to other funds (Note 14)	-	12,617	12,617
Total liabilities	25,727	12,617	38,344
Fund Balances: (Note 13)			
Restricted	464,493	3,584	468,077
Total fund balance	464,493	3,584	468,077
Total liabilities and fund balance	$ 490,220	$ 16,201	$ 506,421

North County Fire Protection District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Other Governmental Funds
For the Year Ended June 30, 2017

	Rainbow Subzone – Special Revenue		
	Operations Fund	Fire Mitigation Fund	Total
REVENUES:			
Property taxes	$ 251,849	$ -	$ 251,849
Operating and capital grant funding	8,500	-	8,500
Investment earnings	2,434	101	2,535
Other revenues	8	-	8
Total revenues	262,791	101	262,892
EXPENDITURES:			
Fire protection, prevention and emergency medical transport:			
Salaries and wages	1,890	-	1,890
Employee benefits	758	-	758
Contracted service costs	25,000	-	25,000
Materials and services	137,955	-	137,955
Total expenditures	165,603	-	165,603
REVENUES OVER(UNDER) EXPENDITURES	97,188	101	97,289
OTHER FINANCING SOURCES(USES):			
Transfers (out) (Note 14)	(108,813)	-	(108,813)
Total other financing sources(uses)	(108,813)	-	(108,813)
NET CHANGES IN FUND BALANCE	(11,625)	101	(11,524)
FUND BALANCE:			
Beginning of year	476,118	3,483	479,601
End of year	$ 464,493	$ 3,584	$ 468,077