

**LAKE COUNTY FIRE
PROTECTION DISTRICT,
CALIFORNIA**

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2023**

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LAKE COUNTY FIRE PROTECTION DISTRICT
Annual Financial Report
For the Year Ended June 30, 2023

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INTRODUCTORY SECTION

- **List of Officials**

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LAKE COUNTY FIRE PROTECTION DISTRICT
List of Officials
For the Year Ended June 30, 2023

Board of Directors

Denise Loustalot	Chairperson
Diane Watson	Vice-Chairperson
Jacqueline Snyder	Director
Mike Dean	Director
Richard Moore	Director
Mary Benson	Director
Craig Scovel	Director

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FINANCIAL SECTION

- **Independent Auditor's Report**
- **Basic Financial Statements**
- **Supplementary Information**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lake County Fire Protection District
Clearlake, California

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities and each major fund of Lake County Fire Protection District, California (District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and each major fund of the District as of June 30, 2023, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1C.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1C of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1C, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

To the Board of Directors
Lake County Fire Protection District
Clearlake, California

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

To the Board of Directors
Lake County Fire Protection District
Clearlake, California

Other Matters

Supplementary and Other Information

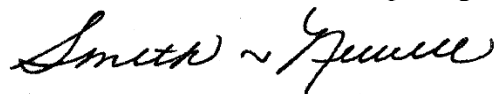
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The District Pension Plan information, District OPEB Plan information and budgetary comparison information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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 as a whole, on the basis of accounting described in Note 1C.

Management is responsible for the other information included in the annual report. The other information comprise the management's discussion and analysis and the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 12, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.



Smith & Newell CPAs
Yuba City, California
December 12, 2023

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Basic Financial Statements

- **Government-Wide Financial Statements**

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LAKE COUNTY FIRE PROTECTION DISTRICT
Modified Cash Basis Statement of Net Position
June 30, 2023

	<u>Total Governmental Activities</u>
ASSETS	
Cash and investments	\$ 6,766,693
Capital assets:	
Non-depreciable	170,357
Depreciable, net	3,368,789
Total capital assets	<u>3,539,146</u>
Total Assets	<u>10,305,839</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension adjustments	5,752,692
Deferred OPEB adjustments	170,805
Total Deferred Outflows of Resources	<u>5,923,497</u>
LIABILITIES	
Long-term liabilities:	
Due within one year	524,448
Due in more than one year	3,778,381
Net pension liability	4,453,179
Net OPEB liability	406,987
Total Liabilities	<u>9,162,995</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred pension adjustments	310,754
Deferred OPEB adjustments	821,680
Total Deferred Inflows of Resources	<u>1,132,434</u>
NET POSITION	
Net investment in capital assets	3,270,975
Restricted for capital projects	294,467
Unrestricted	2,368,465
Total Net Position	<u>\$ 5,933,907</u>

The notes to the basic financial statements are an integral part of this statement.

LAKE COUNTY FIRE PROTECTION DISTRICT
Modified Cash Basis Statement of Activities
For the Year Ended June 30, 2023

<u>Functions/Programs:</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
				<u>Total Governmental Activities</u>	
Governmental activities:					
Public protection	\$ 5,387,371	\$ 5,010,869	\$ 195,850	\$ 15,000	\$ (165,652)
Interest on long-term debt	258,873	-	-	-	(258,873)
Total Governmental Activities	5,646,244	5,010,869	195,850	15,000	(424,525)
Total	\$ 5,646,244	\$ 5,010,869	\$ 195,850	\$ 15,000	(424,525)
General revenues:					
Taxes:					
Property taxes					1,409,477
Interest and investment earnings					58,389
Miscellaneous					32,516
					Total General Revenues
					1,500,382
					Change in Net Position
					1,075,857
					Net Position - Beginning
					4,858,050
					Net Position - Ending
					\$ 5,933,907

The notes to the basic financial statements are an integral part of this statement.

Basic Financial Statements

- **Fund Financial Statements**

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LAKE COUNTY FIRE PROTECTION DISTRICT
Modified Cash Basis Balance Sheet
Governmental Funds
June 30, 2023

	General Fund	Mitigation Fees	Totals
ASSETS			
Cash and investments	\$ 6,472,226	\$ 294,467	\$ 6,766,693
Total Assets	\$ 6,472,226	\$ 294,467	\$ 6,766,693
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Total Liabilities	-	-	-
FUND BALANCES			
Restricted	-	294,467	294,467
Assigned	4,592,245	-	4,592,245
Unassigned	1,879,981	-	1,879,981
Total Fund Balances	6,472,226	294,467	6,766,693
Total Liabilities and Fund Balances	\$ 6,472,226	\$ 294,467	\$ 6,766,693

The notes to the basic financial statements are an integral part of this statement.

LAKE COUNTY FIRE PROTECTION DISTRICT
Reconciliation of the Governmental Funds Modified Cash Basis
Balance Sheet to the Government-Wide Modified Cash Basis
Statement of Net Position - Governmental Activities
June 30, 2023

Total Fund Balances - Total Governmental Funds	\$ 6,766,693
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	3,539,146
Deferred outflows of resources related to pension and OPEB are not reported in the governmental funds.	5,923,497
Deferred inflows of resources related to pension and OPEB are not reported in the governmental funds.	(1,132,434)
Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Capital leases	(268,171)
Taxable pension liability refunding	(3,571,000)
Compensated absences	(463,658)
Net pension liability	(4,453,179)
Net OPEB liability	(406,987)
	(8,163,495)
Net Position of Governmental Activities	\$ 5,933,907

The notes to the basic financial statements are an integral part of this statement.

LAKE COUNTY FIRE PROTECTION DISTRICT
Modified Cash Basis Statement of Revenues,
Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	General Fund	Mitigation Fees	Totals
REVENUES			
Taxes	\$ 1,409,477	\$ -	\$ 1,409,477
Licenses and permits	91,215	-	91,215
Fines and forfeitures	140,540	-	140,540
Use of money and property	56,465	1,924	58,389
Intergovernmental	195,850	-	195,850
Charges for services	4,603,353	175,761	4,779,114
Other revenues	33,806	-	33,806
Total Revenues	6,530,706	177,685	6,708,391
EXPENDITURES			
Current public protection:			
Salaries and benefits	6,931,345	-	6,931,345
Services and supplies	1,641,534	-	1,641,534
Debt service:			
Principal	298,741	-	298,741
Interest and other charges	258,873	-	258,873
Capital outlay	582,221	-	582,221
Total Expenditures	9,712,714	-	9,712,714
Excess of Revenues Over (Under) Expenditures	(3,182,008)	177,685	(3,004,323)
OTHER FINANCING SOURCES (USES)			
Proceeds of debt	3,836,000	-	3,836,000
Transfers in	100,000	-	100,000
Transfers out	-	(100,000)	(100,000)
Total Other Financing Sources (Uses)	3,936,000	(100,000)	3,836,000
Net Change in Fund Balances	753,992	77,685	831,677
Fund Balances - Beginning	5,718,234	216,782	5,935,016
Fund Balances - Ending	\$ 6,472,226	\$ 294,467	\$ 6,766,693

The notes to the basic financial statements are an integral part of this statement.

LAKE COUNTY FIRE PROTECTION DISTRICT
Reconciliation of the Modified Cash Basis Statement of
Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to the Government-Wide Modified Cash
Basis Statement of Activities - Governmental Activities
For the Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds	\$ 831,677
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Expenditures for capital outlay	582,221
Donation of capital asset	15,000
Less current year depreciation	(319,381)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal. This is the net cost of the capital assets disposed. There were no significant proceeds from the sale of capital assets.	
	(1,290)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	
Principal retirements	298,741
Proceeds from the issuance of debt	(3,836,000)
Certain changes in deferred outflows and deferred inflows of resources reported in the Statement of Activities are related to long-term liabilities and are not reported in the governmental funds.	
Change in deferred outflows of resources related to pension	4,544,678
Change in deferred inflows of resources related to pension	1,143,698
Change in deferred outflows of resources related to OPEB	6,636
Change in deferred inflows of resources related to OPEB	(159,310)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Change in compensated absences	(19,857)
Change in net pension liability	(2,268,377)
Change in net OPEB liability	257,421
Change in Net Position of Governmental Activities	\$ 1,075,857

The notes to the basic financial statements are an integral part of this statement.

Basic Financial Statements

- **Notes to Modified Cash Basis Financial Statements**

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LAKE COUNTY FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Lakeshore Fire Protection District was formed pursuant to the California Health and Safety Code. On December 14, 1942, after the election of December 8, 1942, the County Board of Supervisors passed the formation resolution. The Lower Lake Fire Protection District was formed pursuant to the California Health and Safety Code. The Board of Supervisors passed the formation resolution following the February 24, 1942, election. The resolution ordering the consolidation of the Lakeshore Fire Protection District and the Lower Lake Fire Protection District to form the Lake County Fire Protection District was adopted, without an election, by the Board of Directors of the Lakeshore Fire Protection District and the Lower Lake Fire Protection District on December 19, 2000. The Local Agency Formation Commission of Lake County certified the completion of the consolidation on July 18, 2001. The new District provides fire protection services to Clearlake and Lower Lake.

Component Units

Generally accepted accounting principles require government financial statements to include the primary government and its component units. Component units of a governmental entity are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading. The primary government is considered to be financially accountable if it appoints a majority of an organization's governing body and is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government.

Based on the application of the criteria set forth by the Governmental Accounting Standards Board, management has determined that there are no component units of the District.

Joint Agencies

The District is a participant in the Fire District's Association of California - Fire Agencies Self Insurance System (FDAC-FASIS), the purpose of which is to provide workers' compensation benefits to each member agency including claims administration and program administration. FDAC-FASIS is composed of approximately 200 members and is governed by a board of directors appointed by the members. Complete financial information can be obtained from the Association office at 700 R Street, Suite 200, Sacramento, CA 95811. The District is not financially accountable for this organization and therefore it is not a component unit under Statement Nos. 14, 39 and 61 of the Governmental Accounting Standards Board.

B. Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information on all of the activities of the District. These statements include the financial activities of the overall District. Eliminations have been made to minimize the double counting of internal activities. These statements report the governmental activities of the District, which are normally supported by taxes, intergovernmental revenues and charges for services. The District had no business-type activities at June 30, 2023.

LAKE COUNTY FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Government-Wide Financial Statements (Continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods and services offered by the program, 2) operating grants and contributions and 3) capital grants and contributions. Taxes and other items not properly included among program revenues are presented instead as general revenues.

Fund Financial Statements

Fund financial statements of the District are organized into two funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures. The funds of the District are organized into the governmental category. The emphasis is placed on major funds within the governmental category.

The District reports the following major governmental funds:

- The General fund is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the District.
- The Mitigation Fees fund is a special revenue fund used to account for revenues and expenditures related to mitigation fees. Funding comes primarily from mitigation fees collected and interest earnings.

C. Basis of Accounting and Measurement Focus

The government-wide financial statements are reported using the economic resources measurement focus and the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. This basis of presentation differs from accounting principles generally accepted in the United States of America (GAAP) in that certain revenues are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred. Such variances are presumed to be material. However similar to financial statements prepared in accordance with GAAP, these financial statements reflect the capitalized cost of equipment and related depreciation, and long-term debt.

Governmental funds are reported using the current financial resources measurement focus, within the limitations of the modified cash basis of accounting. In the governmental funds general capital asset acquisitions are reported as expenditures and proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

LAKE COUNTY FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Non-Current Governmental Assets/Liabilities

Non-current governmental assets and liabilities, such as capital assets and long-term liabilities, are reported in the governmental activities column in the government-wide Statement of Net Position.

E. Cash and Investments

The District pools cash and investments, other than cash on hand and cash in a checking and savings account, with the County of Lake. The Lake County Treasury is an external investment pool for the District and the District is considered an involuntary participant. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments.

Participant's equity in the investment pool is determined by the dollar amount of participant deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on an amortized cost basis. Interest payments, accrued interest, accreted discounts, amortized premiums, and realized gains and losses, net of administrative fees, are apportioned to pool participants every quarter. This method differs from the fair value method used to value investments in these financial statements as unrealized gains or losses are not apportioned to pool participants. During the fiscal year ended June 30, 2023, the County has not entered into any legally binding guarantees to support the value of participant equity in the investment pool.

F. Inventory

Inventories are recorded as expenditures at the time inventory is purchased rather than when consumed. Records are not maintained of inventory and supplies on hand, although these amounts are not considered material.

G. Capital Assets

Capital assets, which include property, plant and equipment, are defined by the District as assets with a cost of more than \$5,000. Capital assets are recorded at historical or estimated historical cost if actual historical cost is unavailable. Contributed capital assets are recorded at their acquisition value at the date of donation.

Capital assets used in operations are depreciated or amortized using the straight-line method over the assets' estimated useful lives in the government-wide financial statements. The range of estimated useful lives by type of asset is as follows:

<u>Depreciable Asset</u>	<u>Estimated Lives</u>
Structures and improvements	5 to 50 years
Equipment	3 to 40 years

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

LAKE COUNTY FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Property Tax

Lake County is responsible for the collection and allocation of property taxes. Under California law, property taxes are assessed and collected by the County of Lake up to 1 percent of the full cash value of taxable property, plus other increases approved by the voter and distributed in accordance with statutory formulas.

The valuation/lien date for all taxes is January 1. Secured property tax is due in two installments, the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. Unsecured property tax is due on March 1 and becomes delinquent if unpaid on August 31.

The County uses the alternative method of property tax apportionment known as the “Teeter Plan”. Under this method of property tax apportionment, the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties.

I. Interfund Transactions

Interfund transactions are reflected as either loans, services provided or used, reimbursements or transfers.

Loans reported as receivables and payables are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans) as appropriate and are subject to elimination upon consolidation. Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable governmental funds to indicate that they are not in spendable form.

Services provided or used, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. These services provide information on the net cost of each government function and therefore are not eliminated in the process of preparing the government-wide Statement of Activities.

Reimbursements occur when the funds responsible for particular expenditures or expenses repay the funds that initially paid for them. Such reimbursements are reflected as expenditures in the reimbursing fund and reductions to expenditures or expenses in the reimbursed fund.

All other interfund transactions are treated as transfers. Transfers between funds are netted as part of the reconciliation to the government-wide presentation.

J. Compensated Absences

The District has adopted the requirements for recording compensated absences as outlined in GASB Statement No. 16. The District’s policy regarding compensated absences is to permit employees to accumulate earned but unused vacation and sick leave. In the government-wide financial statements the accrued compensated absences is recorded as an expense and related liability, with the current portion estimated based on historical trends. In the governmental fund financial statements, the expenditures and liabilities related to those obligations are recognized only when they mature. The District includes its share of medicare taxes payable on behalf of the employees in the accrual for compensated absences.

LAKE COUNTY FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Measurement Period	June 30, 2021 to June 30, 2022

L. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2022
Measurement Period	June 30, 2021 to June 30, 2022

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The District has two items that qualify for reporting in this category. These items relate to the outflows from changes in the net pension liability and net OPEB liability and are reportable on the Statement of Net Position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. These items relate to the inflows from changes in the net pension liability and net OPEB liability and are reportable on the Statement of Net Position.

LAKE COUNTY FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Estimates

The preparation of basic financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

O. Implementation of Governmental Accounting Standards Board (GASB) Statements

The following Governmental Accounting Standards Board (GASB) Statements have been implemented, if applicable, in the current financial statements.

Statement No. 91, Conduit Debt Obligations. This statement improves the comparability of financial reporting for issuers by eliminating the option to recognize a liability for a conduit debt obligation.

Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. This statement will improve financial reporting by establishing the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions.

Statement No. 96, Subscription-Based Information Technology Arrangements. This statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The definition and uniform guidance will result in greater consistency in practice.

Statement No. 99, Omnibus 2022. This statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to more easily locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements.

P. Future Accounting Pronouncements

The following GASB Statements will be implemented, if applicable, in future financial statements:

Statement No. 99 “Omnibus 2022” The requirements of this statement related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023. (FY 23/24)

Statement No. 100 “Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62” The requirements of this statement are effective for fiscal years beginning after June 15, 2023. (FY23/24)

Statement No. 101 “Compensated Absences” The requirements of this statement are effective for fiscal years beginning after December 15, 2023. (FY 24/25)

LAKE COUNTY FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2023

NOTE 2: CASH AND INVESTMENTS

A. Financial Statement Presentation

As of June 30, 2023, the District’s cash and investments consisted of the following:

Cash:		
Cash on hand	\$	200
Total Cash		200
Investments:		
Lake County Treasurer’s Pool		6,766,493
Total Investments		6,766,493
Total Cash and Investments	\$	6,766,693

B. Cash

At year end, the carrying amount of the District’s cash deposits (including amounts in checking and savings accounts) was \$0 and the bank balance was \$0. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. In addition, the District had cash on hand of \$200.

Custodial Credit Risk for Deposits - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The District complies with the requirements of the California Government Code. Under this code, deposits of more than \$250,000 must be collateralized at 105 percent to 150 percent of the value of the deposit to guarantee the safety of the public funds.

C. Investments

The District does not have a formal investment policy. At June 30, 2023, all investments of the District were in the County of Lake investment pool. Under the provisions of the County’s investment policy and the California Government Code, the County may invest or deposit in the following:

- Bankers’ Acceptances
- Commercial Paper
- Local Agency Investment Fund (LAIF)
- Mutual Funds
- Medium-Term Corporate Notes
- Negotiable Certificates of Deposit
- Repurchase Agreements
- Securities of the Federal Government or its Agencies
- State of California Obligations
- Local Agency Bonds
- U.S. Treasury Obligations
- Obligations of California Local Agencies

LAKE COUNTY FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2023

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

Fair Value of Investments - The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs

The District's position in external investment pools is in itself regarded as a type of investment and looking through to the underlying investments of the pool is not appropriate. Therefore, the District's investment in external investment pools are not recognized in the three-tiered fair value hierarchy described above.

At June 30, 2023, the District had the following recurring fair value measurements:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by Fair Value Level				
None	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
Total Investments Measured at Fair Value	-	<u>\$ _____ -</u>	<u>\$ _____ -</u>	<u>\$ _____ -</u>
Investments in External Investment Pool				
Lake County Treasurer's Pool	<u>6,766,493</u>			
Total Investments	<u>\$ 6,766,493</u>			

Interest Rate Risk - Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. To limit exposure to fair value losses from increases in interest rates, the County's investment policy limits investment maturities to a term appropriate to the need for funds so as to permit the County to meet all projected obligations.

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. The County's investment policy sets specific parameters by type of investment to be met at the time of purchase. As of June 30, 2023, the District's investments were all held with the County of Lake investment pool which is not rated by a nationally recognized statistical rating organization.

Custodial Credit Risk - Custodial credit risk for investments is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or collateral securities that are in the possession of an outside party. Custodial credit risk does not apply to a local government's indirect investments in securities through the use of mutual funds or government investment pools.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. State law and the investment policy of the County contain limitations on the amount that can be invested in any one issuer. All investments of the District were in the Lake County investment pool which contains a diversification of investments.

LAKE COUNTY FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2023

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

D. Investments in External Pool

The Lake County Pooled Investment Fund is a pooled investment fund program governed by the County which monitors and reviews the management of public funds maintained in the investment pool in accordance with the County investment policy and the California Government Code. The Board of Supervisors review and approve the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the Board of Supervisors every month. The report covers the type of investments in the pool, maturity dates, par value, actual cost and fair value. Investments in the Lake County Pooled Investment fund are regarded as highly liquid as deposits and withdrawals can be made at any time without penalty. The Pool does not impose a maximum investment limit. Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. The County of Lake's financial statements may be obtained by contacting the County of Lake Auditor-Controller's office at 255 North Forbes Street, Lakeport, CA 95453.

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2023, was as follows:

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Adjustments/ Retirements</u>	<u>Balance June 30, 2023</u>
Capital Assets, Not Being Depreciated				
Land	\$ 170,357	\$ -	\$ -	\$ 170,357
Total Capital Assets, Not Being Depreciated	<u>170,357</u>	<u>-</u>	<u>-</u>	<u>170,357</u>
Capital Assets, Being Depreciated				
Building and improvements	2,039,117	304,121	-	2,343,238
Equipment	<u>3,809,568</u>	<u>293,100</u>	<u>(292,381)</u>	<u>3,810,287</u>
Total Capital Assets, Being Depreciated	<u>5,848,685</u>	<u>597,221</u>	<u>(292,381)</u>	<u>6,153,525</u>
Less Accumulated Depreciation For:				
Building and improvements	(712,749)	(73,002)	-	(785,751)
Equipment	<u>(2,043,697)</u>	<u>(246,379)</u>	<u>291,091</u>	<u>(1,998,985)</u>
Total Accumulated Depreciation	<u>(2,756,446)</u>	<u>(319,381)</u>	<u>291,091</u>	<u>(2,784,736)</u>
Total Capital Assets, Being Depreciated, Net	<u>3,092,239</u>	<u>277,840</u>	<u>(1,290)</u>	<u>3,368,789</u>
Total Capital Assets, Net	<u>\$ 3,262,596</u>	<u>\$ 277,840</u>	<u>(\$ 1,290)</u>	<u>\$ 3,539,146</u>

Depreciation

Depreciation expense was charged to governmental functions as follows:

Public Protection	<u>\$ 319,381</u>
Total Depreciation Expense	<u>\$ 319,381</u>

LAKE COUNTY FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2023

NOTE 4: INTERFUND TRANSACTIONS

Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, and re-allocations of special revenues. The following are the interfund transfer balances as of June 30, 2023.

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 100,000	\$ -
Mitigation Fees	-	100,000
Total	\$ 100,000	\$ 100,000

NOTE 5: LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2023:

<u>Type of Indebtedness</u>	<u>Balance July 1, 2022</u>	<u>Adjustments/ Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2023</u>	<u>Amounts Due Within One Year</u>
Taxable pension liability refunding	\$ -	\$ 3,836,000	(\$ 265,000)	\$ 3,571,000	\$ 193,000
Capital leases	301,912	-	(33,741)	268,171	34,812
Compensated absences	443,801	335,804	(315,947)	463,658	296,636
Total	\$ 745,713	\$ 4,171,804	(\$ 614,688)	\$ 4,302,829	\$ 524,448

Individual issues of debt payable outstanding at June 30, 2023, are as follows:

Taxable Pension Liability Refunding:

Webster Bank refunding agreement dated July 7, 2022, in the amount of \$3,836,000 and payable in annual installments of \$193,000 to \$328,000 with an interest rate of 4.150% and maturity on January 1, 2037. The lease agreement was used to refinance the District's Unfunded Actuarial Liability (UAL).

	\$ 3,571,000
Total Taxable Pension Liability Refunding	\$ 3,571,000

Following is a schedule of debt payment requirements of governmental activities to maturity for long-term debt:

<u>Year Ended June 30</u>	<u>Taxable Pension Liability Refunding</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 193,000	\$ 144,192	\$ 337,192
2025	201,000	136,016	337,016
2026	210,000	127,488	337,488
2027	218,000	118,607	336,607
2028	227,000	109,373	336,373
2029-2033	1,287,000	394,105	1,681,105
2034-2037	1,235,000	105,140	1,340,140
Total	\$ 3,571,000	\$ 1,134,921	\$ 4,705,921

LAKE COUNTY FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2023

NOTE 6: LEASES

Capital Leases

The District has entered into certain capital lease agreements under which the related equipment will become the property of the District when all terms of the lease agreements are met.

	<u>Stated Interest Rate</u>	<u>Present Value of Remaining Payments at June 30, 2023</u>
Governmental activities	1.85 – 2.69%	\$ 268,171
Total		<u>\$ 268,171</u>

Equipment and related accumulated depreciation under capital leases are as follows:

	<u>Governmental Activities</u>
Equipment	\$ 375,000
Less: accumulated depreciation	(112,500)
Net Value	<u>\$ 262,500</u>

As of June 30, 2023, capital lease annual amortization is as follows:

<u>Year Ended June 30</u>	<u>Governmental Activities</u>
2024	\$ 43,329
2025	43,329
2026	43,329
2027	43,329
2028	43,329
2029-2030	<u>86,658</u>
Total Requirements	303,303
Less Interest	(35,132)
Present Value of Remaining Payments	<u>\$ 268,171</u>

NOTE 7: NET POSITION

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- **Net investment in capital assets** - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- **Restricted net position** - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

LAKE COUNTY FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2023

NOTE 7: NET POSITION (CONTINUED)

- **Unrestricted net position** - all other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

Net Position Flow Assumption

When a government funds outlays for a particular purpose from both restricted and unrestricted resources, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted net position are available, it is considered that restricted resources are used first, followed by the unrestricted resources.

NOTE 8: FUND BALANCES

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balances for governmental funds can be made up of the following:

- **Nonspendable fund balance** - amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories and prepaid amounts.
- **Restricted fund balance** - 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 or enabling legislation. Restrictions may effectively be changed or lifted only with consent of resource providers.
- **Committed fund balance** - amounts that can only be used for the specific purposes determined by formal action of the District’s highest level of decision-making authority. The Board of Directors is the highest level of decision-making authority for the District that can, by Board action, commit fund balance. Once adopted, the limitation imposed remains in place until a similar action is taken to remove or revise the limitation. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned fund balance** - 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 authority, or by a body or an official designated for that purpose.
- **Unassigned fund balance** - the residual classification for the District’s General fund that includes all amounts not contained in the other classifications.

LAKE COUNTY FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2023

NOTE 8: FUND BALANCES (CONTINUED)

The fund balances for all governmental funds as of June 30, 2023, were distributed as follows:

	<u>General</u>	<u>Mitigation Fees</u>	<u>Total</u>
Restricted for:			
Capital projects	\$ -	\$ 294,467	\$ 294,467
Subtotal	<u>-</u>	<u>294,467</u>	<u>294,467</u>
Assigned to:			
General	3,926	-	3,926
Equipment	585,134	-	585,134
Building	595,446	-	595,446
Medical services and equipment	<u>3,407,739</u>	<u>-</u>	<u>3,407,739</u>
Subtotal	<u>4,592,245</u>	<u>-</u>	<u>4,592,245</u>
Unassigned	<u>1,879,981</u>	<u>-</u>	<u>1,879,981</u>
Total	<u>\$ 6,472,226</u>	<u>\$ 294,467</u>	<u>\$ 6,766,693</u>

Fund Balance Flow Assumption

When a government funds outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance), a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted fund balance are available, it is considered that restricted fund balance is depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policy

The Board of Directors adopted the Lake County Fire Protection District’s Fund Balance Policy for Financial Statement Reporting in 2012. The policy establishes procedures for reporting fund balance classifications, establishes prudent reserve requirements and establishes a hierarchy of fund balance expenditures.

NOTE 9: PENSION PLAN

A. General Information about the Pension Plan

All qualified permanent and probationary employees are eligible to participate in the District’s Safety and Miscellaneous (all other) Employee Pension Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

LAKE COUNTY FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2023

NOTE 9: PENSION PLAN (CONTINUED)

A. General Information about the Pension Plan (Continued)

Effective January 1, 2013, the District added retirement tiers for both the Miscellaneous and Safety Benefit Plan for new employees as required under the Public Employee Pension Reform Act (PEPRA). Classic employees are generally defined as employees who have been a member of any public retirement system who have had less than a six-month break in service. Applicable new hires to the District defined as classic employees as determined by PERS will be subject to the appropriate non-PEPRA benefit tier (i.e., Safety or Miscellaneous). New non-classic employees hired on or after January 1, 2013 will be subject to new, lower pension formulas, caps on pensionable income levels and new definitions of pensionable income. In addition, new non-classic employees will be required to contribute half of the total normal cost of the pension benefit unless impaired by an existing Memorandum of Understanding. The cumulative effect of these PEPRA changes will ultimately reduce the District's retirement costs.

Summary of Rate Tiers and Eligible Participants

Open for New Enrollment	
Miscellaneous PEPRA	Miscellaneous members hired on or after January 1, 2013
Safety PEPRA	Safety members hired on or after January 1, 2013
Closed to New Enrollment	
Miscellaneous	Miscellaneous members hired before January 1, 2013
Safety	Safety members hired before January 1, 2013

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Retirement benefits are paid monthly for life. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for the plan are applied as specified by the Public Employees' Retirement Law.

Each Rate Tier's specific provisions and benefits in effect at June 30, 2023 are summarized as follows:

	<u>Benefit Formula</u>	<u>Retirement Age</u>	<u>Monthly Benefits as a % of Eligible Compensation</u>
Miscellaneous	3.0% @ 60	50 - 60	2.000% to 2.418%
Miscellaneous PEPRA	2.0% @ 62	52 - 62	1.000% to 2.500%
Safety	3.0% @ 55	50 - 55	2.400% to 3.000%
Safety PEPRA	2.7% @ 57	50 - 57	2.000% to 2.700%

LAKE COUNTY FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2023

NOTE 9: PENSION PLAN (CONTINUED)

A. General Information about the Pension Plan (Continued)

Contributions

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

	<u>Employer Contribution Rates</u>	<u>Employee Contribution Rates</u>	<u>Employer Paid Member Contribution Rates</u>
Miscellaneous	16.30%	8.00%	8.00%
Miscellaneous PEPRA	7.65%	7.25%	0.00%
Safety	23.44%	9.00%	9.00%
Safety PEPRA	13.44%	13.75%	0.00%

For the year ended June 30, 2023, the contributions recognized as part of pension expense for the Plan were as follows:

	<u>Contributions-Employer</u>	<u>Contributions-Employee (Paid by Employer)</u>
Miscellaneous	\$ 30,210	\$ 4,977
Safety	611,573	43,165

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

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2022, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2022 and 2023 was as follows:

	<u>Proportion June 30, 2022</u>	<u>Proportion June 30, 2023</u>	<u>Change - Increase (Decrease)</u>
Miscellaneous	.00497%	.00302%	-.00195%
Safety	.05956%	.06275%	.00319%

LAKE COUNTY FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2023

NOTE 9: PENSION PLAN (CONTINUED)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension (Continued)

As of June 30, 2023, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$ 141,350
Safety	<u>4,311,829</u>
Total Net Pension Liability	<u>\$ 4,453,179</u>

For the year ended June 30, 2023, the District recognized pension expense of \$646,333. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 4,066,333	\$ -
Change in assumptions	449,247	-
Difference between expected and actual experience	181,290	(48,724)
Differences between projected and actual earnings on pension plan investments	706,790	-
Difference between District contributions and proportionate share of contributions.	3,137	(207,934)
Change in employer's proportion	<u>345,895</u>	<u>(54,096)</u>
Total	<u>\$ 5,752,692</u>	<u>(\$ 310,754)</u>

\$4,066,333 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	
2024	\$ 439,800
2025	329,176
2026	175,436
2027	431,193
Thereafter	<u>-</u>
Total	<u>\$ 1,375,605</u>

LAKE COUNTY FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2023

NOTE 9: PENSION PLAN (CONTINUED)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Investment Rate of Return	6.90%
Inflation	2.30%
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 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80 percent of Scale MP-2020 published by the Society of Actuaries. For more details, please refer to the CalPERS 2021 experience study that can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability for PERFC was 6.90 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

LAKE COUNTY FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2023

NOTE 9: PENSION PLAN (CONTINUED)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension (Continued)

Long-Term Expected Rate of Return

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long-term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

The expected real rates of return by asset class are as follows:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1-10 (1, 2)</u>
Global Equity – Cap-Weighted	30.0%	4.54%
Global Equity – Non-Cap-Weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	(5.0%)	(0.59%)
Total	<u>100.0%</u>	

(1) An expected price inflation of 2.30% used for this period

(2) Figures are based on the 2021 Asset Liability Management Study

Sensitivity of the 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 for the Plan as of the measurement date, calculated using the discount rate for the Plan, 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 or 1-percentage point higher than the current rate:

	<u>1% Decrease 5.90%</u>	<u>Discount Rate 6.90%</u>	<u>1% Increase 7.90%</u>
Miscellaneous	\$ 234,918	\$ 141,350	\$ 64,366
Safety	6,565,293	4,311,829	2,470,130

Pension Plan Fiduciary Net Position

Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

LAKE COUNTY FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2023

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. General Information about the OPEB Plan

Plan Description

The District provides retiree medical, dental, and vision plan coverage for eligible, qualifying retirees until eligibility for coverage under Medicare.

Safety employees hired prior to July 1, 2016 who retire with the District at age 55 or older with 20 years of service are eligible for medical, dental and vision plan coverage until age 65. Coverage is available (at the retiree’s expense) for his or her spouse up to the retiree’s age 65.

Safety employees hired prior to July 1, 2016 who do not meet the eligibility requirements above, Miscellaneous employees, employees hired after June 30, 2016 and surviving spouses of deceased retirees are not eligible for continuation of healthcare coverage or any subsidy toward healthcare coverage from the District in retirement, other than as required by COBRA.

For qualifying retirees eligible for continuation of health coverage, the District pays 100 percent of the medical, dental and vision premiums for the retiree only (single coverage) until the retiree reaches age 65.

Employees Covered by Benefit Terms

At June 30, 2023 the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	6
Active employees	<u>11</u>
Total	<u><u>17</u></u>

B. Net OPEB Liability

The District’s net OPEB liability of \$406,987, was measured as of June 30, 2022 and was determined by the actuarial valuation as of that date.

LAKE COUNTY FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2023

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

B. Net OPEB Liability (Continued)

Actuarial Assumptions

The net OPEB liability in the June 30, 2022 actuarial was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2022
Funding Method	Entry Age Normal Cost, level percent of pay
Asset Valuation Method	Market value of assets
Long-Term Return on Assets	6.05% as of June 30, 2022 and 6.85% as of June 30, 2021, net of plan investment expense.
Municipal Bond Index	S&P General Obligation 20-Year High Grade Municipal Bond Index, 4.09% as of June 30, 2022 and 2.18% as of June 20, 2021
Discount Rate	5.75% as of June 30, 2022
Participants Valued	5.60% as of June 30, 2021 Only current active employees and retired participants hired prior to July 1, 2016 and the valuation. The plan is closed; no future entrants are considered.
Salary Increase	3.0% per year, since benefits do not depend on salary, this is used only to allocate the cost of benefits between service years and to determine the amortization payment component of the Actuarially Determined Contributions.
General Inflation Rate	2.50% per year
Mortality Improvement	MacLeod Watts Scale 2022 applied generationally from 2010.
Healthcare cost trend rates	5.60% for 2023, decreasing to an ultimate rate of 3.90% for 2076 and later years.

Demographic actuarial assumptions used in the valuation are based on the 2021 experience study of the California Public Employees Retirement System using data from 1997 to 2019, except for a different basis used to project future mortality improvements. The representative mortality rates used were the published CalPERS rates.

LAKE COUNTY FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2023

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

C. Changes in the Net OPEB Liability

The table below shows the changes in the total OPEB liability, the Plan Fiduciary Net Position (i.e. Fair value of the Plan assets), and the net OPEB liability during the measurement period ending on June 30, 2022 for the District's proportionate share.

	Increases (Decreases)		
	Total OPEB Liability	Plan	Net OPEB Liability
		Fiduciary Net Position	
	(a)	(b)	(a) – (b)
Balances at fiscal year ending June 30, 2022	\$ 820,431	\$ 156,023	\$ 664,408
Changes for the year:			
Service cost	20,808	-	20,808
Interest cost	45,539	-	45,539
Difference between expected and actual experience	(226,887)	-	(226,887)
Change in assumptions	(47,779)	-	(47,779)
Contributions – employer	-	71,068	(71,068)
Net investment income	-	(21,926)	21,926
Benefit payments	(56,068)	(56,068)	-
Administrative expenses	-	(40)	40
Net Changes	(264,387)	(6,966)	(257,421)
Balances at fiscal year ending June 30, 2023	\$ 556,044	\$ 149,057	\$ 406,987

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

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

	1% Decrease	Discount Rate	1% Increase
	4.75%	5.75%	6.75%
Net OPEB liability	\$ 447,034	\$ 406,987	\$ 370,154

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

	Current Trend	Current Trend	Current Trend
	-1%	Trend	+1%
Net OPEB liability	\$ 361,754	\$ 406,987	\$ 460,676

LAKE COUNTY FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2023

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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

For the year ended June 30, 2023, the District recognized an OPEB credit of (\$34,614). At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 82,853	(\$ 293,978)
Differences between expected and actual experience	-	(527,702)
Net difference between projected and actual earnings on investments	17,819	-
Contributions made subsequent to the measurement date	70,133	-
Total	\$ 170,805	(\$ 821,680)

\$70,133 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized in the next fiscal year. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	
2024	(\$ 90,131)
2025	(90,134)
2026	(90,428)
2027	(87,336)
2028	(93,962)
Thereafter	(269,017)
	(\$ 721,008)

NOTE 11: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has joined together with other fire districts in the state to participate in Fire District's Association of California - Fire Association Self Insurance System. This joint venture is a public entity risk pool which serves as a common risk management and insurance program for workers compensation coverage for member districts. The District pays an annual premium to the joint venture for its insurance coverage. The agreement with the joint venture provides that they will be self-sustaining through member premiums and will reinsure through commercial companies for excess coverage.

The District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

LAKE COUNTY FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2023

NOTE 12: OTHER INFORMATION

A. Commitments and Contingencies

There are potential claims and legal actions pending against the District for which no provisions have been made in the financial statements. In the opinion of the District management and legal counsel, liabilities arising from these claims and legal actions, if any, either will not be material or cannot be estimated at this time.

B. Subsequent Events

Management has evaluated events subsequent to June 30, 2023 through December 12, 2023, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

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Supplementary Information

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LAKE COUNTY FIRE PROTECTION DISTRICT
Supplementary Information
District Pension Plan
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2023
Last 10 Years*

Measurement Date	2013/14	2014/15	2015/16	2016/17
Miscellaneous				
Proportion of the net pension liability	0.00192%	0.00170%	0.00159%	0.00161%
Proportionate share of the net pension liability	\$ 119,169	\$ 119,215	\$ 137,728	\$ 159,532
Covered payroll	86,637	113,997	65,120	73,500
Proportionate share of the net pension liability as a percentage of covered payroll	137.55%	104.58%	211.50%	217.05%
Plan fiduciary net position as a percentage of the total pension liability	70.76%	72.18%	70.20%	73.15%
Safety				
Proportion of the net pension liability	0.03570%	0.03190%	0.03169%	0.03145%
Proportionate share of the net pension liability	\$ 2,221,349	\$ 2,189,438	\$ 2,742,044	\$ 3,119,469
Covered payroll	1,172,873	1,196,639	1,222,413	1,260,711
Proportionate share of the net pension liability as a percentage of covered payroll	189.39%	182.97%	224.31%	247.44%
Plan fiduciary net position as a percentage of the total pension liability	75.66%	76.70%	72.66%	71.85%

* The District implemented GASB 68 for the fiscal year June 30, 2015, therefore only nine years are shown.

2017/18	2018/19	2019/20	2020/21	2021/22
0.00405%	0.00400%	0.00403%	0.00497%	0.00302%
\$ 150,862	\$ 161,528	\$ 171,374	\$ 94,414	\$ 141,350
72,900	77,378	78,505	80,614	97,047
206.94%	208.75%	218.30%	117.12%	145.65%
75.33%	79.69%	74.41%	86.29%	79.41%
0.05221%	0.05331%	0.05406%	0.05956%	0.06275%
\$ 3,127,932	\$ 3,374,812	\$ 3,704,008	\$ 2,090,388	\$ 4,311,829
1,453,933	1,307,458	1,428,759	1,394,883	1,575,889
215.14%	258.12%	259.25%	149.86%	273.61%
73.56%	74.24%	73.70%	86.08%	73.58%

LAKE COUNTY FIRE PROTECTION DISTRICT
Supplementary Information
District Pension Plan
Schedule of Contributions
For the Year Ended June 30, 2023
Last 10 Years*

Fiscal Year	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>
Miscellaneous				
Contractually required contributions (actuarially determined)	\$ 31,495	\$ 8,432	\$ 10,262	\$ 10,208
Contributions in relation to the actuarially determined contributions	<u>(31,495)</u>	<u>(17,612)</u>	<u>(20,122)</u>	<u>(21,047)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (9,180)</u>	<u>\$ (9,860)</u>	<u>\$ (10,839)</u>
Covered payroll	\$ 113,997	\$ 65,120	\$ 73,500	\$ 72,900
Contributions as a percentage of covered payroll	27.63%	27.05%	27.38%	28.87%
Safety				
Contractually required contribution (actuarially determined)	\$ 333,401	\$ 212,110	\$ 228,019	\$ 270,191
Contributions in relation to the actuarially determined contributions	<u>(333,401)</u>	<u>(336,753)</u>	<u>(368,942)</u>	<u>(434,790)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (124,643)</u>	<u>\$ (140,923)</u>	<u>\$ (164,599)</u>
Covered payroll	\$ 1,196,639	\$ 1,222,413	\$ 1,260,711	\$ 1,453,933
Contributions as a percentage of covered payroll	27.86%	27.55%	29.26%	29.90%

* The District implemented GASB 68 for the fiscal year June 30, 2015, therefore only nine years are shown.

<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>
\$ 10,185	\$ 9,658	\$ 11,008	\$ 12,576	\$ 13,195
<u>(22,534)</u>	<u>(23,633)</u>	<u>(26,502)</u>	<u>(30,210)</u>	<u>(172,298)</u>
<u>\$ (12,349)</u>	<u>\$ (13,975)</u>	<u>\$ (15,494)</u>	<u>\$ (17,634)</u>	<u>\$ (159,103)</u>
\$ 77,378 29.12%	\$ 78,505 30.10%	\$ 80,614 32.88%	\$ 97,047 31.13%	\$ 102,142 168.68%
\$ 264,634	\$ 277,261	\$ 279,584	\$ 298,514	\$ 312,781
<u>(462,897)</u>	<u>(512,825)</u>	<u>(549,076)</u>	<u>(611,573)</u>	<u>(3,894,035)</u>
<u>\$ (198,263)</u>	<u>\$ (235,564)</u>	<u>\$ (269,492)</u>	<u>\$ (313,059)</u>	<u>\$ (3,581,254)</u>
\$ 1,307,458 35.40%	\$ 1,428,759 35.89%	\$ 1,394,883 39.36%	\$ 1,575,889 38.81%	\$ 1,598,922 243.54%

LAKE COUNTY FIRE PROTECTION DISTRICT
Supplementary Information
District Pension Plan
Notes to District Pension Plan
For the Year Ended June 30, 2023

NOTE 1: SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Summary of Changes of Benefits or Assumptions

Benefit Changes: None

Changes of Assumption: None

NOTE 2: SCHEDULE OF CONTRIBUTIONS

Methods and assumptions used to determine the contribution rates were as follows:

Valuation Date	June 30, 2021
Actuarial cost method	Individual Entry Age Normal
Amortization method	Level Percentage of Payroll (Pre-2019 basis). Level Dollar
Remaining Amortization Period	Differs by employer rate plan but no more than 30 years
Asset valuation method	Fair value
Discount Rate	7.00%
Payroll Growth	2.75%
Inflation	2.50%
Salary increases	Varies based on entry age and service
Investment rate of return	7.00%

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LAKE COUNTY FIRE PROTECTION DISTRICT
Supplementary Information
District OPEB Plan
Schedule of Changes in the Net OPEB Liability and Related Ratios
For the Year Ended June 30, 2023
Last 10 Years*

Measurement Date	2016/17	2017/18	2018/19	2019/20
Total OPEB Liability				
Service Cost	\$ 101,721	\$ 96,773	\$ 64,786	\$ 68,315
Interest	32,949	40,782	29,683	30,359
Differences between expected and actual experience	-	(510,391)	(311)	(16,989)
Changes of assumption	(49,049)	122,049	11,184	(41,403)
Benefit payments	(7,200)	(7,200)	(21,322)	(31,941)
Net Change in Total OPEB Liability	78,421	(257,987)	84,020	8,341
Total OPEB Liability - Beginning	1,131,337	1,209,758	951,771	1,035,791
Total OPEB Liability - Ending (a)	<u>\$ 1,209,758</u>	<u>\$ 951,771</u>	<u>\$ 1,035,791</u>	<u>\$ 1,044,132</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 7,200	\$ 49,257	\$ 41,322	\$ 46,941
Net investment income	-	(291)	3,289	3,181
Benefit payments	(7,200)	(7,200)	(21,322)	(31,941)
Administrative expenses	-	(1)	(9)	(33)
Net Change in Plan Fiduciary Net Position	-	41,765	23,280	18,148
Plan Fiduciary Net Position - Beginning	-	-	41,765	65,045
Plan Fiduciary Net Position - Ending (b)	<u>\$ -</u>	<u>\$ 41,765</u>	<u>\$ 65,045</u>	<u>\$ 83,193</u>
Net OPEB Liability - Ending (a) - (b)	<u>\$ 1,209,758</u>	<u>\$ 910,006</u>	<u>\$ 970,746</u>	<u>\$ 960,939</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	4.39%	6.28%	7.97%
Covered-employee payroll	\$ 1,319,307	\$ 1,524,566	\$ 1,476,522	\$ 1,278,793
Net OPEB liability as a percentage of covered-employee payroll	91.70%	59.69%	65.75%	75.14%

* The District implemented GASB 75 for the fiscal year June 30, 2018, therefore only six years are shown.

<u>2020/21</u>	<u>2021/22</u>
\$ 35,646	\$ 20,808
28,137	45,539
-	(226,887)
(243,507)	(47,779)
<u>(43,977)</u>	<u>(56,068)</u>
(223,701)	(264,387)
1,044,132	820,431
<u>\$ 820,431</u>	<u>\$ 556,044</u>

\$ 93,977	\$ 71,068
22,861	(21,926)
(43,977)	(56,068)
<u>(31)</u>	<u>(40)</u>
72,830	(6,966)
83,193	156,023
<u>\$ 156,023</u>	<u>\$ 149,057</u>
<u>\$ 664,408</u>	<u>\$ 406,987</u>

19.02%	26.81%
\$ 1,184,935	\$ 1,003,813
56.07%	40.54%

LAKE COUNTY FIRE PROTECTION DISTRICT
Supplementary Information
District OPEB Plan
Schedule of Contributions
For the Year Ended June 30, 2023
Last 10 Years*

Fiscal Year	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>
Actuarially determined contributions	\$ 143,274	\$ 79,662	\$ 84,714	\$ 64,223
Contributions in relation to the actuarially determined contribution	<u>(49,257)</u>	<u>(41,322)</u>	<u>(46,941)</u>	<u>(93,977)</u>
Contribution deficiency (excess)	<u>\$ 94,017</u>	<u>\$ 38,340</u>	<u>\$ 37,773</u>	<u>\$ (29,754)</u>
Covered-employee payroll	\$ 1,524,566	\$ 1,574,114	\$ 1,278,793	\$ 1,184,935
Contributions as a percentage of covered-employee payroll	3.23%	2.63%	3.67%	7.93%

* The District implemented GASB 75 for the fiscal year June 30, 2018, therefore only six years are shown.

<u>2021/2022</u>	<u>2022/2023</u>
\$ 63,561 (71,068)	\$ 64,482 (70,133)
<u>\$ (7,507)</u>	<u>\$ (5,651)</u>
\$ 1,003,813	\$ 1,072,945
7.08%	6.54%

LAKE COUNTY FIRE PROTECTION DISTRICT
Supplementary Information
District OPEB Plan
Notes to District OPEB Plan
For the Year Ended June 30, 2023

NOTE 1: SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

Changes of Assumptions

The discount rate was changed from 5.60 percent as of June 30, 2021 to 5.75 percent as of June 30, 2022 based on the published change in return for the applicable municipal bond index.

NOTE 2: SCHEDULE OF CONTRIBUTIONS

The Actuarially Determined Contribution (ADC) for the District’s fiscal year end June 30, 2022, was determined from the results of the June 30, 2022 valuation using methods and assumptions as follows:

Valuation Date	June 30, 2022
Actuarial cost method	Entry Age Normal
Amortization method	Closed level % of pay
Amortization Period	18 years
Asset valuation method	Market value
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	6.85%
Healthcare Cost Trend Rates	5.60% in 2024, decreasing to to 3.90% by 2076.
Retirement Age	50 to 75
Mortality	CalPERS 2021 Study
Mortality Improvement	MW Scale 2022

LAKE COUNTY FIRE PROTECTION DISTRICT
Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Taxes	\$ 1,126,000	\$ 1,126,000	\$ 1,409,477	\$ 283,477
Licenses and permits	50,000	50,000	91,215	41,215
Fines and forfeitures	50,000	50,000	140,540	90,540
Use of money and property	47,801	47,801	56,465	8,664
Intergovernmental	160,000	160,000	195,850	35,850
Charges for services	2,750,000	4,001,930	4,603,353	601,423
Other revenues	25,000	25,000	33,806	8,806
Total Revenues	<u>4,208,801</u>	<u>5,460,731</u>	<u>6,530,706</u>	<u>1,069,975</u>
EXPENDITURES				
Current public protection:				
Salaries and benefits	3,715,509	3,658,372	3,193,588	464,784
Services and supplies	1,302,120	1,876,787	1,641,534	235,253
Debt service	385,334	459,371	557,614	(98,243)
Capital outlay	458,100	691,990	582,221	109,769
Total Expenditures	<u>5,861,063</u>	<u>6,686,520</u>	<u>5,974,957</u>	<u>711,563</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,652,262)</u>	<u>(1,225,789)</u>	<u>555,749</u>	<u>1,781,538</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of debt	-	-	3,836,000	3,836,000
Payment of pension UAAL from debt proceeds	-	-	(3,737,757)	(3,737,757)
Transfers in	100,000	100,000	100,000	-
Total Other Financing Sources (Uses)	<u>100,000</u>	<u>100,000</u>	<u>198,243</u>	<u>98,243</u>
Net Change in Fund Balances	<u>(1,552,262)</u>	<u>(1,125,789)</u>	<u>753,992</u>	<u>1,879,781</u>
Fund Balances - Beginning	<u>5,718,234</u>	<u>5,718,234</u>	<u>5,718,234</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 4,165,972</u>	<u>\$ 4,592,445</u>	<u>\$ 6,472,226</u>	<u>\$ 1,879,781</u>

The Lake County Fire Protection District issued a pension obligation lease agreement to pay off the Unfunded Actuarial Accrued Liability (UAAL) in the current fiscal year. For purposes of the budgetary comparison schedule, the UAAL payoff is presented as other financing uses.

The Lake County Fire Protection District budgets for debt service principal and interest expenditures as one item. For purposes of the budgetary comparison schedule, the debt service principal and interest expenditures have been combined.

LAKE COUNTY FIRE PROTECTION DISTRICT
Supplementary Information
Budgetary Comparison Schedule
Mitigation Fees - Major Special Revenue Fund
For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Use of money and property	\$ 300	\$ 300	\$ 1,924	\$ 1,624
Charges for services	99,700	99,700	175,761	76,061
Total Revenues	<u>100,000</u>	<u>100,000</u>	<u>177,685</u>	<u>77,685</u>
EXPENDITURES				
Current public protection	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>100,000</u>	<u>100,000</u>	<u>177,685</u>	<u>77,685</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(100,000)	(100,000)	(100,000)	-
Total Other Financing Sources (Uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Net Change in Fund Balances	-	-	77,685	77,685
Fund Balances - Beginning	<u>216,782</u>	<u>216,782</u>	<u>216,782</u>	<u>-</u>
Fund Balances - Ending	<u><u>\$ 216,782</u></u>	<u><u>\$ 216,782</u></u>	<u><u>\$ 294,467</u></u>	<u><u>\$ 77,685</u></u>

LAKE COUNTY FIRE PROTECTION DISTRICT
Supplementary Information
Note to Budgetary Comparison Schedules
For the Year Ended June 30, 2023

NOTE 1: BUDGETARY BASIS OF ACCOUNTING

Formal budgetary integration is employed as a management control device during the year. The District presents a comparison of annual budget to actual results for the General fund and major special revenue fund. The amounts reported on the budgetary basis are generally on the basis of accounting described in Note 1C.

The following procedures are performed by the District in establishing the budgetary data reflected in the financial statements:

- (1) The Fire Chief submits to the Board of Directors a recommended budget for the fiscal year commencing the following July 1. The budget includes recommended expenditures and the means of financing them.
- (2) The Board of Directors reviews the recommended budget at regularly scheduled meetings, which are open to the public. The Board also conducts a public hearing on the recommended budget to obtain comments from interested persons.
- (3) Prior to July 1, the budget is adopted through the passage of a resolution.
- (4) From the effective date of the budget, the amounts stated therein, as recommended expenditures become appropriations to the District. The Board may amend the budget by motion during the fiscal year.

The District does not use encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.

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**INDEPENDENT AUDITOR'S 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**

To the Board of Directors
Lake County Fire Protection District
Clearlake, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the modified cash basis financial statements of the governmental activities and each major fund of Lake County Fire Protection District, California (District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 12, 2023.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that have not been identified.

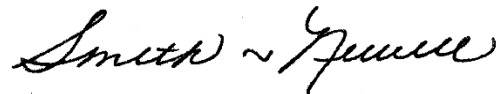
To the Board of Directors
Lake County Fire Protection District
Clearlake, California

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



Smith & Newell CPAs
Yuba City, California
December 12, 2023