

**LAKE COUNTY FIRE
PROTECTION DISTRICT,
CALIFORNIA**

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2020**

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LAKE COUNTY FIRE PROTECTION DISTRICT
Annual Financial Report
For the Year Ended June 30, 2020

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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, 2020

Board of Directors

Diane Watson	Chairperson
Mike Dean	Vice Chairperson
John Spriet	Director
Dennis Raleigh	Director
Thomas Meisenbach	Director
Richard Moore	Director
Jacqueline Snyder	Director
Kendall Fults	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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1C; this includes 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.

Auditor's Responsibility

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

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

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

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

Opinions

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, 2020, 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.

Emphasis of Matter

As more fully described in Note 12B to the financial statements, citizens and the economies of the United States and other countries have been significantly impacted by the coronavirus (COVID-19) pandemic. While it is premature to accurately predict how the coronavirus will ultimately affect the District's operations because the disease's severity and duration are uncertain, we expect the 2020 financial results too will be significantly impacted and the implications beyond 2020, while unclear, could also be adversely impacted. Our opinion is not modified with respect to this matter and no pandemic implications are accounted for in these financial statements.

Basis of Accounting

We draw attention to Note 1C of the financial statements that describes the basis of accounting. The financial statements are prepared in accordance with 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.

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.

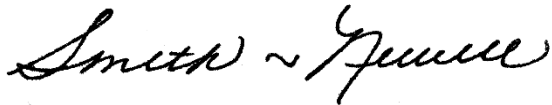
Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole, on the basis of accounting described in Note 1C.

The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 29, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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
January 29, 2021

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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, 2020

	Total Governmental Activities
ASSETS	
Cash and investments	\$ 4,603,219
Capital assets:	
Non-depreciable	162,557
Depreciable, net	1,906,074
Total capital assets	<u>2,068,631</u>
Total Assets	<u>6,671,850</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension adjustments	1,087,066
Deferred OPEB adjustments	161,540
Total Deferred Outflows of Resources	<u>1,248,606</u>
LIABILITIES	
Long-term liabilities:	
Due within one year	175,370
Due in more than one year	413,276
Net pension liability	3,536,340
Net OPEB liability	970,746
Total Liabilities	<u>5,095,732</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred pension adjustments	94,265
Deferred OPEB adjustments	471,551
Total Deferred Inflows of Resources	<u>565,816</u>
NET POSITION	
Net investment in capital assets	1,929,415
Restricted for capital projects	95,094
Unrestricted	234,399
Total Net Position	<u>\$ 2,258,908</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, 2020

<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	\$ 4,930,692	\$ 4,280,025	\$ 160,993	\$ -
Interest on long-term debt	4,646	-	-	-
Total Governmental Activities	4,935,338	4,280,025	160,993	-
Total	\$ 4,935,338	\$ 4,280,025	\$ 160,993	\$ -
General revenues:				
Taxes:				
Property taxes				1,138,193
Interest and investment earnings				61,262
Miscellaneous				88,520
Total General Revenues				1,287,975
Change in Net Position				793,655
Net Position - Beginning				1,465,253
Net Position - Ending				\$ 2,258,908

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, 2020

	General Fund	Mitigation Fees	Totals
ASSETS			
Cash and investments	\$ 4,508,125	\$ 95,094	\$ 4,603,219
Total Assets	\$ 4,508,125	\$ 95,094	\$ 4,603,219
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Total Liabilities	-	-	-
FUND BALANCES			
Restricted	-	95,094	95,094
Assigned	3,092,819	-	3,092,819
Unassigned	1,415,306	-	1,415,306
Total Fund Balances	4,508,125	95,094	4,603,219
Total Liabilities and Fund Balances	\$ 4,508,125	\$ 95,094	\$ 4,603,219

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, 2020

Total Fund Balances - Total Governmental Funds	\$ 4,603,219
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.	2,068,631
Deferred outflows of resources related to pension and OPEB are not reported in the governmental funds.	1,248,606
Deferred inflows of resources related to pension and OPEB are not reported in the governmental funds.	(565,816)
Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.	
Capital leases	(139,216)
Compensated absences	(449,430)
Net pension liability	(3,536,340)
Net OPEB liability	(970,746)
	(5,095,732)
Net Position of Governmental Activities	\$ 2,258,908

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, 2020

	General Fund	Mitigation Fees	Totals
REVENUES			
Taxes	\$ 1,138,193	\$ -	\$ 1,138,193
Licenses and permits	27,249	-	27,249
Fines and forfeitures	38,587	-	38,587
Use of money and property	59,280	1,982	61,262
Intergovernmental	160,993	-	160,993
Charges for services	4,170,530	43,659	4,214,189
Other revenues	84,152	-	84,152
Total Revenues	5,678,984	45,641	5,724,625
EXPENDITURES			
Current public protection:			
Salaries and benefits	3,127,470	-	3,127,470
Services and supplies	1,353,484	-	1,353,484
Debt service:			
Principal	32,522	-	32,522
Interest and other charges	4,646	-	4,646
Capital outlay	257,301	-	257,301
Total Expenditures	4,775,423	-	4,775,423
Excess of Revenues Over (Under) Expenditures	903,561	45,641	949,202
OTHER FINANCING SOURCES (USES)			
Transfers in	50,000	-	50,000
Transfers out	-	(50,000)	(50,000)
Total Other Financing Sources (Uses)	50,000	(50,000)	-
Net Change in Fund Balances	953,561	(4,359)	949,202
Fund Balances - Beginning	3,554,564	99,453	3,654,017
Fund Balances - Ending	\$ 4,508,125	\$ 95,094	\$ 4,603,219

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, 2020

Net Change in Fund Balances - Total Governmental Funds \$ 949,202

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	257,301
Less current year depreciation	(187,524)
Various capital asset adjustments	7,743

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.

(3,375)

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	32,522
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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	(26,666)
Change in deferred inflows of resources related to pension	(1,759)
Change in deferred outflows of resources related to OPEB	6,247
Change in deferred inflows of resources related to OPEB	42,192

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	36,058
Change in net pension liability	(257,546)
Change in net OPEB liability	(60,740)

Change in Net Position of Governmental Activities \$ 793,655

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, 2020

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.

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.

Component Units

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, 2020.

LAKE COUNTY FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2020

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 and are treated as major funds.

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, 2020

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, 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 capital 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, 2020, 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, 2020

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 or expenses in the reimbursing fund and reductions to expenditures or expenses in the reimbursed fund.

All other interfund transactions are treated as transfers. Transfers between governmental 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, 2020

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, 2018
Measurement Date	June 30, 2019
Measurement Period	June 30, 2018 to June 30, 2019

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, 2018
Measurement Date	June 30, 2019
Measurement Period	June 30, 2017 to June 30, 2018

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, 2020

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) Statement has been implemented, if applicable, in the current financial statements.

Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. This Statement extends the effective dates of certain accounting and financial reporting provisions in the Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018. The requirements of this Statement apply to the financial statements of all state and local governments. The GASB Statements effected by this statement include Statement No. 84 - Fiduciary Activities, Statement No. 87 – Leases, Statement No. 89 - Accounting for Interest Cost Incurred before the End of a Construction Period, Statement No. 90 - Majority Equity Interests, Statement No. 91 – Conduit Debt Obligations, Statement No. 92 – Omnibus 2020, and Statement No. 93 – Replacement of Interbank Offered Rates.

P. Future Accounting Pronouncements

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

Statement No. 84 “Fiduciary Activities”	The requirements of this statement are effective for periods beginning after December 15, 2019. (FY 20/21)
Statement No. 87 “Leases”	The requirements of this statement are effective for periods beginning after June 15, 2021. (FY 21/22)
Statement No. 89 “Accounting for Interest Cost Incurred Before the End of a Construction Period”	The requirements of this statement are effective for periods beginning after December 15, 2020. (FY 21/22)
Statement No. 90 “Majority Equity Interests”	The requirements of this statement are effective for periods beginning after December 15, 2019. (FY 20/21)
Statement No. 91 “Conduit Debt Obligations”	The requirements of this statement are effective for periods beginning after December 15, 2021. (FY 22/23)
Statement No. 92 “Omnibus 2020”	The requirements of this statement are effective for periods beginning after June 15, 2021. (FY 21/22)
Statement No. 93 “Replacement of Interbank Offered Rates”	The requirements of this statement are effective for periods beginning after June 15, 2021. (FY 21/22)

LAKE COUNTY FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Future Accounting Pronouncements (Continued)

Statement No. 94 “Public-Private and Public-Public Partnership and Availability Payment Arrangements”	The requirements of this statement are effective for periods beginning after June 15, 2022. (FY 22/23)
Statement No. 96 “Subscription-Based Information Technology Arrangements”	The requirements of this statement are effective for periods beginning after June 15, 2022. (FY 22/23)

NOTE 2: CASH AND INVESTMENTS

A. Financial Statement Presentation

As of June 30, 2020, the District’s cash and investments consisted of the following:

Cash:	
Cash on hand	\$ <u>200</u>
Total Cash	<u>200</u>
Investments:	
Lake County Treasurer’s Pool	<u>4,603,019</u>
Total Investments	<u>4,603,019</u>
Total Cash and Investments	<u>\$ 4,603,219</u>

B. Cash

At year end, 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.

LAKE COUNTY FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2020

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

C. Investments

The District does not have a formal investment policy. At June 30, 2020, 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:

- Banker's 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

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, 2020, 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>4,603,019</u>			
Total Investments	<u>\$ 4,603,019</u>			

LAKE COUNTY FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2020

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

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, 2020, 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. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect 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.

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.

LAKE COUNTY FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2020

NOTE 3: CAPITAL ASSETS

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

	Balance <u>July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	Balance <u>June 30, 2020</u>
Governmental Activities					
Capital Assets, Not Being Depreciated:					
Land	\$ 162,557	\$ -	\$ -	\$ -	\$ 162,557
Construction in progress	<u>205,047</u>	<u>22,538</u>	<u>-</u>	<u>(227,585)</u>	<u>-</u>
Total Capital Assets, Not Being Depreciated	<u>367,604</u>	<u>22,538</u>	<u>-</u>	<u>(227,585)</u>	<u>162,557</u>
Capital Assets, Being Depreciated:					
Building and improvements	1,403,331	69,413	(18,334)	227,585	1,681,995
Equipment	<u>2,919,425</u>	<u>165,350</u>	<u>(86,000)</u>	<u>30,854</u>	<u>3,029,629</u>
Total Capital Assets, Being Depreciated	<u>4,322,756</u>	<u>234,763</u>	<u>(104,334)</u>	<u>258,439</u>	<u>4,711,624</u>
Less Accumulated Depreciation For:					
Building and improvements	(639,938)	(40,286)	14,959	-	(665,265)
Equipment	<u>(2,055,936)</u>	<u>(147,238)</u>	<u>86,000</u>	<u>(23,111)</u>	<u>(2,140,285)</u>
Total Accumulated Depreciation	<u>(2,695,874)</u>	<u>(187,524)</u>	<u>100,959</u>	<u>(23,111)</u>	<u>(2,805,550)</u>
Total Capital Assets, Being Depreciated, Net	<u>1,626,882</u>	<u>47,239</u>	<u>(3,375)</u>	<u>235,328</u>	<u>1,906,074</u>
Total Capital Assets, Net	<u>\$ 1,994,486</u>	<u>\$ 69,777</u>	<u>(\$ 3,375)</u>	<u>\$ 7,743</u>	<u>\$ 2,068,631</u>

Depreciation

Depreciation expense was charged to governmental functions as follows:

Public Protection	<u>\$ 187,524</u>
Total Depreciation Expense	<u>\$ 187,524</u>

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, 2020.

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 50,000	\$ -
Mitigation Fees	<u>-</u>	<u>50,000</u>
Total	<u>\$ 50,000</u>	<u>\$ 50,000</u>

LAKE COUNTY FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2020

NOTE 5: LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2020:

<u>Type of Indebtedness</u>	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2020</u>	<u>Amounts Due Within One Year</u>
Capital Leases	\$ 171,738	\$ -	(\$ 32,522)	\$ 139,216	\$ 33,423
Compensated Absences	485,488	555,568	(591,626)	449,430	141,947
Total	<u>\$ 657,226</u>	<u>\$ 555,568</u>	<u>(\$ 624,148)</u>	<u>\$ 588,646</u>	<u>\$ 175,370</u>

NOTE 6: LEASES

Operating Leases

Rental expenses incurred under operating leases are not considered material.

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, 2020</u>
Governmental activities	1.85 – 2.69%	\$ 139,216
Total		<u>\$ 139,216</u>

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

	<u>Governmental Activities</u>
Equipment	\$ 277,803
Less: accumulated depreciation	(83,341)
Net Value	<u>\$ 194,462</u>

As of June 30, 2020, capital lease annual amortization is as follows:

<u>Year Ended June 30</u>	<u>Governmental Activities</u>
2021	\$ 37,168
2022	37,168
2023	37,168
2024	<u>37,199</u>
Total Requirements	148,703
Less Interest	(9,487)
Present Value of Remaining Payments	<u>\$ 139,216</u>

LAKE COUNTY FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2020

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. These principally include restrictions for capital projects, debt service requirements and other special revenue fund purposes.
- **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. As of June 30, 2020, fund balance for governmental funds is 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.
- **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.

LAKE COUNTY FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2020

NOTE 8: FUND BALANCES (CONTINUED)

- **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, 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. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The fund balances for all governmental funds as of June 30, 2020, were distributed as follows:

	<u>General</u>	<u>Mitigation Fees</u>	<u>Total</u>
Restricted for:			
Capital projects	\$ -	\$ 95,094	\$ 95,094
Subtotal	<u>-</u>	<u>95,094</u>	<u>95,094</u>
Assigned to:			
General	3,926	-	3,926
Equipment	535,822	-	535,822
Building	442,147	-	442,147
Medical services and equipment	2,110,924	-	2,110,924
Subtotal	<u>3,092,819</u>	<u>-</u>	<u>3,092,819</u>
Unassigned	<u>1,415,306</u>	<u>-</u>	<u>1,415,306</u>
Total	<u>\$ 4,508,125</u>	<u>\$ 95,094</u>	<u>\$ 4,603,219</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.

LAKE COUNTY FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2020

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.

Effective January 1, 2013, the District added retirement tiers for both the Miscellaneous and Safety Benefit Tiers 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. As of the valuation date there were no Miscellaneous PEPRA employees.

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.

LAKE COUNTY FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2020

NOTE 9: PENSION PLAN (CONTINUED)

A. General Information about the Pension Plan (Continued)

Benefits Provided (Continued)

Each Rate Tier's specific provisions and benefits in effect at June 30, 2020, 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 3.000%
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%

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	15.605%	8.000%	8.000%
Miscellaneous PEPRA	7.191%	7.250%	0.000%
Safety	21.883%	9.000%	9.000%
Safety PEPRA	13.629%	13.000%	0.000%

For the year ended June 30, 2020, 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	\$ 22,534	\$ 3,861
Safety	462,897	84,625

LAKE COUNTY FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2020

NOTE 9: PENSION PLAN (CONTINUED)

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, 2019, 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, 2018 rolled forward to June 30, 2019 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the 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, 2019 and 2020 was as follows:

	<u>Proportion June 30, 2019</u>	<u>Proportion June 30, 2020</u>	<u>Change - Increase (Decrease)</u>
Miscellaneous	.00400%	.00403%	.00003%
Safety	.05331%	.05406%	.00075%

As of June 30, 2020, 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	\$ 161,528
Safety	<u>3,374,812</u>
Total Net Pension Liability	<u>\$ 3,536,340</u>

For the year ended June 30, 2020, the District recognized pension expense of \$822,429. At June 30, 2020, 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	\$ 536,458	\$ -
Change of assumptions	146,030	(29,725)
Difference between expected and actual experience	231,564	(869)
Differences between projected and actual earnings on pension plan investments	-	(49,250)
Difference between District contributions and proportionate share of contributions.	95,191	(11,773)
Change in employer's proportion	<u>77,823</u>	<u>(2,648)</u>
Total	<u>\$ 1,087,066</u>	<u>(\$ 94,265)</u>

LAKE COUNTY FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2020

NOTE 9: PENSION PLAN (CONTINUED)

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

\$536,458 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended	
<u>June 30</u>	
2021	\$ 353,137
2022	36,814
2023	56,788
2024	9,604
Thereafter	<u>-</u>
Total	<u>\$ 456,343</u>

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Investment Rate of Return	7.15%
Inflation	2.50%
Projected Salary Increase	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 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

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

LAKE COUNTY FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2020

NOTE 9: PENSION PLAN (CONTINUED)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.15 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.

Long-Term Expected Rate of Return

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 – 10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	<u>1.0%</u>	0.00%	-0.92%
Total	<u>100.0%</u>		

(a) An expected inflation of 2.00% used for this period

(b) An expected inflation of 2.92% used for this period

LAKE COUNTY FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2020

NOTE 9: PENSION PLAN (CONTINUED)

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

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 6.15%</u>	<u>Discount Rate 7.15%</u>	<u>1% Increase 8.15%</u>
Miscellaneous	\$ 246,432	\$ 161,528	\$ 91,445
Safety	5,170,017	3,374,812	1,994,470

Pension Plan Fiduciary Net Position

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

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.

LAKE COUNTY FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2020

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

A. General Information about the OPEB Plan (Continued)

Employees Covered By Benefit Terms

At June 30, 2020 the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Active employees	<u>19</u>
Total	<u><u>22</u></u>

B. Net OPEB Liability

The District's net OPEB liability of \$970,746, was measured as of June 30, 2019 and was determined by the actuarial valuation as of June 30, 2018.

Actuarial Assumptions

The net OPEB liability in the June 30, 2018 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, 2018
Funding Method	Entry Age Normal Cost, level percent of pay
Asset Valuation Method	Market value of assets
Long-Term Return on Assets	6.4%
Discount Rate	3.13% as of June 30, 2017 2.92% as of June 30, 2018
Participants Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Salary Increase	3.25% per year, since benefits do not depend on salary, this is used only to allocate the cost of benefits between service years.
Assumed Wage Inflation	3.0% per year; a component of assumed salary increases
General Inflation Rate	2.75% per year
Mortality Improvement	MacLeod Watts Scale 2018 applied generationally from 2015.
Healthcare cost trend rates	7.5% for 2020, decreasing .5% per year to an ultimate rate of 5.0% for 2025 and later years.

Demographic actuarial assumptions used in this valuation are based on 2017 experience study of the California Public Employees Retirement System using data from 1997 to 2015, except for a different basis used to project future mortality improvements. The representative mortality rates used were those published by CalPERS, adjusted to back out 15 years of Scale MP 2016 to central year 2015.

LAKE COUNTY FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2020

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, 2018 for the District's proportionate share.

	Increases (Decreases)		
	Total OPEB Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net OPEB Liability <u>(a) – (b)</u>
Balances at fiscal year ending June 30, 2019	\$ 951,771	\$ 41,765	\$ 910,006
Changes for the year:			
Service cost	64,786	-	64,786
Interest cost	29,683	-	29,683
Differences between expected and actual experience	(311)	-	(311)
Change in assumptions	11,184	-	11,184
Contributions – employer	-	41,322	(41,322)
Net investment income	-	3,289	(3,289)
Benefit payments	(21,322)	(21,322)	-
Administrative expenses	-	(9)	9
Net Changes	<u>84,020</u>	<u>23,280</u>	<u>60,740</u>
Balances at fiscal year ending June 30, 2020	<u>\$ 1,035,791</u>	<u>\$ 65,045</u>	<u>\$ 970,746</u>

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 <u>1.79%</u>	Discount Rate <u>2.79%</u>	1% Increase <u>3.79%</u>
Net OPEB liability	\$ 1,060,177	\$ 970,746	\$ 887,265

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:

	1% Decrease <u>6.5%</u>	Current Healthcare Cost Rate <u>7.5%</u>	1% Increase <u>8.5%</u>
Net OPEB liability	\$ 822,623	\$ 970,746	\$ 1,150,092

LAKE COUNTY FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2020

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, 2020, the District recognized OPEB expense of \$59,242. At June 30, 2020, 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	\$ 113,597	(\$ 39,395)
Differences between expected and actual experience	-	(432,156)
Net difference between projected and actual earnings on investments	1,002	-
Contributions made subsequent to the measurement date	46,941	-
Total	\$ 161,540	(\$ 471,551)

\$46,941 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	
2021	(\$ 31,923)
2022	(31,923)
2023	(31,921)
2024	(32,251)
2025	(32,255)
Thereafter	(196,679)
	(\$ 356,952)

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, 2020

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

In December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the District could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. The District has not included any contingencies in the financial statements specific to this issue.

Management has evaluated events subsequent to June 30, 2020 through January 29, 2021, 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, 2020
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 six years are shown.

<u>2017/18</u>	<u>2018/19</u>
0.00157%	0.00158%
\$ 150,862	\$ 161,528
72,900	77,378
206.94%	208.75%
75.33%	74.41%
0.03246%	0.03293%
\$ 3,127,932	\$ 3,374,812
1,453,933	1,307,458
215.14%	258.12%
73.56%	74.24%

LAKE COUNTY FIRE PROTECTION DISTRICT
Supplementary Information
District Pension Plan
Schedule of Contributions
For the Year Ended June 30, 2020
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	\$ 21,047
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>\$ -</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	\$ 434,790
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>\$ -</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 six years are shown.

<u>2018/19</u>	<u>2019/20</u>
\$ 22,534	\$ 23,633
<u>(22,534)</u>	<u>(23,633)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 77,378 29.12%	\$ 78,505 30.10%
\$ 462,897	\$ 512,825
<u>(462,897)</u>	<u>(512,825)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 1,307,458 35.40%	\$ 1,428,759 35.89%

LAKE COUNTY FIRE PROTECTION DISTRICT
Supplementary Information
District Pension Plan
Notes to District Pension Plan
For the Year Ended June 30, 2020

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

Change of Assumptions and Methods

CalPERS has implemented a new actuarial valuation software system for the June 30, 2018, valuation. This new system has refined and improved calculation methodology. In December 2017, the CalPERS Board of Administration (the Board) adopted new mortality assumptions for plan participation in the Public Employee's Retirement Fund (PERF). The new mortality table was developed from the December 2017 experience study and includes 15 years of projected ongoing mortality improvement using 90 percent of scale MP 2016 published by the Society of Actuaries. The inflation assumption was reduced from 2.75 percent to 2.50 percent.

The assumptions for individual salary increases and overall payroll growth were reduced from 3.00 percent to 2.75 percent. These changes are being implemented in two steps commencing in the June 30, 2018, funding valuation. For financial reporting purposes, these assumption changes are fully reflected in the results for Fiscal Year 2017-18. In Fiscal Year 2014-15, the financial reporting discount rate was increased from 7.50 percent to 7.65 percent resulting from eliminating the 15 basis-point reduction for administrative expenses. The funding discount rate remained at 7.50 percent during this period, and remained adjusted for administrative expenses.

NOTE 2: SCHEDULE OF CONTRIBUTIONS

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

Valuation Date	June 30, 2017
Actuarial cost method	Individual Entry Age Normal
Amortization method	Level Percentage of Payroll and Direct Rate Smoothing
Remaining Amortization Period	Differs by employer rate plan but no more than 30 years
Asset valuation method	Fair value
Inflation	2.75%
Salary increases	Varies based on entry age and service
Investment rate of return	7.38%

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, 2020
Last 10 Years*

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

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

LAKE COUNTY FIRE PROTECTION DISTRICT
Supplementary Information
District OPEB Plan
Schedule of Contributions
For the Year Ended June 30, 2020
Last 10 Years*

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

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

LAKE COUNTY FIRE PROTECTION DISTRICT
Supplementary Information
District OPEB Plan
Notes to District OPEB Plan
For the Year Ended June 30, 2020

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

Changes of Assumptions

The discount rate was changed from 2.92 percent as of June 30, 2018 to 2.79 percent as of June 30, 2019 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, 2020, was determined from the results of the June 30, 2018 valuation using methods and assumptions as follows:

Valuation Date	June 30, 2018
Actuarial cost method	Entry Age Normal, level % of salary
Amortization method	Closed level % of pay
Amortization Period	20 years
Asset valuation method	Market value
Inflation	2.75%
Salary increases	3.25%
Investment rate of return	6.40%
Healthcare Cost Trend Rates	7.5% to 5%, Step 0.5%
Retirement Age	50 to 75
Mortality	CalPERS 2017 Study
Mortality Improvement	MW Scale 2018

LAKE COUNTY FIRE PROTECTION DISTRICT
Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Taxes	\$ 998,500	\$ 998,500	\$ 1,138,193	\$ 139,693
Licenses and permits	10,000	10,000	27,249	17,249
Fines and forfeitures	35,000	35,000	38,587	3,587
Use of money and property	15,000	15,000	59,280	44,280
Intergovernmental	162,000	162,000	160,993	(1,007)
Charges for services	2,450,000	3,760,025	4,170,530	410,505
Other revenues	30,000	80,000	84,152	4,152
Total Revenues	<u>3,700,500</u>	<u>5,060,525</u>	<u>5,678,984</u>	<u>618,459</u>
EXPENDITURES				
Current public protection:				
Salaries and benefits	3,808,865	3,772,865	3,127,470	645,395
Services and supplies	893,468	1,502,063	1,353,484	148,579
Debt service	49,100	40,900	37,168	3,732
Capital outlay	50,000	266,039	257,301	8,738
Total Expenditures	<u>4,801,433</u>	<u>5,581,867</u>	<u>4,775,423</u>	<u>806,444</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,100,933)</u>	<u>(521,342)</u>	<u>903,561</u>	<u>1,424,903</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000	50,000	50,000	-
Total Other Financing Sources (Uses)	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Net Change in Fund Balances	(1,050,933)	(471,342)	953,561	1,424,903
Fund Balances - Beginning	<u>3,554,564</u>	<u>3,554,564</u>	<u>3,554,564</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 2,503,631</u>	<u>\$ 3,083,222</u>	<u>\$ 4,508,125</u>	<u>\$ 1,424,903</u>

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, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Use of money and property	\$ 1,500	\$ 1,500	\$ 1,982	\$ 482
Charges for services	48,500	48,500	43,659	(4,841)
Total Revenues	<u>50,000</u>	<u>50,000</u>	<u>45,641</u>	<u>(4,359)</u>
EXPENDITURES				
Current public protection	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>50,000</u>	<u>50,000</u>	<u>45,641</u>	<u>(4,359)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(50,000)	(50,000)	(50,000)	-
Total Other Financing Sources (Uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Net Change in Fund Balances	-	-	(4,359)	(4,359)
Fund Balances - Beginning	<u>99,453</u>	<u>99,453</u>	<u>99,453</u>	<u>-</u>
Fund Balances - Ending	<u><u>\$ 99,453</u></u>	<u><u>\$ 99,453</u></u>	<u><u>\$ 95,094</u></u>	<u><u>\$ (4,359)</u></u>

LAKE COUNTY FIRE PROTECTION DISTRICT
Supplementary Information
Note to Budgetary Comparison Schedules
For the Year Ended June 30, 2020

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.

OTHER REPORT

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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 and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, 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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 29, 2021.

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 may exist that have not been identified.

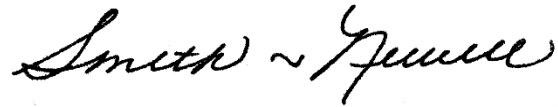
To the Board of Directors
Lake County Fire Protection District
Clearlake, California

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.

A handwritten signature in cursive script, appearing to read "Smith & Newell", is written in black ink.

Smith & Newell CPAs
Yuba City, California
January 29, 2021