

**Scotts Valley Fire Protection District**

**FINANCIAL STATEMENTS**

**AUDIT REPORT**

**June 30, 2020**



**September 25, 2020**

Scotts Valley Fire Protection District

Scotts Valley, CA

**INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of Scotts Valley Fire Protection District as of and for the year-ended June 30, 2020, as listed in the Table of Contents.

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

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

**Auditor's Responsibility**

Our responsibility is to express an opinion 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 applicable to financial audits contained in Governmental 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 of 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 our audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Scotts Valley Fire Protection District as of June 30, 2020, and the respective changes in financial position, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information and Budget VS. Actual comparison be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with managements responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurances on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide an assurance.

Zach Pehling, CPA

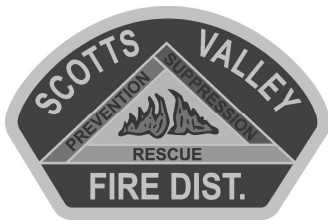
**Scotts Valley Fire Protection District**

**Audit Report  
June 30, 2020**

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# SCOTTS VALLEY FIRE PROTECTION DISTRICT

7 Erba Lane, Scotts Valley, California 95066 (831) 438-0211 Fax (831) 438-0383

**Ron Whittle**  
**Fire Chief**

October 30, 2020

The Scotts Valley Fire Protection District (District) provides fire protection services to approximately twenty-four square mile area of Santa Cruz County from the Santa Cruz city limits to Spanish Oaks and from Henry Cowell State Park to Glen Canyon/Vine Hill Roads and includes all of the City of Scotts Valley. The population of the District is approximately twenty thousand, including about eleven thousand within the city limits. The District is a separate government body, not part of the City of Scotts Valley, known as a California Special District and is governed by an elected board of five citizens. This section of the District's financial report presents our discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2020.

## **Description of the Basic Financial Statements**

The financial statements consist of the following parts: Management's discussion and analysis; the basic financial statements consisting of government-wide financial statements, and fund financial statements (governmental and fiduciary); notes to the financial statements; and required supplementary information.

The basic government-wide and fund financial statements present the financial results on different methods of accounting. Included in the financial statements are reconciliations that explain the difference between the two methods.

Government-wide financial statements are prepared on the modified accrual basis of accounting and economic resources focus. The required financial statements are: Statement of Net Position (Statement A) and Statement of Activities. The Statement of Net Position reports all assets and liabilities, both financial and capital, and short-term and long-term, of the District. The Statement of Activities reports all revenue and expenses during the year, regardless of when cash was received or paid.

Governmental Funds financial statements are prepared on the modified accrual basis of accounting and current financial resources focus. This is the traditional form for our financial statements. The required financial statements are Balance Sheet, and Statement of Revenues, Expenditures, and Changes in Fund Balances. The Balance Sheet shows only assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities are included. The Statement of Revenues, Expenditures, and Changes in Fund Balances reports revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during or soon after the end of the year.

### **Board of Directors**

Robert Campbell   Ed Harmon   Joe Parker   Russ Patterson   Daron Pisciotta

Reconciliation of the Governmental Fund Balance Sheet to the Government-Wide Statement of Net Position explains the differences between the two balance sheets. Reconciliation of the Statement Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities traces the change in fund balances to the change in net position.

Governmental Fiduciary financial statements for the Hazardous Materials Interagency Team are prepared on the accrual basis of accounting and economic resources focus. The required financial statements are: Statement of Fiduciary Net Position and Statement of Activities and Changes in Fiduciary Net Position. The Statement of Net Position reports all assets and liabilities, both financial and capital, and short-term and long-term of the fund. The Statement of Activities reports all revenue and expenses of the fund during the year, regardless of when the cash is received or paid.

The Government-Wide and Governmental Funds financial statements show the results of the following funds:

**General Fund** - This fund is used to finance the operations of the District. Tax revenues are placed in the General Fund and regular operating expenses are charged here. Funds to be used for capital equipment, buildings and projects are transferred from the General Fund to the Capital Outlay Fund.

**Capital Outlay/Zone A Fund** - The Capital Outlay and Zone A Funds have been combined due to the County Auditor's Office advising the District that the current Zone A Budget account is only a Revenue Account and expenditures are not allowed to be taken from that Fund. The solution to rectify this, was to combine the Zone A and Capital Outlay Budgets into one, which allows for revenue to be received and expenditures to be paid from the same budget. This also reduces the number of budgets required to be managed by the District and County, from four to three.

The fiduciary fund financial statements show the results of the following:

**Santa Cruz Hazardous Materials Interagency Team (SCHMIT)** - The District reports the resources held and administered by the District in acting in a fiduciary capacity for other agencies involved in the Team. Operational funding is received through a memorandum of understanding with Santa Cruz County, UCSC, City of Scotts Valley, City of Capitola, City of Santa Cruz, City of Watsonville, and the California State Parks. Additional funding had been received from grants.

### **Financial Analysis of the District as a Whole**

Net Position - The District's net change in net position was \$(858,693) for the fiscal year ended June 30, 2020. The adoption of GASB 68 put the district in a negative net position with further negative net position from the adoption of GASB 74/75. The negative net position will not adversely effect the District as the positive fund balance will allow the District to continue to offer services to the public. Approximately 50 percent of the \$6,598,137 in assets, \$3,788,609 are invested in capital assets (net of accumulated depreciation and related debt).

### **Financial Analysis of the District's Funds**

Governmental fund balances decreased by \$(1,025,702). The main reason for the difference between the \$(858,693) decrease in District net position and the \$(1,025,702) decrease in fund balances is timing differences in accounting for expenditures, principal payments made on long-term liabilities, and the difference in accounting for fixed asset purchases and depreciation.

## **Budgetary Highlights**

General Fund revenue was 1.90% better than the budgeted \$149,485.76 with tax revenue 0.33% better, at \$23,332.86.

Salaries and benefits were \$174,878.92 (2.67%) under budget. Services and supplies were \$151,875.63 (19.85%) under budget. This was due to the differences both favorable and unfavorable between budgeted and actual expenditures in the thirty separate accounts that make up this category.

Total General Fund expenditures were \$383,091.95 (4.17%) less than the amount budgeted, including contingency appropriation, which did not need to be used during the year.

Capital Outlay/Zone A expenditures were under budget by \$208,690.95 (34.03%).

## **Capital Assets**

As of June 30, 2020, the District had invested \$7,127,130 in a broad range of capital assets including land, structures and improvements, equipment, and construction in progress.

## **Long-Term Liabilities**

At June 30, 2020 the District had \$13,133,892 in long-term liabilities which consists of postemployment benefits obligation and the Net Pension Liability. The other postemployment benefits obligation is a result of the implementation of GASB 74/75. Detailed information can be found in Note 8 to the financial statements.

During the year ended June 30, 2011, the District paid off the CalPERS Side Fund Liability and obtained funding for the payment from Santa Cruz County Bank. On December 12, 2019, the outstanding Santa Cruz County Bank loan balance in the amount of \$1,596,620.40 was paid in full.

## **Economic Factors and Next Year's Budget**

The District's main source of revenue is property tax. Estimates from the Santa Cruz County Auditor project a 4.5% growth in the secured property tax (real estate). The District has budgeted the 4.5% growth in the property tax elements for the General Fund and Capital Outlay/Zone A. Other non-tax elements of revenue are projected using past trends. There is potential for variances due to re-assessments of real property values and new construction within the District.

Total budgeted General Fund expenditures for fiscal year 2020/2021, is \$9,645,454, which includes reserve funds. Salaries and Benefits budget includes a 4% salary increase. All authorized positions are funded this year. The District's contribution to the CalPERS retirement program is 21.746% of payroll plus an annual Unfunded Accrued Liability payment of \$761,892 for the Classic Safety plan and 11.031% of payroll plus an annual Unfunded Accrued Liability payment of \$19,557 for the Classic Miscellaneous plan. Classic Safety members contribute an additional 9% of salary to CalPERS for retirement and Classic Miscellaneous members contribute 7% of salary.

The employer rate for new CalPERS PEPRA safety employees hired after January 1, 2013, is 13.044% of payroll plus an annual Unfunded Accrued Liability payment of \$17,747 and for PEPRA Miscellaneous employees 7.732% of payroll plus an annual Unfunded Accrued Liability payment of \$1,094.

This represents a budgeted amount of \$1,616,560, which is an increase of \$351,797 over 2019/2020 payable to CalPERS, which includes \$150,000 to establish the California Employers' Pension

Prefunding Trust (CEPPT). The CEPPT will allow the District to prefund future pension liability with a 4% expected rate of return.

Health insurance is budgeted for an increase effective January 1, 2021. Retiree health insurance is budgeted at \$74,407, a decrease of \$1,849 over last year due to a slight decrease in the Medicare rates. The budget includes \$350,000 to establish the California Employers' Other Retiree Benefits Trust (CERBT). The CERBT will allow the District to prefund Other Post-Employment Benefits (OPEB) for retiree healthcare with a 7.01% expected rate of return.

Workers compensation insurance is \$353,000, an increase of \$120,538 over last year.

The Services and Supplies budget is \$766,640, an increase of \$1,580 over last year.

The Contributions to Other Agencies are for the District's share of the LAFCO budget at \$9,000, a decrease of \$500 over last year.

The beginning balance of the Capital Outlay/Zone A fund is \$1,194,260. A 4.5% increase in property tax revenue is estimated for this fiscal year. The Service and Supplies Budget is \$212,500, Fixed Assets for Fire Facilities upgrades and Equipment is \$102,000, Reserves in the amount of \$1,030,606 for future expenditures and \$100,000 for contingencies.

The beginning fund balance for the Santa Cruz Hazardous Materials Interagency Team (SCHMIT) is \$119,132. Services and supplies are to support the operating costs of the team in the amount of \$79,900, which includes a \$5,500, charge for management of the program. Additionally, \$105,800 is budgeted for fixed asset equipment. Personnel costs include \$20,000 for reimbursement to response agencies in the event of an activation and \$110,000, for differential costs for the response agencies, which accounts for 22 total members.

### **Contacting the District's Financial Management**

This financial statement is designed to provide a general overview of the District's finances. If you have questions about these financial statements or need additional financial information, contact the District's office at 7 Erba Lane, Scotts Valley, California 95066. Financial statements from previous fiscal years may be found on the District's website at [www.scottsvalleyfire.com](http://www.scottsvalleyfire.com).

**GOVERNMENT FUNDS FINANCIAL STATEMENTS**

**Scotts Valley Fire Protection District**

**Balance Sheet  
June 30, 2020**

|  | <u>General Fund</u> | <u>Zone A</u> | <u>Capital</u>      |
|--|---------------------|---------------|---------------------|
| <b><u>ASSETS</u></b>                                   |                     |               |                     |
| <u>Assets:</u>   |                     |               |                     |
| Cash   | \$ 1,615,356        | \$ -          | \$ 1,194,260        |
| Accounts Receivable                                    | -                   | -             | -                   |
| Deposits & Prepaid Expenses                            | -                   | -             | -                   |
|  | <hr/>               | <hr/>         | <hr/>               |
| TOTAL ASSETS   | <u>1,615,356</u>    | <u>-</u>      | <u>1,194,260</u>    |
| <br><b><u>LIABILITIES &amp; FUND BALANCES</u></b>      |                     |               |                     |
| <u>Liabilities:</u>                                    |                     |               |                     |
| Accounts Payable                                       | 5,873               | -             | -                   |
| Accrued Payroll  | 34,148              | -             | -                   |
|  | <hr/>               | <hr/>         | <hr/>               |
| TOTAL LIABILITIES                                      | <u>40,021</u>       | <u>-</u>      | <u>-</u>            |
| <br><u>Fund Balances:</u>                              |                     |               |                     |
| Unassigned   | 1,575,335           | -             | -                   |
| Unspendable  | -                   | -             | -                   |
| Committed  | -                   | -             | 1,194,260           |
|  | <hr/>               | <hr/>         | <hr/>               |
| Total Fund Balance                                     | <u>1,575,335</u>    | <u>-</u>      | <u>1,194,260</u>    |
| <br><b><u>TOTAL LIABILITIES &amp; FUND BALANCE</u></b> |                     |               |                     |
|  | <u>\$ 1,615,356</u> | <u>\$ -</u>   | <u>\$ 1,194,260</u> |

The accompanying notes are an integral part of these financial statements.

## Scotts Valley Fire Protection District

### Statement of Revenues, Expenditures & Change in Fund Balance For the Year Ended June 30, 2020

| <u>REVENUE</u>                                     | <u>General Fund</u> | <u>Zone A</u>      | <u>Capital</u>      |
|--|---------------------|--------------------|---------------------|
| Tax Revenue  | \$ 7,465,905        | \$ -               | \$ 126,360          |
| Charges for Service                                | 300,759             | -                  | -                   |
| Interest & Investment Earnings                     | 9,742               | -                  | 28,318              |
| License & Permits                                  | 18,170              | -                  | -                   |
| Grants & Contributions                             | -                   | -                  | -                   |
| Miscellaneous                                      | 40,646              | -                  | -                   |
| <b>TOTAL REVENUE</b>                               | <b>7,835,222</b>    | <b>-</b>           | <b>154,678</b>      |
| <u>EXPENDITURES</u>                                |                     |                    |                     |
| Capital Assets                                     | -                   | -                  | 152,309             |
| Debt Service:                                      |                     |                    |                     |
| Principle  | 1,705,748           | -                  | -                   |
| Interest   | 80,000              | -                  | -                   |
| Professional Fees                                  | 139,287             | -                  | 2,360               |
| Salaries and Employee Benefits                     | 6,407,614           | -                  | -                   |
| Repairs and Maintenance                            | 143,659             | -                  | 4,393               |
| Insurance  | 32,980              | -                  | -                   |
| Services, Supplies and Refunds                     | 327,304             | -                  | 19,948              |
| <b>TOTAL EXPENDITURES</b>                          | <b>8,836,592</b>    | <b>-</b>           | <b>179,010</b>      |
| <b>Excess (Deficit) Revenues over Expenditures</b> | <b>(1,001,370)</b>  | <b>-</b>           | <b>(24,332)</b>     |
| <b>Transfer In/(Out)</b>                           | <b>225,479</b>      | <b>(1,218,592)</b> | <b>993,113</b>      |
| <b>CHANGE IN FUND BALANCE</b>                      | <b>(775,891)</b>    | <b>(1,218,592)</b> | <b>968,781</b>      |
| <b>FUND BALANCE, BEGINNING OF YEAR</b>             | <b>2,351,226</b>    | <b>1,218,592</b>   | <b>225,479</b>      |
| <b>FUND BALANCE, END OF YEAR</b>                   | <b>\$ 1,575,335</b> | <b>\$ -</b>        | <b>\$ 1,194,260</b> |

The accompanying notes are an integral part of these financial statements.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**



**Scotts Valley Fire Protection District**

**Statement of Net Position  
June 30, 2020**

| <b><u>ASSETS</u></b>                          | <b><u>2020</u></b>    |
|---|-----------------------|
| <b><u>Current Assets:</u></b>                 |                       |
| Cash  | \$ 2,809,616          |
| Accounts Receivable                           | -                     |
| Deposits & Prepaid Expenses                   | -                     |
| Total Current Assets                          | <u>2,809,616</u>      |
| <b><u>Capital Assets:</u></b>                 |                       |
| Land  | 820,843               |
| Buildings & Improvements                      | 2,052,641             |
| Firefighting Equipment                        | 3,783,432             |
| Construction in Progress                      | 470,214               |
| Less: Accumulated Depreciation                | <u>(3,338,609)</u>    |
| Total Capital Assets                          | <u>3,788,521</u>      |
| <b>TOTAL ASSETS</b>                           | <u>6,598,137</u>      |
| <b><u>DEFERRED OUTFLOW</u></b>                |                       |
| GASB 75                                       | 118,786               |
| GASB 68 Pension                               | <u>2,755,276</u>      |
| <b>TOTAL DEFERRED OUTFLOW</b>                 | <u>2,874,062</u>      |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>     | <u>9,472,199</u>      |
| <b><u>LIABILITIES</u></b>                     |                       |
| <b><u>Current Liabilities:</u></b>            |                       |
| Accounts Payable                              | 5,873                 |
| Accrued Payroll Liabilities                   | 34,148                |
| Current Portion                               | -                     |
| Accrued Compensated Absences                  | <u>285,930</u>        |
| Total Current Liabilities                     | <u>325,951</u>        |
| <b><u>Long-term Liabilities:</u></b>          |                       |
| OPEB  | 1,868,590             |
| Note Payable                                  | -                     |
| Net Pension Liability                         | <u>11,265,302</u>     |
| Total Long-term Liabilities                   | <u>13,133,892</u>     |
| <b>TOTAL LIABILITIES</b>                      | <u>13,459,843</u>     |
| <b><u>DEFERRED INFLOWS</u></b>                |                       |
| GASB 75                                       | 903,810               |
| GASB 68 Pension                               | <u>704,845</u>        |
| <b>TOTAL DEFERRED INFLOWS</b>                 | <u>1,608,655</u>      |
| <b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b> | <u>15,068,498</u>     |
| <b><u>NET POSITION</u></b>                    |                       |
| Net Investment in Capital Assets              | 3,788,521             |
| Unrestricted                                  | <u>(9,384,820)</u>    |
| <b>TOTAL NET POSITION</b>                     | <u>\$ (5,596,299)</u> |

The accompanying notes are an integral part of these financial statements.

**SCOTTS VALLEY FIRE PROTECTION DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION**

---

|   | <u>June 30, 2020</u>         |
|---|------------------------------|
| Total Fund Balances - Governmental Funds  | \$ 2,769,595                 |
| Capital Assets used in Governmental Funds are not financial resources and therefore are not reported as assets in the Governmental Funds.   |                              |
| Total Historical Cost of Capital Assets   | 7,127,130                    |
| Less: Accumulated Depreciation  | (3,338,609)                  |
| Compensated Absences are reported in the Government-Wide Statement of Net Assets, but they do not require the use of current financial resources. Therefore, the liability is not reported in Governmental Funds.     | (285,930)                    |
| Deferred Outflows not due and receivable in the current period and therefore are not reported as an asset in the governmental funds. This is comprised of GASB 68 Pension Outflows. Deferred Outflows at June 30 was: | 2,874,062                    |
| Deferred Inflows are not due in the current period and therefore, are not reported as liabilities in the governmental funds. This is comprised of GASB 68 Pension Inflows. Deferred Inflows at June 30 was:           | (1,608,655)                  |
| Long-term liabilities are not due in the current period and therefore, are not reported as liabilities in the governmental funds.   | <u>(13,133,892)</u>          |
| Net Position  | <u><u>\$ (5,596,299)</u></u> |

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The accompanying notes are an integral part of these financial statements

**Scotts Valley Fire Protection District**  
**Statement of Activities**  
**For the Year-Ended**  
**June 30, 2020**

| 2020                                   |              |                           |                             |                                  |
|--|--------------|---------------------------|-----------------------------|----------------------------------|
|  |              | <u>Operating Revenues</u> |                             |                                  |
|  | Expenses     | Charges for<br>Services   | Grants and<br>Contributions | Excess of<br>Revenues/(Expenses) |
| <b><u>Governmental Activities</u></b>  |              |                           |                             |                                  |
| Public Protection                      | \$ 8,619,662 | \$ 300,759                | \$ -                        | \$ (8,318,903)                   |
| Depreciation (Unallocated)             | 228,930      | -                         | -                           | (228,930)                        |
| <b>Total Governmental Activities</b>   |              |                           |                             | <u>(8,547,833)</u>               |
| <b>General Revenues:</b>               |              |                           |                             |                                  |
| Tax Revenue                            |              |                           |                             | 7,592,264                        |
| Interest & Investment Earnings         |              |                           |                             | 38,060                           |
| License, Permits & Rents               |              |                           |                             | 18,170                           |
| Miscellaneous                          |              |                           |                             | 40,646                           |
| <b>Total General Revenues</b>          |              |                           |                             | <u>7,689,140</u>                 |
| <b>NET CHANGE IN NET POSITION</b>      |              |                           |                             | <u>(858,693)</u>                 |
| <b>NET POSITION, BEGINNING OF YEAR</b> |              |                           |                             | <u>(4,737,606)</u>               |
| <b>NET POSITION, END OF YEAR</b>       |              |                           |                             | <u><u>\$ (5,596,299)</u></u>     |

The accompanying notes are an integral part of these financial statements.

**SCOTT'S VALLEY FIRE PROTECTION DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

|   | <u>June 30, 2020</u> |
|---|----------------------|
| Net Change in Fund Balances - Total Governmental Funds  | <u>(1,025,702)</u>   |
| Amounts reported for governmental activities in the Statement of Activities are different as follows:   |                      |
| Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets are allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense during the year |                      |
| Current Year Capital Outlays  | 127,779              |
| Less: Current Year Depreciation Expense   | (228,930)            |
| In the Governmental Funds revenues are measured by the amount of financial resources received. In the Government-Wide Statement of Activities, revenues are measured by the amounts earned during the year  | -                    |
| In the Governmental Funds CalPers expenditures are measured by the amount of financial resources used, which is the amounts actually paid. In the Government-Wide Statement of Activities, CalPers expenditures are measured by the amounts expensed during the year                          | (1,113,122)          |
| In the Governmental Funds OPEB expenditures are measured by the amount of financial resources used, which is the amounts actually paid. In the Government-Wide Statement of Activities, OPEB expenditures are measured by the amounts expensed during the year                                | (304,065)            |
| In the Governmental Funds compensated absences (sick pay and vacation) are measured by the amount of financial resources used, which is the amounts actually paid. In the Government-Wide Statement of Activities, compensated absences are measured by the amounts earned during the year    | (40,796)             |
| Repayment of principle on long-term liabilities is an expenditure for Governmental funds, but the repayment reduces long-term liabilities on the Government-Wide Statement of Net Position. Principle payments made on long-term liabilities during the year consist of:                      | 1,726,143            |
| Change in Net Position of Governmental Activities   | <u>\$ (858,693)</u>  |

The accompanying notes are an integral part of these financial statements

**FIDUCIARY FUNDS FINANCIAL STATEMENTS**  
**SCHMIT**

**Scotts Valley Fire Protection District**

**Statement of Fiduciary Net Position**

**SCHMIT**

**June 30, 2020**

| <b><u>ASSETS</u></b>           | <b><u>2020</u></b> |
|--------------------------------|--------------------|
| <u>Current Assets:</u>         |                    |
| Cash                           | \$ 119,132         |
| Total Current Assets           | 119,132            |
| <u>Capital Assets:</u>         |                    |
| Firefighting Equipment         | 593,895            |
| Computer Equipment             | 948                |
| Less: Accumulated Depreciation | (496,512)          |
| Total Capital Assets           | 98,331             |
| <b>TOTAL ASSETS</b>            | <b>217,463</b>     |
| <b><u>LIABILITIES</u></b>      |                    |
| <u>Current Liabilities:</u>    |                    |
| Accounts Payable               | -                  |
| Total Current Liabilities      | -                  |
| <b>TOTAL LIABILITIES</b>       | <b>-</b>           |
| <b><u>NET POSITION</u></b>     |                    |
| SCHMIT Fund                    | 217,463            |
| <b>TOTAL NET POSITION</b>      | <b>\$ 217,463</b>  |

The accompanying notes are an integral part of these financial statements.

**Scotts Valley Fire Protection District**

**Statement of Activities & Change in Fiduciary Net Position - Fiduciary Funds  
SCHMIT  
For the Year Ended  
June 30, 2020**

|   | <b>2020</b>                  |
|---|------------------------------|
| <b><u>ADDITIONS</u></b>                       | <b><u>Fiduciary Fund</u></b> |
| Aid from other government agencies            | \$ 182,412                   |
| Use of Money and Property (Interest)          | <u>1,948</u>                 |
| <b>TOTAL ADDITIONS</b>                        | <u>184,360</u>               |
| <b><u>DEDUCTIONS</u></b>                      |                              |
| Depreciation                                  | 20,891                       |
| Services, Supplies and Refunds                | <u>117,417</u>               |
| <b>TOTAL DEDUCTIONS</b>                       | <u>138,308</u>               |
| <b><u>CHANGE IN NET POSITION</u></b>          | <u>46,052</u>                |
| <b><u>NET POSITION, BEGINNING OF YEAR</u></b> | <u>171,411</u>               |
| <b><u>NET POSITION, END OF YEAR</u></b>       | <u><u>\$ 217,463</u></u>     |

The accompanying notes are an integral part of these financial statements.

## **Scotts Valley Fire Protection District**

### **NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

#### **Organization**

The Scotts Valley Fire Protection District was organized July 17, 1956, under the authority of Section 56000 et. seq. of the California Government Code, in conformity with the Health and Safety Code, Sections 14001 et. seq. and was reorganized in September 1987 in conformity with the Health and Safety Code, Sections 13801 et. seq. The District provides fire protection for the City of Scotts Valley and vicinity.

The Special Fire Protection Zone A was organized December 22, 1969, in conformity with the Health and Safety Code, Sections 13991 et. seq. The boundaries of the fire zone fall totally within Scotts Valley Fire Protection District. By Resolution 2003-2 the funding derived from Zone A may be used for capital improvements, where a beneficial relationship to Zone A can be demonstrated as established during the annual budget hearings.

During the fiscal year ended June 30, 2002, the Santa Cruz Hazardous Materials Interagency Team (SCHMIT) was formed. The District has been appointed as the Program Manager for SCHMIT. As program manager, the District is acting as the fiscal agent. The District accounts for all receipts and disbursements for SCHMIT, a separate Fiduciary Fund of the District.

#### **Accounting Records**

The official accounting records of the District are maintained in the office of the Auditor-Controller of the County of Santa Cruz. Supporting documents are maintained by the District.

#### **Minutes**

Minutes were recorded for meetings and contained approvals for disbursements.

#### **Budgetary Procedure**

The District prepares a fiscal year budget in accordance with applicable laws and regulations.

#### **Note 1 - Significant Accounting Policies**

##### **Accounting Principles**

The financial statements of the Scotts Valley Fire Protection District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The most significant accounting policies of the District are described below.

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

The Budget of the District are organized on the basis of funds, or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures



## **Scotts Valley Fire Protection District**

### **NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

#### **Financial Statement Presentation**

##### **Government-Wide Financial Statements**

The District Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of Governmental and Business-Type Activities for the District accompanied by a total column.

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the District’s assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the District are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

The District's governmental-wide fund balance is classified in the following categories:

Net Investment in Capital Assets - Includes amount of the fund balance that is invested in capital assets net of any related debt.

Restricted - Includes amounts that can be spent only for the specific purposes stipulated by a formal action of the government's highest level of decision-making authority, external resource providers, constitutionally, or through enabling legislation.

Unrestricted - Includes amounts that are technically available for any purpose and includes all amounts not contained in other classifications.

##### **Fund Financial Statements**

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide financial statements. The District has presented all major funds that met those qualifications.

## **Scotts Valley Fire Protection District**

### **NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the District, are property tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Nonspendable - Includes amounts that are not in a spendable form or are required to be maintained intact.

Restricted - Includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation.

Committed - Includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government take the same formal action that imposed the constraint originally.

Assigned - Includes amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates authority.

Unassigned - Includes amounts that are technically available for any purpose and includes all amounts not contained in other classifications.

#### **Fiduciary Fund Financial Statements**

The District entered into an arrangement whereby the District reports resources held and administered by the District in a fiduciary capacity for the Santa Cruz Hazardous Materials Interagency Team (SCHMIT). Per definition, the resources held under this agreement are not available to support the District's own programs. Fiduciary Fund financial statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position.

The basic financial statements are presented on an economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the Fiduciary Fund's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period the liability is incurred.

## **Scotts Valley Fire Protection District**

### **NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

#### **Use of Restricted/Unrestricted Net Position**

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District's policy is to apply restricted net position first.

#### **Budgets and Budgetary Accounting**

The District prepares a fiscal year budget in accordance with applicable laws and regulations.

#### **Pooled Cash and Investments**

The County sponsors an investment pool that is managed by the County Treasurer for the purpose of increasing interest earnings through investment activities. Cash and investments for most County activities are included in the investment pool. Interest earned on the investment pool is distributed to the participating funds monthly using a formula based on the average daily balance of each fund.

The California Government Code requires California banks and savings and loan associations to secure the County's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such a collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the County's name.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments were stated at cost, as the fair market value adjustment at the yearend was immaterial.

#### **Accounts Receivable**

On an accrual basis, revenues are recognized in the fiscal year in which the services are rendered. The District has not established an allowance for uncollectable receivables for Governmental or Grant Funds since prior experience has shown that uncollectable receivables are not significant.

#### **Prepaid Expenditures**

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures in the period benefited.

#### **Capital Assets**

Capital assets, which include land, buildings, improvements, and equipment are reported in the Government-Wide financial statements. Capital Assets are recorded at historical cost or estimated historical cost, if actual cost is not available. Donated assets are valued at their estimated fair value on the date donated. The District had set capitalization thresholds for reporting capital assets at the following:

|              |  |
|--------------|--|
| Structures   | \$3,000  |
| Equipment    | 5,000  |
| Improvements | 5,000 or 20% of cost of existing asset (lesser of) |

## **Scotts Valley Fire Protection District**

### **NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Depreciation is recorded on the straight-line method (with no depreciation applied to the first year of acquisition) over the useful lives of the assets as follows:

|                          |             |
|--------------------------|-------------|
| Station and Improvements | 15-40 years |
| Equipment                | 3-40 years  |
| Mobile Equipment         | 10-20 years |

#### **Inventory, Materials, and Supplies**

The inventory on hand at any time is small. Accordingly, purchases are charges directly to fixed assets or to maintenance costs, as applicable.

#### **Liability for Compensated Absences**

The District is required to recognize a liability for employees' rights to receive compensation for future absences. All vacation and vested sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

#### **District Special Expense**

Because fire hose couplings and nozzles are peculiar to fire districts, the manual of the State Controller provides that purchases of such items be charged to the expense account "District Special Expense".

#### **Unrealized Gains and Losses**

Governmental Accounting Standards Board (GASB) has established GASB-31 which requires public agencies to report the financial effect of all unrealized gains and losses on invested funds. As of June 30, 2020 the unrealized gains for Scotts Valley Fire Protection District were not considered to be material to the financial statements taken as a whole, and accordingly, has not been reflected in the financial statements.

#### **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred outflow/inflows of resources, represents an acquisition/disposition of net position that applies to future period(s) and will not be recognized as an outflow/inflow of resources until that time.

#### **Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position

#### **Property Taxes**

The County of Santa Cruz assesses properties, bills, and collects property taxes for the District. Assessed values are determined annually by the County Assessor as of March 1, and become a lien on real property as of that date. Taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively. The County bills and collects property taxes and remits them to the District

## **Scotts Valley Fire Protection District**

### **NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

under the state authorized method of apportioning taxes whereby all local agencies, including special districts, receive for the County their respective shares of the amount of ad valorem taxes collected.

#### **Estimates**

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

#### **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) plans (Plans) 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.

#### **Note 2 – Cash**

##### **Summary of Cash**

|             | <u>June 30, 2020</u> | <u>June 30, 2019</u> |
|-------------|----------------------|----------------------|
| County Cash | \$ 2,809,616         | \$ 3,962,293         |
| Petty Cash  | 100                  | 100                  |
| Total       | <u>\$ 2,809,716</u>  | <u>\$ 3,962,393</u>  |

Investment Policy: California statutes authorize districts to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The District does not have an investment policy that addresses its interest rate risk, credit risk, and concentration of credit risk.

Investment in the County of Santa Cruz's Investment Pool: The District maintains its cash in County of Santa Cruz's cash and investment pool which is managed by the Santa Cruz County Treasurer. The District's cash balances invested in the Santa Cruz County Treasurer's cash and investment pool are stated at amortized cost, which approximates fair value. Santa Cruz County does not invest in any derivative financial products. The Santa Cruz County Treasury Investment Oversight Committee (Committee) has oversight responsibility for Santa Cruz County's cash and investment pool. The value of pool shares in Santa Cruz County that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the District's position in the pool. Investments held in the County's investment pool are available on demand to the District and are stated at cost, which approximates fair value. This investment is not subject to categorization under GASB No. 3.

## **Scotts Valley Fire Protection District**

### **NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Interest Rate Risk:** Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2020, the weighted average maturity of the investments contained in the County's investment pool was approximately 614 days.

**Credit Risk:** Generally, 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 issued by a nationally recognized statistical rating organization. The County's investment pool does not have a rating provided by a nationally recognized statistical rating organization.

**Custodial Risk:** Custodial risk is the risk that the government will not be able to recover its deposits or the value of its investments that are in the possession of an outside party. Custodial credit risk does not apply to a local government's indirect deposits or investment in securities through the use of government investment pools (such as the County's investment pool).

**Custodial Credit Risk:** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The District's deposits were covered by FDIC insurance at June 30, 2020.

#### **Note 3 –Accounts Receivable**

On June 30, 2020, the District had \$0 in Accounts Receivable.

#### **Note 4 – Capital Assets**

The District believes that sufficient detail of Capital assets balances is provided in the financial statements to avoid obscuring of significant components by aggregation

#### **Note 5 – Compensated Absences**

On June 30, 2020, the liability for compensated absences was \$285,930.

#### **Note 6 - Changes in Long-term debt**

A summary of long-term debt transactions of Scotts Valley Fire Protection District for the year ended June 30, 2020 is as follows:

**Scotts Valley Fire Protection District**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

|   | Balance July<br>1, 2019 | Reductions/<br>Additions | Reductions/<br>Additions | Balance June<br>30, 2020 |
|---|-------------------------|--------------------------|--------------------------|--------------------------|
| Accumulated Unpaid Compensated Absences       | \$ 245,134              | \$ 40,796                | \$ -                     | \$ 285,930               |
| Net Other Post Employment Benefits Obligation | \$ 2,308,483            | \$ -                     | \$ 439,893               | \$ 1,868,590             |
| CalPERs Side Fund Liability Payment           |                         |                          |                          |                          |
| Long-Term Debt                                | \$ 1,726,144            | \$ -                     | \$ 1,726,144             | \$ -                     |

Long-Term Debt Notes Payable consists of the following items as of June 30, 2020:

The District paid off the note to Santa Cruz Bank during the current fiscal year.

|   | 2019         | 2020 |
|---|--------------|------|
| Santa Cruz County Bank funded fiscal year June 30, 2011, semi-annual payments of \$148,307, including interest at 5.798% per annum. Initial payment due June 15, 2011, final payment due December 15, 2025. | \$ 1,726,144 | \$ - |
|   | \$ 1,726,144 | \$ - |

**Note 7 - Public Employees' retirement Plan:**

**Plan Description**

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (the Plan), administered by the California Public Employees' Retirement System (CalPERS). The Plan's benefit provisions are established by statute. The Plan is included as a pension trust fund in the CalPERS Comprehensive Annual Financial Report, which is available online at [www.calpers.ca.gov](http://www.calpers.ca.gov).

The Plan consists of a miscellaneous pool and a safety pool (referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively, including those of the Scotts Valley Fire Protection District. The Scotts Valley Fire Protection District's employer rate plans in the miscellaneous risk pool include the Miscellaneous plan (Miscellaneous) and the PEPR Miscellaneou plan (PEPRA Misc.). The Scotts Valley Fire Protection District's employer rate plans in the safety risk pool include the Safety plan (Safety) and the PEPRA Safety Fire plan (PEPRA Fire).

**Benefits Provided**

The Plan 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. Classic members and PEPRA Safety

**Scotts Valley Fire Protection District**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. PEPRAs Miscellaneous members with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The death benefit is the Basic Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. The Plans' provisions and benefits in effect at June 30, 2019, are summarized as follows:

**Employer Rate Plans in the Miscellaneous Risk Pool**

| Employer rate plan                                    | Miscellaneous                | PEPRA Misc.                     |
|---|------------------------------|---------------------------------|
|   | Prior to January<br>01, 2013 | On or after<br>January 01, 2013 |
| Hire Date   |                              |                                 |
| Benefit formula                                       | 2.0% @ 55                    | 2.0% @ 62                       |
| Benefit vesting schedule                              | 5 years of service           | 5 years of service              |
| Benefit payments                                      | Monthly for life             | Monthly for life                |
| Retirement age  | 50                           | 52                              |
| Monthly benefits, as of % of<br>eligible compensation | 1.426% to 2.418%             | 1.0% to 2.5%                    |



## **Scotts Valley Fire Protection District**

### **NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020 Employer Rate Plans in the Safety Risk Pool**

| Employer rate plan                                 | Safety                    | PEPRA Fire                   |
|--|---------------------------|------------------------------|
|  | Prior to January 01, 2013 | On or after January 01, 2013 |
| Hire Date  |                           |                              |
| Benefit formula                                    | 3.0% @ 55                 | 2.7% @ 57                    |
| Benefit vesting schedule                           | 5 years of service        | 5 years of service           |
| Benefit payments                                   | Monthly for life          | Monthly for life             |
| Retirement age                                     | 50                        | 50                           |
| Monthly benefits, as of % of eligible compensation | 2.4% to 3.0%              | 2.0% to 2.7%                 |

### **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 CalPERS actuary and shall be effective on the July 1 following notice of a change in the rate. Contribution rates for the employer rate plans are determined through the CalPERS' annual actuarial valuation process. Each employer rate plan's actuarially determined rate is based on the estimated amount necessary to pay the employer rate plan's allocated share of the cost of benefits earned by employees during the year, and any unfunded accrued liability. The Scotts Valley Fire Protection District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

### **Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

The Scotts Valley Fire Protection District's net pension liability for each risk pool is measured as the proportionate share of each risk pool's net pension liability. GASB 68 indicates that to the extent different contribution rates are assessed based on separate relationships that constitute the collective net pension liability, the determination of the employer's proportionate share of the collective net pension liability should be made in a manner that reflects those relationships. The allocation method used by CalPERS to determine each employer's proportionate share reflects those relationships through the employer rate plans they sponsor within the respective risk pools. An actuarial measurement of the employer's rate plan liability and asset-related information are used where available, and proportional allocations of individual employer rate plan amounts as of the valuation date are used where not available.

In determining an employer's proportionate share, the employer rate plans included in the Plan were assigned to either the Miscellaneous or Safety risk pool. Estimates of the total pension liability and the fiduciary net position were first determined for the individual rate plans and each risk pool as of the valuation date, June 30, 2016. Each employer rate plan's fiduciary net position was subtracted from its

## Scotts Valley Fire Protection District

### **NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

total pension liability to obtain its net pension liability as of the valuation date. The Scotts Valley Fire Protection District's proportionate share percentage for each risk pool at the valuation date was calculated by dividing the Scotts Valley Fire Protection District's net pension liability for each of its employer rate plans within each risk pool by the net pension liability of the respective risk pool as of the valuation date.

The Scotts Valley Fire Protection District's proportionate share of the net pension liability as of June 30, 2019, the measurement date, was calculated as follows:

Each risk pool's total pension liability was computed at the measurement date, June 30, 2019, by applying standard actuarial roll-forward methods to the total pension liability amounts as of the valuation date. The fiduciary net position for each risk pool at the measurement date was determined by CalPERS' Financial Office. The net pension liability for each risk pool at June 30, 2018, was computed by subtracting the respective risk pool's fiduciary net position from its total pension liability.

The individual employer risk pool's proportionate share percentage of the total pension liability and fiduciary net position as of June 30, 2019, was calculated by applying Scotts Valley Fire Protection District's proportionate share percentage as of the valuation date (described above) to the respective risk pool's total pension liability and fiduciary net position as of June 30, 2019, to obtain the total pension liability and fiduciary net position as of June 30, 2019. The fiduciary net position was then subtracted from total pension liability to obtain the net pension liability as of the measurement date.

Ending Balances - Net Pension Liability & Deferred Outflows/Deferred Inflows of Resources Related to Pensions - 6/30/2020 Reporting Date:

|  | Deferred Outflows of<br>Resources | Deferred Inflows of<br>Resources |
|--|-----------------------------------|----------------------------------|
| Changes of Assumptions   | 371,198                           | -                                |
| Differences between Expected and Actual Experience                                       | 735,281                           | -                                |
| Differences between Projected and Actual Investment Earnings                             | -                                 | 155,713                          |
| Differences between Employer's Contributions and<br>Proportionate Share of Contributions | -                                 | 549,132                          |
| Change in Employer's Proportion  | 416,893                           | -                                |
| Pension Contributions Made Subsequent to Measurement Date                                | 1,233,904                         | -                                |
|  | <u>2,757,276</u>                  | <u>704,844</u>                   |
| Net Pension Liability as of 6/30/2020  | <u>11,265,302</u>                 |                                  |

**NOTE:** Detailed breakdown of ending balances by Miscellaneous vs Safety can be found in the [Jul 2019-Jun 2020 JE Flow](#) worksheet

## Scotts Valley Fire Protection District

### NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

At 6/30/2020, proportionate shares of Net Pension Liability/(Asset) by plan(s):

|               | Proportionate Share of<br>Net Pension<br>Liability/(Asset) |
|---------------|--|
| Miscellaneous | 198,412  |
| Safety        | 11,066,890   |
| <b>Total</b>  | <b>11,265,302</b>  |

Proportionate share of the Net Pension Liability/(Asset) for the Plan as of 6/30/2019 and 6/30/2020:

|                              | Miscellaneous | Safety   | Total    |
|------------------------------|---------------|----------|----------|
| Proportion - June 30, 2019   | 0.00485%      | 0.17262% | 0.10700% |
| Proportion - June 30, 2020   | 0.00495%      | 0.17728% | 0.10994% |
| Change - Increase/(Decrease) | 0.00011%      | 0.00466% | 0.00293% |

**Note:** Due to the nature of calculating proportionate share of the Net Pension Liability/(asset), total proportion for all employer plans will not equal the sum of the miscellaneous proportion % and the safety proportion %

Other deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Fiscal Year Ending June 30: | Miscellaneous  | Safety         | Total             |
|-----------------------------|----------------|----------------|-------------------|
| 2021                        | \$ 249,749     | \$ 497,379     | \$ 747,128        |
| 2022                        | 189,468        | (238,957)      | (49,489)          |
| 2023                        | 2,677          | 87,888         | 90,565            |
| 2024                        | 701            | 29,622         | 30,323            |
| 2025                        | -              | -              | -                 |
| Thereafter                  | -              | -              | -                 |
|                             | <u>442,595</u> | <u>375,932</u> | <u>\$ 818,527</u> |

Sensitivity of the Proportionate Share of the Net Pension Liability/(Asset) to Changes in the Discount Rate:

|   | Discount Rate -1%<br>6.15% | Current Discount Rate<br>7.15% | Discount Rate +1%<br>8.15% |
|---|----------------------------|--------------------------------|----------------------------|
| Employer's Net Pension Liability/(Asset) - <b>Miscellaneous</b> | 315,730                    | 198,412                        | 101,574                    |
| Employer's Net Pension Liability/(Asset) - <b>Safety</b>        | 17,110,126                 | 11,066,890                     | 6,112,383                  |
| Employer's Net Pension Liability/(Asset) - <b>Total</b>         | 17,425,856                 | 11,265,302                     | 6,213,958                  |

## Actuarial Assumptions

The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

## Scotts Valley Fire Protection District

### **NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

#### *Actuarial Methods and Assumptions*

The collective total pension liability for the June 30, 2019 measurement period was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. The collective total pension liability was based on the following assumptions:

|                                   |  |
|-----------------------------------|--|
| Investment rate of return         | 7.15%  |
| Inflation                         | 2.50%  |
| Salary increases                  | Varies by Entry Age and Service                        |
| Mortality rate table <sup>1</sup> | Derived using CalPERS' Membership Data for all Funds   |
|                                   | Contract COLA up to 2.50% until Purchasing Power       |
| Post-retirement benefit increase  | Protection Allowance Floor on Purchasing Power applies |

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

## **Discount Rate**

The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested employer rate plans within the Plan that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested employer rate plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report, *GASB Statements 67 and 68 Crossover Testing Report for Measurement Date June 30, 2018 based on June 30, 2017 Valuations*, that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. For the CalPERS Plan, the 7.15% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

In the December 2016 and April 2017 meetings, the CalPERS Board voted to lower the funding discount rates used for the PERF. In making its decision, the CalPERS Board reviewed recommendations from CalPERS team members, external pension and investment consultants, and input from employer and employee stakeholder groups. A lowered funding discount rate for the PERF will be phased in over a three-year period beginning July 1, 2018 for public agencies and school districts.

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

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. Such cash flows

**Scotts Valley Fire Protection District**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 11 years) and the long-term (60 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 the Plan. The expected rate of return was set by calculating the 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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 geometric rates of return are net of administrative expenses.

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

| <i>Asset class<sup>1</sup></i> | Assumed Asset<br>Allocation | Real Return<br>Years 1 - 10 <sup>2</sup> | Real Return<br>Years 11 + <sup>3</sup> |
|--------------------------------|-----------------------------|--|--|
| Global equity                  | 50.00%                      | 4.80%                                    | 5.98%                                  |
| Fixed income                   | 28.00                       | 1.00                                     | 2.62                                   |
| Inflation assets               | -                           | 0.77                                     | 1.81                                   |
| Private equity                 | 8.00                        | 6.30                                     | 7.23                                   |
| Real assets                    | 13.00                       | 3.75                                     | 4.93                                   |
| Liquidity                      | 1.00                        | -  | (0.92)                                 |

**Scotts Valley Fire Protection District**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**SCHEDULE OF THE SCOTTS VALLEY FIRE PROTECTION DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY**

As of June 30, 2018

**LAST TEN YEARS\***

|   |               |               |               |               |               |
|---|---------------|---------------|---------------|---------------|---------------|
| <b><u>SAFETY</u></b>  | <b>2020</b>   | <b>2019</b>   | <b>2018</b>   | <b>2017</b>   | <b>2016</b>   |
| Proportion of the net pension liability   | 0.177280%     | 0.172620%     | 0.100686%     | 0.100810%     | 0.095210%     |
| Proportionate share of the net pension liability                                    | \$ 11,066,890 | \$ 10,128,398 | \$ 9,985,259  | \$ 8,723,472  | \$ 6,535,150  |
| Covered - employee payroll - measurement period                                     | \$ 3,123,389  | \$ 3,089,191  | \$ 3,018,958  | \$ 2,999,215  | \$ 2,844,227  |
| Proportionate share of the net pension liability as a percentage of covered payroll | 354.32%       | 327.87%       | 330.75%       | 290.86%       | 229.77%       |
| Plan fiduciary net position as a percentage of the total pension liability          | 74.95%        | 75.47%        | 74.70%        | 75.36%        | 80.72%        |
|   | <b>2019</b>   | <b>2019</b>   | <b>2018</b>   | <b>2017</b>   | <b>2016</b>   |
| Contractually required contribution (actuarially determined)                        | \$ 1,202,912  | \$ 1,020,979  | \$ 923,886    | \$ 851,899    | \$ 726,938    |
| Contributions in relation to the actuarially determined contributions               | 1,202,912     | 1,020,979     | 923,886       | 851,899       | 726,938       |
| Contribution deficiency (excess)  | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          |
| Covered - employee payroll - fiscal year  | \$ 3,280,294  | \$ 3,123,389  | \$ 3,089,191  | \$ 3,018,958  | \$ 2,999,215  |
| Contributions as a percentage of covered - employee payroll                         | 36.67%        | 32.69%        | 29.91%        | 28.22%        | 24.24%        |
| Notes to Schedule:  |               |               |               |               |               |
| Valuation date:   | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 |
| <b><u>Misc.</u></b>   | <b>2020</b>   | <b>2019</b>   | <b>2018</b>   | <b>2017</b>   | <b>2016</b>   |
| Proportion of the net pension liability   | 0.004950%     | 0.004850%     | 0.004620%     | 0.004600%     | 0.004611%     |
| Proportionate share of the net pension liability                                    | \$ 198,412    | \$ 182,742    | \$ 188,159    | \$ 161,983    | \$ 123,372    |
| Covered - employee payroll - measurement period                                     | \$ 148,089    | \$ 171,988    | \$ 138,063    | \$ 107,963    | \$ 99,863     |
| Proportionate share of the net pension liability as a percentage of covered payroll | 133.98%       | 106.25%       | 136.28%       | 150.04%       | 123.54%       |
| Plan fiduciary net position as a percentage of the total pension liability          | 77.25%        | 76.69%        | 74.57%        | 75.54%        | 79.75%        |
|   | <b>2019</b>   | <b>2019</b>   | <b>2018</b>   | <b>2017</b>   | <b>2016</b>   |
| Contractually required contribution (actuarially determined)                        | \$ 30,992     | \$ 29,320     | \$ 19,103     | \$ 16,335     | \$ 13,592     |
| Contributions in relation to the actuarially determined contributions               | 30,992        | 29,320        | 19,103        | 16,335        | 13,592        |
| Contribution deficiency (excess)  | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          |
| Covered - employee payroll - fiscal year  | \$ 154,013    | \$ 148,089    | \$ 171,988    | \$ 138,063    | \$ 107,963    |
| Contributions as a percentage of covered - employee payroll                         | 20.12%        | 19.80%        | 11.11%        | 11.83%        | 12.59%        |
| Notes to Schedule:  |               |               |               |               |               |
| Valuation date:   | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 |

**Notes to Schedule:**

Changes of benefit terms – There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specified time period (a.k.a. Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amounts to be separately financed employer-specific liabilities. These employers should consult with their auditors.

**Scotts Valley Fire Protection District**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Changes in assumptions – In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

**Note 8 – Post Retirement Benefits:**

In addition to the pension benefits described in Note 6, Employees' Retirement Plan, the District provides medical insurance to some retired employees. The scope of the benefits provided depends on the memorandum of understanding between the District and the various employee groups.

**Plan Description**

The District provides contributions for post retirement health, dental, and life to some retired employees. The scope of the benefits provided depends on the memorandum of understanding between the District and the various employees.

**Current Accounting and Funding Policy of the Plan**

The District had previously financed the plan on a pay-as-you-go basis and the expenditures for post-retirement benefits other than pension benefits are recognized as payments are made. During the year ended June 30, 2020, expenditures of approximately \$70,605 were paid for post-employment benefits other than pension benefit. During the fiscal-year the District setup a trust to pay for OPEB benefits.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events in the future. The actuarial assumptions included (a) Demographic assumptions affected by mortality, turnover, disability, and retirement based on the June 30, 2017 valuation.

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern on sharing benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective on the calculations.

**Scotts Valley Fire Protection District**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**APPENDIX C: GASB 74/75 ACCOUNTING ENTRIES AND DISCLOSURES**

This report does not necessarily include the entire accounting values. As mentioned earlier, there are certain deferred items that are employer-specific. The District should consult with its auditor if there are any questions about what, if any, adjustments may be appropriate.

GASB 74/75 include a large number of items that should be included in the Note Disclosures and Required Supplementary Information (RSI) Schedules. Many of these items are outside the scope of the actuarial valuation. However, following is information to assist the District in complying with GASB 74/75 disclosure requirements:

**Paragraph 50:**                      **Information about the OPEB Plan**

Most of the information about the OPEB plan should be supplied by Scotts Valley Fire Protection District. Following is information to help fulfill Paragraph 50 reporting requirements.

50.c: Following is a table of plan participants

|  | Number of<br>Participants |
|--|---------------------------|
| Inactive Employees Currently Receiving Benefit Payments                | 12                        |
| Inactive Employees Entitled to But Not Yet Receiving Benefit Payments* | 0                         |
| Participating Active Employees   | <u>29</u>                 |
| Total Number of participants   | 41                        |

\*We were not provided with information about any terminated, vested employees

**Paragraph 51:**                      **Significant Assumptions and Other Inputs**

Shown in Appendix C.

**Paragraph 52:**                      **Information Related to Assumptions and Other Inputs**

The following information is intended to assist Scotts Valley Fire Protection District in complying with the requirements of Paragraph 52.

52.b: Mortality Assumptions Following are the tables the mortality assumptions are based upon. Inasmuch as these tables are based on appropriate populations, and that these tables are used for pension purposes, we believe these tables to be the most appropriate for the valuation.

|                 |  |
|-----------------|--|
| Mortality Table | 2017 CalPERS Mortality for Miscellaneous and Schools Employees   |
| Disclosure      | The mortality assumptions are based on the 2017 CalPERS Mortality for Miscellaneous and Schools Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis. |



**Scotts Valley Fire Protection District**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

|                 |  |
|-----------------|--|
| Mortality Table | 2017 CalPERS Retiree Mortality for All Employees   |
| Disclosure      | The mortality assumptions are based on the 2017 CalPERS Retiree Mortality for All Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis. |
| Mortality Table | 2017 CalPERS Mortality for Safety Employees  |
| Disclosure      | The mortality assumptions are based on the 2017 CalPERS Mortality for Safety Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.      |

52.c: Experience Studies Following are the tables the retirement and turnover assumptions are based upon. Inasmuch as these tables are based on appropriate populations, and that these tables are used for pension purposes, we believe these tables to be the most appropriate for the valuation.

Retirement Tables

|                  |  |
|------------------|--|
| Retirement Table | 2017 CalPERS 2.0%@55 Rates for Miscellaneous Employees   |
| Disclosure       | The retirement assumptions are based on the 2017 CalPERS 2.0%@55 Rates for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool. |

|                  |  |
|------------------|--|
| Retirement Table | 2017 CalPERS 2.0%@62 Rates for Miscellaneous Employees   |
| Disclosure       | The retirement assumptions are based on the 2017 CalPERS 2.0%@62 Rates for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool. |

|                  |   |
|------------------|---|
| Retirement Table | 2017 CalPERS 2.7%@57 Rates for Fire Employees   |
| Disclosure       | The retirement assumptions are based on the 2017 CalPERS 2.7%@57 Rates for Fire Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool. |

|                  |   |
|------------------|---|
| Retirement Table | 2017 CalPERS 3.0%@55 Rates for Fire Employees   |
| Disclosure       | The retirement assumptions are based on the 2017 CalPERS 3.0%@55 Rates for Fire Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool. |

**Scotts Valley Fire Protection District**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Turnover Tables

|                |  |
|----------------|--|
| Turnover Table | 2017 CalPERS Turnover for Fire Employees   |
| Disclosure     | The turnover assumptions are based on the 2017 CalPERS Turnover for Fire Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool. |

|                |   |
|----------------|---|
| Turnover Table | 2017 CalPERS Turnover for Miscellaneous Employees   |
| Disclosure     | The turnover assumptions are based on the 2017 CalPERS Turnover for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool. |

For other assumptions, we use actual plan provisions and plan data.

52.d: The alternative measurement method was not used in this valuation.

52.e: NOL using alternative trend assumptions The following table shows the Net OPEB Liability with a healthcare cost trend rate 1% higher and 1% lower than assumed in the valuation.

|                    |                |                 |                 |
|--------------------|----------------|-----------------|-----------------|
|                    | Trend 1% Lower | Valuation Trend | Trend 1% Higher |
| Net OPEB Liability | \$1,705,625    | \$1,868,590     | \$2,067,466     |

## Scotts Valley Fire Protection District

### NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Scotts Valley Fire Protection District uses an Actuarial Measurement Date that is the same as its Fiscal Year-End. This means that these actuarial results measured as of June 30, 2020 will be used directly for the June 30, 2020 Fiscal Year-End.

| Key Results  | Current Year<br><i>June 30, 2020 Measurement Date<br/>for June 30, 2020 Fiscal Year-End</i> | Prior Year<br><i>June 30, 2019 Measurement Date<br/>for June 30, 2019 Fiscal Year-End</i> |
|--|---|---|
| Total OPEB Liability (TOL)                               | \$1,868,590   | \$2,360,718   |
| Fiduciary Net Position (FNP)                             | \$0   | \$0   |
| Net OPEB Liability (NOL)                                 | \$1,868,590   | \$2,360,718   |
| Service Cost <i>(for year following)</i>                 | \$43,451  | \$55,518  |
| Estimated Pay-as-you-go Cost <i>(for year following)</i> | \$81,308  | \$70,605  |
| GASB 75 OPEB Expense <i>(for year ending)</i>            | \$434,935   | \$144,281   |

Refer to results section beginning on page 10 or the glossary on page 28 for descriptions of the above items.

| Key Assumptions                   | Current Year<br><i>June 30, 2020 Measurement Date<br/>for June 30, 2020 Fiscal Year-End</i> | Prior Year<br><i>June 30, 2019 Measurement Date<br/>for June 30, 2019 Fiscal Year-End</i> |
|-----------------------------------|---|---|
| Valuation Interest Rate           | 6.50%   | 3.50%   |
| Expected Rate of Return on Assets | 6.50%   | N/A   |
| Long-Term Medical Trend Rate      | 4.00%   | 4.00%   |
| Projected Payroll Growth          | 2.75%   | 2.75%   |

1

The following table shows the reconciliation of the June 30, 2019 Net OPEB Liability (NOL) in the prior valuation to the June 30, 2020 NOL. A more detailed version of this table can be found on page 12.

|   | TOL                | FNP        | NOL                |
|---|--------------------|------------|--------------------|
| <b>Balance at June 30, 2019 Measurement Date</b>        | <b>\$2,360,718</b> | <b>\$0</b> | <b>\$2,360,718</b> |
| Service Cost  | \$55,518           | \$0        | \$55,518           |
| Interest on TOL / Return on FNP                         | \$82,361           | \$0        | \$82,361           |
| Employer Contributions                                  | \$0                | \$70,605   | (\$70,605)         |
| Benefit Payments  | (\$70,605)         | (\$70,605) | \$0                |
| Administrative Expenses                                 | \$0                | \$0        | \$0                |
| Experience (Gains)/Losses                               | (\$138,395)        | \$0        | (\$138,395)        |
| Changes in Assumptions                                  | (\$804,700)        | \$0        | (\$804,700)        |
| Change in Benefit Terms                                 | \$383,693          | \$0        | \$383,693          |
| Net Change during 2019-20                               | (\$492,128)        | \$0        | (\$492,128)        |
| <b>Actual Balance at June 30, 2020 Measurement Date</b> | <b>\$1,868,590</b> | <b>\$0</b> | <b>\$1,868,590</b> |

## **Scotts Valley Fire Protection District**

### **NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Changes in the NOL arising from certain sources are recognized on a deferred basis. The following tables show the balance of each deferral item as of the measurement date and the scheduled future recognition. A reconciliation of these balances can be found on page 12 while the complete deferral history is shown beginning on page 25.

| <b>Balances at June 30, 2020 Fiscal Year-End</b>          | <i>Deferred Outflows</i> | <i>Deferred Inflows</i> |
|---|--------------------------|-------------------------|
| Differences between expected and actual experience        | \$47,265                 | (\$124,127)             |
| Changes in assumptions                                    | \$71,521                 | (\$779,683)             |
| Differences between projected and actual return on assets | \$0                      | \$0                     |
| <b>Total</b>  | <b>\$118,786</b>         | <b>(\$903,810)</b>      |

| <b>To be recognized fiscal year ending June 30:</b> | <i>Deferred Outflows</i> | <i>Deferred Inflows</i> |
|---|--------------------------|-------------------------|
| 2021  | \$23,759                 | (\$110,396)             |
| 2022  | \$23,759                 | (\$110,396)             |
| 2023  | \$23,759                 | (\$110,396)             |
| 2024  | \$23,759                 | (\$110,396)             |
| 2025  | \$23,750                 | (\$102,493)             |
| Thereafter  | \$0                      | (\$359,733)             |
| <b>Total</b>  | <b>\$118,786</b>         | <b>(\$903,810)</b>      |

#### **Note 9 – Risk Management**

The District is a member of the Santa Cruz County Fire Agencies Insurance Group (the "Group"). In a board meeting on June 19, 2002, the Group approved the return of its self-insurance certificates to the State and to accept a proposal from California Public Entity Insurance Authority (CPEIA) and joint powers authority for both primary and excess workers' compensation coverage. In a resolution dated September 20, 2007 the Santa Cruz Fire Agencies Insurance Group's Board of Directors opted to terminate the CPEA joint power agreement and merge into the CSAC Excess Insurance Authority (CSAC-EIA) Joint Power Agreement. This change was predicated on the decision of CSAC-EIA to restructure their bylaws and JPA agreements, discontinuing the operation of CPEIA member granted automatic approval of inclusion into both the Primary and Excess EIA workers' compensation programs beginning with the July 1, 2007 policy renewals. The relationship between the Group and CSAC-EIA ("the JPA") is such that CSAC-EIA is not a component unit of the Group for reporting purposes.

CSAC-EIA is a joint powers agency (JPA) formed pursuant to Section 6500 et seq. of the California Government Code. Members are assessed a contribution for each program in which they participate. Members may be subject to additional supplemental assessments if it is determined that the contributions are insufficient. Members may withdraw from the CSAC-EIA only at the end of a policy period and only if a sixty day written advance note is given. However, CSAC-EIA may cancel a membership at any time upon a two-thirds vote of the Board of Directors and with sixty days written notice. Upon withdrawal or cancellation, a member shall remain liable for additional assessments for the program periods they have participated. CSAC-EIA is governed by a board of directors. The Board controls the operations of CSAC-EIA including adopting and annual budget.

Primary Workers' Compensation - The Primary Workers' Compensation program is a full service program including claims administration. The program blends pooling of workers' compensation claims with purchased stop loss insurance.

**Scotts Valley Fire Protection District**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Excess Workers' Compensation - CSAC retains responsibility for payment of claims in excess of \$125,000 for each member who also participates in the primary workers' compensation program. Claim liabilities are recognized based on the actuarial estimate of expected ultimate claim cost discounted at 6%.

Property and Liability Insurance coverage as of June 30, 2020 is as follows:

| <u>Property</u>   | <u>Deductible</u> | <u>Limits</u>   |
|---|-------------------|---|
| Real Property, Including Code Upgrade and On-site Equipment Breakdown   | \$1,000           | Guaranteed Replacement Cost Included                    |
| Building Contents and Personal Property   | \$1,000           |   |
| Building and Contents Sublime, Earthquake and Flood   | \$1,000           | \$1,000,000 Each loss and each location                 |
| Electronic Data Processing  |                   |   |
| Business - Personal Property Included   | \$500             | \$250,000   |
| Equipment   | \$500             | \$250,000   |
| Software  | \$500             | \$250,000   |
| <u>Emergency Services</u>   | <u>Deductible</u> | <u>Limits</u>   |
| Commandeered and Impounded Property   |                   | Larger of Actual Value or Liability                     |
| Scheduled Equipment Floater:  | \$250             | Guaranteed Replacement Cost (Unlimited)                 |
| Miscellaneous Portable Equipment  |                   | \$250,000   |
| Public Employee Dishonesty/Fidelity Bond  |                   | \$1,000,000   |
| Employee Benefits Liability   |                   | Agreed Value or ACV                                     |
| Automobile Comprehensive  | \$250/1,000       | Agreed Value or ACV                                     |
| Automobile Collision  | \$250/1,000       |   |
| <u>Liability</u>  |                   |   |
| Commercial/General Liability Each Occurrence  |                   | \$1,000,000   |
| General Aggregate Limit   |                   | \$10,000,000  |
| <u>Automobile Coverage -</u>  |                   |   |
| Combined Single Limit   |                   | \$1,000,000   |
| Uninsured/Underinsured Motorists  |                   | \$1,000,000   |
| <u>Excess Liability Coverage -</u>  |                   |   |
| Operation, Aggregate, Automobile and Public Offices Errors and Omissions, Occurrence  |                   | \$5,000,000 Each Occurrence<br>\$10,000,000 Aggregate   |
| Public Officials Errors and Omissions/Management Liability including Emergency Services Liability - Occurrence, Aggregate - Primary |                   | \$1,000,000 Each Wrongful Act<br>\$10,000,000 Aggregate |
| Medical Expense (Any one person)  |                   | \$5,000   |
| Valuable Papers/Records   |                   | \$250,000   |
| Loss of Income - Extra Expense  |                   | Actual Cost   |
| Money and Securities  | \$250             | \$25,000  |
| Uncollected Funds   |                   | \$250,000   |
| <u>Personnel:</u>   |                   |   |

**Scotts Valley Fire Protection District**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

|  |  |  |  |            |
|--|--|--|--|------------|
| Workers' Compensation                                    |  |  |  | Statutory  |
| PERS Health to 12/31/05, FDAC EBA from 1/1/06 to current |  |  |  | Per Policy |
| Dental   |  |  |  | Per Policy |
| Term Life Insurance                                      |  |  |  | Per Policy |

**Note 10 – Subsequent Events**

The District's management has evaluated events and transactions subsequent to June 30, 2020 for potential recognition or disclosure in the financial statements. Subsequent events have been evaluated through **September 25, 2020**, the date the financial statements became available to be issued. The entity has not evaluated subsequent events after **September 25, 2020**.

**Scotts Valley Fire Protection District**

**Supplemental Information**

**June 30, 2020**

**Scotts Valley Fire Protection District**

**Statement of Revenues, Expenditures & Change in Fund Balance  
Budget and Actual - General Fund  
For the Year Ended  
June 30, 2020**

| <b><u>REVENUE</u></b>                              | <b><u>Budget</u></b> | <b><u>Actual</u></b> | <b><u>Variance</u></b> |
|--|----------------------|----------------------|------------------------|
| Tax Revenue  | \$ 7,340,658         | \$ 7,465,905         | \$ 125,247             |
| Charges for Service                                | 256,500              | 300,759              | 44,259                 |
| Interest & Investment Earnings                     | 3,000                | 9,742                | 6,742                  |
| License & Permits                                  | 46,200               | 18,170               | (28,030)               |
| Grants & Contributions                             | -                    | -                    | -                      |
| Miscellaneous                                      | 2,500                | 40,646               | 38,146                 |
| <b>TOTAL REVENUE</b>                               | <b>7,648,858</b>     | <b>7,835,222</b>     | <b>186,364</b>         |
| <b><u>EXPENDITURES</u></b>                         |                      |                      |                        |
| Capital Assets                                     | -                    | -                    | -                      |
| Debt Service:                                      |                      |                      |                        |
| Principle  | 1,712,000            | 1,705,748            | 6,252                  |
| Interest   | 80,000               | 80,000               | -                      |
| Professional Fees                                  | 161,400              | 139,287              | 22,113                 |
| Salaries and Employee Benefits                     | 6,561,240            | 6,407,614            | 153,626                |
| Repairs and Maintenance                            | 142,200              | 143,659              | (1,459)                |
| Insurance  | 35,400               | 32,980               | 2,420                  |
| Services, Supplies and Refunds                     | 485,560              | 327,304              | 158,256                |
| <b>TOTAL EXPENDITURES</b>                          | <b>9,177,800</b>     | <b>8,836,592</b>     | <b>341,208</b>         |
| <b>Excess (Deficit) Revenues over Expenditures</b> | <b>(1,528,942)</b>   | <b>(1,001,370)</b>   |                        |
| <b>Transfer In/(Out)</b>                           |                      | <b>225,479</b>       |                        |
| <b><u>CHANGE IN FUND BALANCE</u></b>               |                      | <b>(775,891)</b>     |                        |
| <b><u>FUND BALANCE, BEGINNING OF YEAR</u></b>      |                      | <b>2,351,226</b>     |                        |
| <b><u>FUND BALANCE, END OF YEAR</u></b>            |                      | <b>\$ 1,575,335</b>  |                        |



**Scotts Valley Fire Protection District**

**Statement of Revenues, Expenditures & Change in Fund Balance  
Budget and Actual - Capital  
For the Year Ended  
June 30, 2020**

| <b><u>REVENUE</u></b>                              | <b><u>Budget</u></b> | <b><u>Actual</u></b> | <b><u>Variance</u></b> |
|--|----------------------|----------------------|------------------------|
| Tax Revenue  | \$ 1,123,278         | \$ 126,360           | \$ (996,918)           |
| Charges for Service                                | -                    | -                    | -                      |
| Interest & Investment Earnings                     | 12,000               | 28,318               | 16,318                 |
| License & Permits                                  | -                    | -                    | -                      |
| Grants & Contributions                             | -                    | -                    | -                      |
| Miscellaneous                                      | -                    | -                    | -                      |
| <b>TOTAL REVENUE</b>                               | <b>1,135,278</b>     | <b>154,678</b>       | <b>(980,600)</b>       |
| <b><u>EXPENDITURES</u></b>                         |                      |                      |                        |
| Capital Assets                                     | 220,500              | 152,309              | 68,191                 |
| Debt Service:                                      |                      |                      |                        |
| Principle  | -                    | -                    | -                      |
| Interest   | -                    | -                    | -                      |
| Professional Fees                                  | 76,700               | 2,360                | 74,340                 |
| Salaries and Employee Benefits                     | -                    | -                    | -                      |
| Repairs and Maintenance                            | 55,000               | 4,393                | 50,607                 |
| Insurance  | -                    | -                    | -                      |
| Services, Supplies and Refunds                     | 35,500               | 19,948               | 15,552                 |
| <b>TOTAL EXPENDITURES</b>                          | <b>387,700</b>       | <b>179,010</b>       | <b>208,690</b>         |
| <b>Excess (Deficit) Revenues over Expenditures</b> | <b>747,578</b>       | <b>(24,332)</b>      |                        |
| <b>Transfer In/(Out)</b>                           |                      | <b>993,113</b>       |                        |
| <b><u>CHANGE IN FUND BALANCE</u></b>               |                      | <b>968,781</b>       |                        |
| <b><u>FUND BALANCE, BEGINNING OF YEAR</u></b>      |                      | <b>225,479</b>       |                        |
| <b><u>FUND BALANCE, END OF YEAR</u></b>            |                      | <b>\$ 1,194,260</b>  |                        |

**Scotts Valley Fire Protection District**

**Statement of Revenues, Expenditures & Change in Fund Balance  
Budget and Actual - SCHMIT  
For the Year Ended  
June 30, 2020**

| <b><u>REVENUE</u></b>                              | <b><u>Budget</u></b> | <b><u>Actual</u></b> | <b><u>Variance</u></b> |
|--|----------------------|----------------------|------------------------|
| Tax Revenue  | \$ -                 | \$ -                 | \$ -                   |
| Charges for Service                                | -                    | -                    | -                      |
| Interest & Investment Earnings                     | 400                  | 1,948                | 1,548                  |
| License & Permits                                  | -                    | -                    | -                      |
| Aid from other government agencies                 | 182,412              | 182,412              | -                      |
| Miscellaneous                                      | -                    | -                    | -                      |
| <b>TOTAL REVENUE</b>                               | <b>182,812</b>       | <b>184,360</b>       | <b>1,548</b>           |
| <b><u>EXPENDITURES</u></b>                         |                      |                      |                        |
| Depreciation                                       | -                    | 20,891               | (20,891)               |
| Professional Fees                                  | 5,600                | 5,000                | 600                    |
| Salaries and Employee Benefits                     | -                    | -                    | -                      |
| Repairs and Maintenance                            | 19,000               | 4,691                | 14,309                 |
| Insurance  | 2,000                | 2,000                | -                      |
| Services, Supplies and Refunds                     | 208,400              | 105,726              | 102,674                |
| <b>TOTAL EXPENDITURES</b>                          | <b>235,000</b>       | <b>138,308</b>       | <b>96,692</b>          |
| <b>Excess (Deficit) Revenues over Expenditures</b> | <b>(52,188)</b>      | <b>46,052</b>        |                        |
| <b><u>CHANGE IN FUND BALANCE</u></b>               |                      | <b>46,052</b>        |                        |
| <b><u>FUND BALANCE, BEGINNING OF YEAR</u></b>      |                      | <b>171,411</b>       |                        |
| <b><u>FUND BALANCE, END OF YEAR</u></b>            |                      | <b>\$ 217,463</b>    |                        |