

**NORTH COUNTY FIRE PROTECTION
DISTRICT OF MONTEREY COUNTY**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2014 AND 2013

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

June 30, 2014 and 2013

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, and each major fund of North County Fire Protection District of Monterey County as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

To the Board of Directors
North County Fire Protection District of Monterey County

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of North County Fire Protection District of Monterey County as of June 30, 2014, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

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

Fechter & Company, CPAs

A large, stylized handwritten signature in black ink that reads "Fechter & Company, CPAs". The signature is written in a cursive, flowing style.

Sacramento, California
June 15, 2015

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

Management's Discussion and Analysis June 30, 2014 and 2013

The District provides fire protection services in Monterey County. This section of the District's financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2014, with comparative information for June 30, 2013.

Description of the Basic Financial Statements

The financial statements consist of the following parts – management's discussion and analysis, the basic financial statements (government-wide, governmental funds, and notes to the financial statements) and required supplementary information (budgetary comparison table).

The basic government-wide and governmental funds 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 accrual basis of accounting and economic resources focus. The required financial statements are: Statement of Net Position and Statement of Activities. The Statement of Net Position reports all assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the long term financial position of the District is improving or deteriorating. The Statement of Activities presents information on how the net position of the District changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of when cash is paid or received.

Governmental funds financial statements are prepared on the modified accrual basis of accounting and current financial resources focus. 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 report revenues 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 the year or soon thereafter.

The GASB 34 fund financial statements are prepared on the accrual basis of accounting and economic resources focus. The required financial statements are: Statement of Plan Assets and Statement of Changes in Plan Net Position. The Statement of Plan Assets shows all current assets of the Plan. The Statement of Changes in Plan Net Position reports all revenue and expenses during the year and the change in the Plan Net Position.

The government-wide and governmental funds financial statements show the results of the following funds: General Fund – Most of the District's basic services are accounted for in this fund.

Special Revenue Fund – This fund accounts for fire mitigation revenue which is to be used for fire equipment acquisition and maintenance and EMS Tax used for EMS program expenses.

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

Management's Discussion and Analysis June 30, 2014 and 2013

Condensed Government-Wide Financial Data

	2014	2013
Current assets	\$ 2,548,016	\$ 2,468,479
Station and equipment, net of accumulated depreciation	2,262,522	2,568,783
Noncurrent assets	23,821	3,027,162
Total Assets	\$ 4,834,359	\$ 8,064,424
 Current Liabilities	 \$ 1,624,675	 \$ 1,522,839
Noncurrent Liabilities:		
Long-term debt	2,860,619	2,963,558
 Net Position:		
Net investment in capital assets	2,286,343	2,485,054
Unrestricted net position	(1,937,278)	1,092,973
Total Liabilities and Net Position	\$ 4,834,359	\$ 8,064,424
 Expenditures Governmental Activities, Net of Program Resources	 \$ 6,372,052	 \$ 5,629,693
 General Resources:		
Property taxes	\$ 3,872,293	\$ 4,011,482
Use of money and property (interest income)	8,565	4,227
Aid from other government agencies	555,453	626,652
Other revenue - miscellaneous	1,709,395	309,266
Capital equipment grants		
LSP Moss Landing, LLC	-	208,000
Fire capital facilities fees	15,776	15,412
Change in Net Position	\$ (210,570)	\$ (454,654)

Financial Analysis of the District as a Whole

Net Position. The District's Net Position decreased by \$210,570 for the fiscal year ended June 30, 2014, or approximately 11.3 percent, to a total of \$349,065. Of the \$349,065 in Net Position, \$2,286,343 are invested in capital assets and other noncurrent assets (net of accumulated depreciation and related debt).

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

Management's Discussion and Analysis June 30, 2014 and 2013

Financial Analysis of the District's Funds

Governmental fund balances decreased by \$67,623 or approximately 2.5 percent. The main reason for the difference between the \$210,570 decrease in District Net Position and the \$67,623 decrease in fund balances is the depreciation of fixed assets which are deductions in the governmental funds financial statements, timing of payments for compensated absences which are deductions only when paid in the governmental funds financial statements, and long-term debt payments. There is a reconciliation between the two statements on pages 10 and 12 of these statements.

Budgetary Highlights

The District is required, pursuant to the Health and Safety Code Section 13895, to adopt its final budget on, or before, October 1st of each year. The District adopted a final budget at its regular meeting in June of 2013. Modifications to the budget normally occur throughout the fiscal year taking into consideration unanticipated expenses utilizing unanticipated revenues or transfers from Contingency or Reserves.

The District's Secured Property Tax receipts increased by only .36% this fiscal year.

The Redevelopment Agency had been funded by a portion of property taxes derived from schools and special districts. The dissolution of Redevelopment Agencies by the State resulted in the sale of Redevelopment assets a portion of the tax monies returning to the Fire District. In 2013 the District received a large windfall of \$1,024,257 from the sale of capital assets divested by the redevelopment successor agency.

The District's Out-of-County responses increased in 13/14 and generated \$423,179 which was \$50,089 more than we expended for those responses. Proposition 172 sales tax revenues increased, but interest rates remain very low. The incumbent board members up for election ran unopposed thereby the District averted election costs of approximately \$75,000.

Capital Assets

As of June 30, 2014, the District had invested \$6,598,373 in a broad range of capital assets including land, structures and improvements and equipment. There were no major additions during the 2014 fiscal year.

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

Management's Discussion and Analysis June 30, 2014 and 2013

Long-Term Liabilities

In accordance with GASB 45 requirements, the District is required to disclose its postemployment benefits (OPEB) expense and liabilities on annual financial statements. As of the fiscal year ending June 30, 2013, the District has an accrued liability of \$20,891.

During FY10/11 the District paid off the Cal PERS side fund liability by obtaining funding from Santa Cruz County Bank. The outstanding loan balance was \$2,947,257 as of June 30, 2014. The loan balance decreased \$163,634 due to payment of scheduled principal payments.

The District will be a participant in upgrading the County's radio infrastructure to meet Federal mandates for radio technology. The District's share of the cost is projected to be approximately \$500,000. The District entered into a financing agreement to amortize the cost over 15 years resulting in an annual payment of approximately \$30,000.

Economic Factors and Next Year's Budget

The District's main source of revenue is property taxes. Property values have been increasing substantially and the District should begin to see an increase in tax revenues over the next several years.

Recent retirements and attrition have decreased the number of Tier I PERS members. The District has chosen to not fill two vacated positions. The District has applied for FEMA grant funding to replace these positions.

Increases in Worker's Compensation costs, and the implementation of cash assessments by CalPERS will continue to increase expenditures. District Election, dispatch and worker's comp costs continue to escalate.

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 this financial statement or need additional financial information, contact the District's office at 11200 Speegle Street, Castroville, California 95012.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2014

ASSETS

CURRENT ASSETS:

Cash	\$ 2,491,523
Cash held in banks	
Accounts receivable	67,330
Accounts receivable - strike team	(10,837)
Prepaid expenses	-
Total Current Assets	2,548,016

CAPITAL ASSETS - STATION AND EQUIPMENT

Net of accumulated depreciation -	
Land	126,200
Structures and equipment	1,211,652
Equipment	5,260,521
Total station and equipment	6,598,373
Less: accumulated depreciation	(4,335,851)
Station and Equipment, net of Accumulated Depreciation	2,262,522

NONCURRENT ASSETS:

Net position asset (prepaid PERS side fund)	-
Loan origination fees	23,821
Total Noncurrent Assets	23,821

TOTAL ASSETS	\$ 4,834,359
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LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 165,535
Accrued salaries payable	134,960
Payroll and retirement contribution payable	102,972
Accrued compensated absences	1,043,389
Current portion of long term debt	177,819
Total Current Liabilities	1,624,675

CURRENT LIABILITIES

Long term debt - net of current portion	2,769,758
Net other postemployment benefits obligation	90,861
Total Noncurrent Liabilities	2,860,619

NET POSITION

Net investment in capital assets	2,286,343
Unrestricted net position	(1,937,278)
General Fund	349,065
Total Net Position	349,065

TOTAL LIABILITIES AND NET POSITION	\$ 4,834,359
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The accompanying notes are an integral part of these financial statements

**NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

	Expenditures	Charges for Services	Strike Team Reimburse- ments	Grant Reimburse- ments	Total
EXPENDITURES:					
Fire protection -					
Salaries and benefits	\$ 4,992,025	\$ 62,133	\$ 391,607	\$ 101,713	\$(4,436,572)
Services and supplies	1,380,027	-	-	-	(1,380,027)
Total Governmental Activities	6,372,052	62,133	391,607	101,713	(5,816,599)
EXPENDITURES:					
Property tax					3,872,293
Use of money and property					8,565
Aid fom other government agencies:					
Homeowners property tax relief					22,948
CSA 74 - zone C/EMS tax					32,070
EMS tax					55,844
Proposition 172 funds					567,703
Other revenue					
LSP Moss Landing, LLC Agreement					-
Miscellaneous					1,030,830
Fire capital facilities fees					15,776
Total General Revenues					5,606,029
CHANGES IN NET POSITION					(210,570)
NET POSITION:					
Beginning of year					3,578,027
Prior period adjustment					(3,018,392)
End of year					\$ 349,065

The accompanying notes are an integral part of these financial statements

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

	Governmental Fund Types		Total
	General	Special Revenue	
ASSETS AND OTHER DEBITS -			
ASSETS:			
Cash	\$ 2,405,450	\$ 86,073	\$ 2,491,523
Accounts receivable	67,330	-	67,330
Accounts receivable - grant program	-	-	-
Accounts receivable - strike team	(10,837)	-	(10,837)
TOTAL ASSETS	2,461,943	86,073	2,548,016
LIABILITIES AND FUND EQUITY -			
LIABILITIES:			
Accounts payable and accrued expenses	165,535	-	165,535
Accrued salaries payable	134,960	-	134,960
PERS and payroll taxes payable	102,972	-	102,972
TOTAL LIABILITIES	403,467	-	403,467
FUND BALANCE:			
Restricted fund balance:			
Reserved	-	86,073	86,073
Assigned fund balance:			
Building fund	419,000	-	419,000
Capital equipment fund	410,000	-	410,000
Land	410,000	-	410,000
NGEN	45,000	-	45,000
Incident software	7,436	-	7,436
Election	55,000	-	55,000
Post retirement benefits	246,000	-	246,000
Unassigned fund balance			
Unreserved, undesignated	466,040	-	466,040
TOTAL FUND BALANCES	2,058,476	86,073	2,144,549
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,461,943	\$ 86,073	\$ 2,548,016

The accompanying notes are an integral part of these financial statements

**NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
AS OF JUNE 30, 2014**

Fund Balances of Governmental Funds	\$ 2,144,549
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation, are not current financial resources and are not included in the governmental funds	2,262,522
Some liabilities, including long-term debt, compensated absences and accrued interest are not due and payable in the current period and therefore are not reported in the funds.	<u>(4,058,006)</u>
Net position of governmental activities	\$ <u><u>349,065</u></u>

The accompanying notes are an integral part of these financial statements

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
JUNE 30, 2014

	Governmental Fund Types		Total
	General	Special Revenue	
Revenues:			
Property taxes	\$ 3,872,293	\$ -	\$ 3,872,293
Use of Money and property	8,565	-	8,565
Aid from other governmental agencies	678,565	-	678,565
Charges for current services	62,133	-	62,133
Other revenues	1,524,150	-	1,524,150
Fire capital facilities fee	-	15,776	15,776
Total Revenues	<u>6,145,706</u>	<u>15,776</u>	<u>6,161,482</u>
Expenditures:			
Salaries and benefits	5,160,038	-	5,160,038
Services and supplies	717,162	15,776	732,938
Debt Service:			
Principal	163,314	-	163,314
Interest	177,514	-	177,514
Total Expenditures	<u>6,218,028</u>	<u>15,776</u>	<u>6,233,804</u>
Excess (deficiency) of revenues over expenditures	(72,322)	-	(72,322)
Other financing sources (uses):	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over uses	(72,322)	-	(72,322)
Beginning Fund Balance	<u>2,122,878</u>	<u>86,073</u>	<u>2,208,951</u>
Prior period adjustment	<u>7,920</u>	<u>-</u>	<u>7,920</u>
Ending Fund Balance	<u>\$ 2,058,476</u>	<u>\$ 86,073</u>	<u>\$ 2,144,549</u>

The accompanying notes are an integral part of these financial statements

**NORTH COUNTY RECREATION AND PARK DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Net Change in Fund Balances - Total Governmental Funds \$ (72,322)

Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:

Depreciation expense (306,261)

In the governmental funds compensated absences (sick pay and vacation time) are measured by the amount of financial resources used which is the actual amount paid. In the government-wide statement of activities, compensated absences are measured by the amounts earned during the year. Vacation and sick leave earned was more or less than paid. 74,669

Net other postemployment benefits obligation is not a current period expense and therefore is not reported as a liability in the governmental funds. Net expense for the year was: (69,970)

Repayments of long-term debt and capital leases are reported as an expense in the fund financial statements but as a reduction of debt in the statement of net position 163,314

Change in net position of governmental activities \$ (210,570)

The accompanying notes are an integral part of these financial statements

GASB 45 TRUST FUND FINANCIAL STATEMENTS

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY
STATEMENT OF PLAN ASSETS AND CHANGES IN PLAN NET POSITION
For the Year Ended June 30, 2014

	2014
ASSETS:	
Cash and short term investments	\$ 398,365
Net Position Held in Trust For Other Post Employment Benefits	\$ 398,365
STATEMENT OF CHANGES IN PLAN NET POSITION	
ADDITIONS:	
Operating transfers	\$ -
Investment income	27,569
Total Additions	27,569
DEDUCTIONS:	
Professional services	-
Total Deductions	-
NET INCREASE	27,569
Net Position Held in Trust For Other Post Employment Benefits:	27,569
BEGINNING OF YEAR	398,365
END OF YEAR	\$ 425,934

The accompanying notes are an integral part of these financial statements

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

Notes to Financial Statements
June 30, 2014

NOTE 1: GENERAL INFORMATION

Organization – The North County Fire Protection District of Monterey County is a rural district covering approximately 125 square miles. Three fire stations located within the District are staffed on a 24 hour a day basis.

District Officials – The District is governed by a board of five directors. The following were in office at June 30, 2014:

	<u>Term Expires</u> <u>November</u>
Don Chapin, President	2015
Frank Balesteri, Vice President	2015
Steve Tansey, Secretary	2015
Don Champion, Director	2015
Jacqueline C. Simon, Director	2015

Accounting Records – The official accounting records of the District are maintained in the District’s headquarters station.

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 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Principles – The District follows Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Statement No. 34 establishes certain reporting requirements that are designed to make governmental annual reports more comprehensive. Statement No. 34 also requires that management’s discussion and analysis, an overview to the Group’s financial activities, be presented before the financial statements as required supplementary information.

- a. Basis of Accounting and Measurement Focus – The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues and expenses or expenditures. The District uses a chart of accounts based on the uniform accounting system prescribed by the State Controller.

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

Notes to Financial Statements
June 30, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

b. Financial Statement Presentation

For fiscal year ended June 30, 2014, the District implemented GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement 65, *Items Previously Reported as Assets and Liabilities*. Implementation of these statements has resulted in a change to the format of the basic financial statements and has been applied retroactively.

Government-Wide Financial Statements

The District's 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 activities for the District.

The basic Government-Wide Financial 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, 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.

The District's governmental-wide net position is classified in the following categories:

Net Investment in Capital Assets – Includes amount of the net position that is invested in capital assets net of accumulated depreciation and 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.

The District's Government Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance for all major governmental funds and non-major funds. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the Government-Wide financial statements.

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

Notes to Financial Statements
June 30, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

b. Financial Statement Presentation - continued

Governmental-Wide Financial Statements - continued

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 Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents 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. Expenditures are recorded in the accounting period in which the related fund liability is incurred. Reconciliation of the Governmental Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the different measurement focus and basis of accounting.

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

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 taking 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 the authority.

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

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

Notes to Financial Statements
June 30, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

b. Financial Statement Presentation - continued

Governmental-Wide Financial Statements - continued

Total Columns on Combined Statements – Overview – Total Column on the combined statement is captioned “memorandum only” to indicate that they are presented only to facilitate analysis. Data in this column does not present financial position or results of operations or changes in cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made.

GASB 45 Trust Funds – Postretirement Welfare Benefits – The District provides postretirement welfare benefits to retired employees through a defined benefit healthcare plan. The District had been making contributions into a government fund to be used for future postemployment welfare benefits. During the fiscal year ended June 30, 2012, the District holds those funds in a Trust at ICMA. See Note 9 for further explanations of the plan.

c. 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 has set capitalization thresholds for reporting capital assets at the following:

General Capital Assets	\$ 1,000
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Depreciation is recorded on the straight-line method (with a full year of depreciation applied to the first year of acquisition) over the useful lives of the assets as follows:

Buildings	18-40 years
Equipment – Mobile	12-20 years
Equipment	5-15 years

d. Inventory, Materials and Supplies – The inventory on hand at any time is small. Accordingly, purchases are charged directly to maintenance costs, as applicable.

e. 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.”

f. Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

Notes to Financial Statements
June 30, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- g. Unrealized Gains and Losses – Governmental Accounting Standards Board has established a new accounting and reporting requirement (GASB 31) effective as of June 30, 1998. GASB 31 requires public agencies to report the financial effect of all unrealized gains and losses on invested funds. As of June 30, 2014 the unrealized gains were immaterial to the financial statements taken as a whole and, accordingly, have not been reflected in the financial statements.
- h. Fund Balance Assigned – Fund Balance Assigned includes amounts intended to be used by the District for specific purposes. As of June 30, 2014, assigned (reserved) fund balances consisted of the following:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Building fund	\$ 419,000	\$ -	\$ -	\$ 419,000
Election	55,000	-	-	55,000
Capital equipment	410,000	-	-	410,000
Land	410,000	-	-	410,000
NGEN	45,000	-	-	45,000
Incident software	7,436	-	-	7,436
Post retirement Benefits	246,000	-	-	246,000

NOTE 3: POOLED CASH AND INVESTMENTS

Cash and investments for most County activities are included in an investment pool. The investment pool includes both voluntary and involuntary participation from external entities. The State of California statutes require certain special districts and other governmental entities to maintain their cash surplus with the County Treasurer.

The County investment pool is not registered with the Securities and Exchange Commission as an investment company. Investments made by the Treasurer are regulated by the California Government Code and by the County’s investment policy. The objectives of the policy are in order of priority: safety, liquidity, yield, and public trust.

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

Notes to Financial Statements
June 30, 2014

NOTE 3: POOLED CASH AND INVESTMENTS – continued

Investments

The following table identifies the investment types that are authorized for the County by the California Government Code or the County’s investment policy, wherever is more restrictive. The table also identifies certain provisions of the County’s investment policy that address interest rate risk, credit risk, and concentration risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 Years	None	5%
U.S. Treasury Obligations	5 Years	None	None
State of California Obligations	5 Years	None	5%
U.S. Agency Securities	5 Years	None	None
Bankers' Acceptances	180 Days	40%	5%
Commercial Paper	270 Days	40%	5%
Negotiable CDs/CD Placement Service	5 Years	30%	5%
Repurchase Agreements	1 Year	20%	None
Reverse Repurchase Agreements	92 Days	20%	None
Medium Term Notes	5 Years	30%	5%
Mutual/Money Market Funds	N/A	20%	5%
Collateralized Bank Deposits	5 Years	None	5%
Mortgage Pass-Through Securities	5 Years	20%	5%
Time Deposits	2 Years	None	None
Local Agency Investment Fund (LAIF)	N/A	None*	None

* The investment policy limits the pool’s investments in LAIF to \$50,000,000 per account, regardless of the percentage this represents.

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. One of the ways that the County manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The County limits its exposure to interest rate risk inherent in its portfolio by managing the investment maturities, the weighted average maturity of its portfolio, as well as limiting the weighted average maturity to two years or less.

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

Notes to Financial Statements
June 30, 2014

NOTE 3: POOLED CASH AND INVESTMENTS - continued

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The County Treasurer mitigates these risks by holding a diversified portfolio of high quality investments. The adopted investment policy contains specific limitations on investments by credit quality, maturity length and the maximum allocation by asset class. In all instances, the adopted investment policy is equal to or more restrictive than applicable codified statutes.

Commercial paper obligations must be rated a minimum of F1 by Fitch, P1 by Moody's or A1 by Standard & Poor's. Corporate bonds must be rated A or better by one of these three rating agencies. In addition, total exposure of all asset classes to any single issuer shall not exceed 5% of the 12-month projected minimum size of the portfolio, other than securities issued by the U.S. Government, its agencies and sponsored enterprises.

Local Agency Investment Fund

The County Treasurer's Pool maintains an investment in the State of California Local Agency Investment Fund (LAIF). LAIF is part of the Pooled Money Investment Account (PMIA), an investment pool consisting of funds held by the State in addition to those deposited in LAIF. All PMIA funds are managed by the Investment Division of the State Treasurer's Office. This fund is not registered with the Securities and Exchange Commission as an investment company, but is required to invest according to California Government Code. Participants in the pool include voluntary and involuntary participants, such as special districts and school districts for which there are legal provisions regarding their investments. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State statute.

Investment Trust of California Joint Powers Authority Pool

The County Treasurer's Pool maintains an investment in the Investment Trust of California Joint Powers Authority Pool (CalTRUST). CalTRUST is not registered with the Securities and Exchange Commission as an investment company, but is overseen by a Board of Trustees composed of officials of the public agencies that participate in CalTRUST. The fair value of the County's position in the pool is approximately the same as the value of the pool shares.

California Asset Management Program Joint Powers Authority Pool

The County Treasurer's Pool maintains an investment in the California Asset Management Program Joint Powers Authority Pool (CAMP). CAMP is not registered with the Securities and Exchange Commission as an investment company, but is overseen

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

Notes to Financial Statements
June 30, 2014

NOTE 3: POOLED CASH AND INVESTMENTS - continued

by a Board of Trustees composed of officials of the public agencies that participate in CAMP. CAMP's investments are limited to those permitted by Government Code Section 53601. The fair value of the County's position in the pool is approximately the same as the value of the pool shares.

The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2014 to support the value of shares in the pool.

NOTE 4: CHANGES IN CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2014 and 2013:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Adjustments/ Deletions</u>	<u>June 30, 2014</u>
Land	\$ 126,200	\$ -	\$ -	\$ 126,200
Structures & improvements	1,211,652	-	-	1,211,652
Equipment	<u>5,260,521</u>	<u>-</u>	<u>-</u>	<u>5,260,521</u>
Total	<u>\$ 6,598,373</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,598,373</u>
 Accumulated depreciation	 <u>\$ (4,029,610)</u>	 <u>\$ (306,261)</u>	 <u>\$ -</u>	 <u>\$ (4,335,871)</u>

NOTE 5: TEMPORARY TRANSFERS OF FUNDS

The District requires financial assistance for the period July to April due to the flow of property tax revenue. The Board of Supervisors of the County of Monterey, by resolution, approved its intention to provide needed "Tax Anticipation Funds" to the District. During the fiscal years ended June 30, 2013 and 2012, the District borrowed \$3,400,000 and \$3,400,000, respectively. As of June 30, 2013 and 2012, no amount was outstanding. For the fiscal year ending June 30, 2014, the District has requested \$2,500,000 in Tax Anticipation Funds. The balance will be due and payable by April 30, 2015.

NOTE 6: PUBLIC EMPLOYEES' RETIREMENT PLAN

Plan Description: The North County Fire Protection District of Monterey County's defined benefit pension plan, Safety Plan of North County Fire Protection of Monterey County, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Safety Plan of North County Fire Protection District of Monterey County is part of the Public Agency portion of the

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

Notes to Financial Statements
June 30, 2014

NOTE 6: PUBLIC EMPLOYEES' RETIREMENT PLAN – continued

California Public Employees Retirement System (CalPERS) an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The North County Fire Protection District of Monterey County selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance (other local methods). CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office – 400 P Street – Sacramento, California 95814.

Funding Policy: The District participates in two plans in CalPERS. Active plan members in the Safety Plan of North County Fire Protection District of Monterey County are required to contribute 9% of their annual covered salary. The North County Fire Protection District of Monterey County is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution for fiscal 2013/2014 and 2012/2013 was 23.006% and 22.744%, respectively, for Tier 1 safety personnel. The required employer contribution for fiscal 2013/2014 and 2012/2013 was 19.204% and 19.169% for Tier 2 safety personnel. The contribution requirements for the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost: For fiscal years 2013/2014 the North County Fire Protection District of Monterey County's annual pension cost was \$667,737 for PERS and was equal to the District's required and actual contributions. The required contribution for fiscal year 2013/2014 was determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45% for safety members and (c) 3.00% payroll growth. Both (a) and (b) include an inflation component of 3.00%. The actuarial value of Safety Plan of North County Fire Protection District of Monterey County's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a three year period. Safety Plan of North County Fire Protection District of Monterey County's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis.

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

Notes to Financial Statements
June 30, 2014

NOTE 6: PUBLIC EMPLOYEES' RETIREMENT PLAN – continued

Three-Year Trend Information for Safety Plan of North County Fire Protection District of Monterey County

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/12	\$ 656,428	100%	N/A
6/30/13	\$ 649,456	100%	N/A
6/30/14	\$ 667,737	100%	N/A

Required Supplementary Information

Funded Status of the Plan:

Because the District had less than 100 active members as of June 30, 2003, it is required to participate in a risk pool for PERS. At the time of joining the risk pool, a side fund was created to account for the differences between the funded status of the risk pool and the funded status of the District's plan. The Side Fund represents unfunded liabilities to be amortized on an annual basis over a closed period. The table below displays the Scheduled Funding Progress for the recent history of the risk pool's accrued liability, actuarial value of assets, and the relationship of the unfunded liability.

Tier 1 – 3% at 55 Risk Pool

Funded Status of the Risk Pool Plan

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability/ (Excess Assets)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>UAAL As a % of Payroll</u>
6/30/10	\$ 1,915,095,826	\$ 1,628,915,283	\$ 286,180,543	85.1%	\$ 224,562,008	127.4%
6/30/11	\$ 2,061,923,933	\$ 1,759,286,797	\$ 302,637,136	85.3%	\$ 225,026,216	134.5%
6/30/12	\$ 2,183,549,942	\$ 1,896,139,291	\$ 287,410,651	86.8%	\$ 232,078,083	123.8%

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

Notes to Financial Statements
June 30, 2014

NOTE 6: PUBLIC EMPLOYEES’ RETIREMENT PLAN – continued

Required Supplementary Information – continued

Funded Status of the Plan - continued

Tier 2 – 2% at 50 Risk Pool

Funded Status of the Risk Pool Plan

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL As a % of Payroll
6/30/10	\$ 469,525,634	\$ 396,740,091	\$ 72,785,543	84.5%	\$ 61,878,177	117.6%
6/30/11	\$ 503,491,275	\$ 421,374,728	\$ 82,116,547	82.7%	\$ 63,392,685	129.5%
6/30/12	\$ 475,963,729	\$ 407,411,936	\$ 68,551,793	85.6%	\$ 59,986,230	114.3%

NOTE 7: DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan (the “Plan”) created in accordance with Internal Revenue Code Section 457. The Plan, available to all District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until death, retirement, termination, disability, or certain unforeseeable emergencies.

All amounts of compensation deferred under the Plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights remain (until paid or made available to the employee or other beneficiary) solely the property and rights of the District, without being restricted to the provisions of benefits under the Plan, subject only to the claims of the District’s general creditors. Each participant’s rights under the Plan are equivalent to those of general creditors of the District, in an amount equal to the fair market value of their individual deferred account.

In accordance with Plan’s governing ordinance, neither the District nor the Plan’s administrator shall be liable for any losses resulting from investments or funding under the Plan, but they do have the duty of due care that would be required of an ordinary prudent investor.

As of June 30, 1999, the District is no longer required to report its deferred compensation plan assets and liabilities under a separate agency fund on the face of the financial statements.

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

Notes to Financial Statements
June 30, 2014

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

Workers' Compensation:

The District has entered into a Joint Exercise of Powers Agreement pursuant to the provisions of the California Government Code, Section 989, 990, 990.4, 990.8, 6500.6515, and Labor Code, Section 3700 (b).

The local agencies under the agreement have formed the Monterey County Local Agencies Insurance Authority, as an Administrator, to establish, operate, and maintain insurance programs for workers' compensation, group insurance programs, including property and casualty benefits, and risk management programs.

The purpose of these joint protection programs is to reduce the amount and frequency of losses, pool self-insured losses, and jointly purchase general liability insurance.

For the years ended June 30, 2014 and 2013, the District has contributed \$49,117 and \$45,942, respectively, to the program for the purpose of maintaining general liability and \$299,2561 and \$332,080, respectively, for workers' compensation programs.

Claims are paid by a third party administrator acting on behalf of the District under the terms of a contractual agreement. Administrative fees are included within the provisions of that agreement. The District is protected against unanticipated catastrophic claims and aggregate loss by coverage carried through a commercial insurer.

Coverage was in effect for specific occurrences exceeding \$250,000 and aggregate retention of \$2,000,000.

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

Notes to Financial Statements
June 30, 2014

NOTE 8: RISK MANAGEMENT – continued

Workers' Compensation - continued:

Insurance coverage as of June 30, 2014 is as follows:

	<u>Limits</u>	<u>Deductible</u>
General Liability:		
General Liability - Per Occurrence	\$1,000,000	
Per Location - Aggregate	\$3,000,000	
Auto Liability:	\$1,000,000	
Combined Single Limit	Value per	
Physical Damage	Policy	
	Schedule	\$250
Other Coverage:		
Uninsured Motorist/Bodily Injury	\$1,000,000	\$250
Commercial Umbrella Liability Coverage -		
Per Occurrence/Aggregate	\$5,000,000	
Errors and Omissions Coverage		
Emergency Service Management Liability:		
Per Claim	\$1,000,000	
Aggregate	\$2,000,000	

	<u>Building Contents</u>	<u>Building Replacement Cost</u>	<u>Value</u>
<u>Deductible - \$1,000</u>			
Firehouse - 11200 Speegle Street	\$110,000	\$1,620,000	\$250
Firehouse - 11200 Speegle Street	75,000	918,750	250
Firehouse - 17639 Pesante Road	75,000	922,950	250
Firehouse - 310 Elkhorn Road	75,000	1,687,500	250
Storage - 9 Miller Road	15,000	125,000	250
Electronic data processing	33,955		250

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

Notes to Financial Statements
June 30, 2014

NOTE 8: RISK MANAGEMENT – continued

Workers' Compensation - continued:

	<u>Limits</u>	<u>Deductible</u>
Equipment Floater -		
Miscellaneous Portable Equipment	\$3,000,000	\$1,000
Personnel -		
Workers' Compensation (Self-Insured through the Monterey County Local Agencies Insurance Authority)	Statutory	

NOTE 9: POST RETIREMENT BENEFITS

In addition to the pension benefits described in Note 6, Public Employees' Retirement Plan, the District provides medical insurance to 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 post-retirement health care benefits, in accordance with the District's Memorandum of Understanding, to all employees who retire from the District on or after attaining age 50 with at least 20 years of service. Monthly benefits are not to exceed \$600 per retiree, and shall continue for a maximum period of 15 years or until attaining age 65, whichever comes first. Currently, ten retirees meet the eligibility requirements. The District pays for vision and dental care directly, and reimburses each retiree for medical premiums withheld from the retiree's retirement paycheck.

Current Accounting and Funding Policy of the Plan: The District finances the plan on a pay-as-you-go basis. For the year ended June 30, 2014 the District expended \$42,530 for post-retirement health care.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. The actuarial assumptions included (a) Demographic assumptions affected by mortality, turnover, disability, and retirement based on the June 30, 2013 CalPERS pension valuation, and (b) 4.00% investment rate of return.

The accompanying schedules of employer contributions present trend information about the amounts contributed to the plan by the employers in comparison to the Annual Required Contribution (ARC) an amount that is actuarially determined in accordance with the parameters of GASB Statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

Notes to Financial Statements
June 30, 2014

NOTE 9: POST RETIREMENT BENEFITS – continued

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 of sharing of benefit costs between the 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, consistent with the long term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

	<u>District Service Benefit</u>
Valuation Date	June 30, 2013
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar
Remaining Amortization Period	30 years
Asset Valuation Method	N/A (no dedicated assets)
Actuarial Assumptions:	
Investment Rate of Return	4.00%

Required Supplementary Information

Annual Required Contribution	\$ 112,800
Add: Interest on Net OPEB Obligation	1,000
Less: Amortization of Net OPEB Obligation	<u>(1,300)</u>
Annual OPEB Cost	112,500
Less: Benefit Payments	(42,530)
Less: Trust Contributions	-
Net OPEB Obligation at Beginning of Year	<u>20,891</u>
Net OPEB Obligation at End of Year	<u><u>\$ 90,861</u></u>

Schedule of Funding Progress

Funded Status of the District Service Benefit

Actuarial	Actuarial	Actuarial				UAAL
Valuation	Value of	Accrued	Unfunded	Funded	Covered	As a %
Date	Assets	Liability	AAL	Ratio	Payroll	of
<u>6/30/13</u>	<u>\$ 424,400</u>	<u>\$ 1,691,500</u>	<u>\$ 1,267,100</u>	<u>25%</u>	<u>\$ 2,865,600</u>	<u>29.4%</u>

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

Notes to Financial Statements
June 30, 2014

NOTE 9: POST RETIREMENT BENEFITS – continued

Schedule of Employer Contributions

Employer Contributions District Service Benefit

Actuarial Valuation Date	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation at End of Year
6/30/2012	184,200	77,729	42%	(86,834)
6/30/2013	182,300	74,575	41%	20,891
6/30/2014	112,500	42,530	41%	90,861

NOTE 10: GASB 45 CASH AND INVESTMENTS

Cash and investments as of June 30, 2014 are classified in the accompanying financial statements as follows:

Fiduciary Funds:

Cash and investments	\$ 425,934
Total Cash and Investments	<u>\$ 425,934</u>

Investments Authorized by the District’s Investment Policy: The District’s investment policy only authorizes the investment in an ICMA trust. The District’s investment policy does not contain any specific provisions intended to limit the District’s exposure to interest rate risk, credit risk, and concentrations of credit risk.

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

Notes to Financial Statements
June 30, 2014

NOTE 10: GASB 45 CASH AND INVESTMENTS – continued

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.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. ICMA does not have a rating provided by a nationally recognized statistical rating organization.

Concentration of Credit Risk: The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2014, the District’s funds are held in four funds each representing more than 5% or more of total District investments.

Plan assets were held in the following as of June 30, 2014:

<u>Investment Type</u>	<u>Fair Market Value</u>
Bond Funds	\$ 308,099
Asset Allocation Fund	117,835
Total June 30, 2014	<u>\$ 425,934</u>

NOTE 11: LONG-TERM DEBT

	<u>Balance June 30, 2013</u>	<u>Adjustments Additions</u>	<u>Adjustments and Reductions</u>	<u>Balance June 30, 2014</u>
Accumulated unpaid				
Compensated absences	\$ 1,118,058	\$ -	\$ 74,669	\$ 1,043,389
CalPERS Side Fund				
Liability Related				
Long-Term Debt	3,110,891	-	163,634	2,947,257
Totals	<u>\$ 4,228,949</u>	<u>\$ -</u>	<u>\$ 238,303</u>	<u>\$3,990,646</u>

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

Notes to Financial Statements
June 30, 2014

NOTE 11: LONG-TERM DEBT – continued

Long-Term Debt – Notes Payable consist of the following items:

Santa Cruz County Bank – Note payable dated June 29, 2011, under a commercial security agreement, due in twenty (20) semi-annual payments starting December 15, 2011. Initial semi-annual payments \$170,574, including interest at 5.625% per annum. The interest rate will be adjusted for the payments due beginning December 15, 2021 to an interest rate based on the 10-Year Treasury Constant Maturity (nominal), as published weekly in the Federal Reserve Statistical Release plus a margin of 2.750. Final payment is due June 15, 2026.

Principal payments on the notes payable are due as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2015	\$ 177,819	\$ 163,329	\$ 341,148
June 30, 2016	187,550	153,598	341,148
June 30, 2017	198,660	142,488	341,148
June 30, 2018	209,992	131,156	341,148
2019-2023	1,242,850	464,379	1,707,229
2024-2026	930,386	99,880	1,030,266
	<u>\$ 2,947,257</u>	<u>\$ 1,154,830</u>	<u>\$ 4,102,087</u>

NOTE 12: PRIOR PERIOD ADJUSTMENTS

A prior period adjustment was recorded to remove an inappropriately capitalized asset for the prepaid PERS side fund payment.

NOTE 13: SUBSEQUENT EVENTS

The District’s management has evaluated events and transactions subsequent to June 30, 2014 for potential recognition or disclosure in the financial statements. Subsequent events have been evaluated through June 15, 2015, the date the financial statements became available to be issued. The District does not have subsequent events that require recognition or disclosure in the financial statements for the year ended June 30, 2014.

REQUIRED SUPPLEMENTARY INFORMATION

**NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
EXPENDITURES/EXPENSES				
Salaries and benefits	\$ 4,615,579	\$ 4,615,579	\$ 5,160,038	\$ (544,459)
Services and supplies	809,621	809,621	717,162	92,459
Debt Service:				-
Principal	-	-	163,314	(163,314)
Interest	-	-	177,514	(177,514)
Total expenditures/expenses	<u>5,425,200</u>	<u>5,425,200</u>	<u>6,218,028</u>	<u>(792,828)</u>
PROGRAM REVENUES:				
Property taxes	4,985,392	4,985,392	3,872,293	(1,113,099)
Use of Money and property	-	-	8,565	8,565
Aid from other governmental agencies	231,153	231,153	678,565	447,412
Charges for current services	-	-	62,133	62,133
Other revenues	-	-	1,524,150	1,524,150
Fire capital facilities fee	-	-	-	-
Total program revenues	<u>5,216,545</u>	<u>5,216,545</u>	<u>6,145,706</u>	<u>929,161</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>\$ (208,655)</u>	<u>\$ (208,655)</u>	<u>\$ (72,322)</u>	<u>\$ 1,721,989</u>

View accompanying footnote

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

Notes to the Required Supplementary Information
June 30, 2014

Note 1: Budgetary Basis of Accounting

Budgets for the operating fund are prepared on the cash and expenditures/encumbrances basis. Revenues are budgeted in the year receipt is expected; expenditures are budgeted in the year that the applicable warrant requisitions are expected to be issued. The budget and actual financial statements are reported on the above basis, with no material differences between them.

Annual budget requests are submitted by the District's staff to the District Board of Directors for preliminary review and approval. After public hearing, a final budget is approved by the District Board of Directors, with a resolution adopting said budget. Copies of the approved budget are sent to all required agencies.

NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

Notes to the Required Supplementary Information
 Post-Employment Benefits
 June 30, 2014

Actuarial Valuation Date	Actuarial Valuation of Assets (a)	Actuarial Valued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
06/30/10	\$ -	\$ 2,222,000	\$ 2,222,000	0.0%	\$2,790,500	80.0%
06/30/13	\$424,400	\$ 1,691,500	\$ 1,267,100	25%	\$2,865,600	44%

1. This information is intended to help users assess the OPEB funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits and make comparisons with other public employers.