SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

For the Fiscal Year Ended June 30, 2019

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
For the Fiscal Year Ended June 30, 2019
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INDEPENDENT AUDITORS' REPORT

Board of Directors
San Miguel Consolidated Fire Protection District
Spring Valley, California

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Miguel Consolidated Fire Protection District as of and for the fiscal year ended June 30, 2019, 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.

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

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of San Miguel Consolidated Fire Protection District, as of June 30, 2019, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA
Shannon Bishop, CPA | Leslie A. Doherty, CPA | Peter Glenn, CPA | Paul J. Kaymark, CPA | Michael Klein, CPA, CMA

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Other Matters

Required Supplementary Information

Management has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements due to the amount and magnitude of the prior period adjustments recorded. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 38-40, schedule of proportionate share of the net pension liability on pages 41 and 43, schedule of pension contributions on pages 42 and 44, and schedule of changes in the District's total OPEB liability and related ratios on page 45 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual non-major fund financial statements on pages 46 and 47 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued a separate report dated April 15, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Nigro & Nigro, PC

Murrieta, California
April 15, 2020

Basic Financial Statements

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Statement of Net Position
June 30, 2019

ASSETS	Governmental Activities
Current assets:	
Cash and investments (Note 2)	$ 12,277,190
Accrued interest receivable	70,819
Property taxes and assessments receivable	112,769
Other receivables	231,892
Deposits with Public Agencies Self Insurance System (Note 4)	527,821
Total current assets	13,220,491
Non-current assets:	
Restricted – cash and investments (Note 2 and 3)	1,079,969
Restricted – accrued interest receivable (Note 3)	856
Capital assets – not being depreciated (Note 5)	3,706,817
Capital assets – being depreciated, net (Note 5)	10,367,269
Total non-current assets	15,154,911
Total assets	28,375,402
DEFERRED OUTFLOWS OF RESOURCES	
OPEB related deferred outflows of resources (Note 9)	818,266
Pension related deferred outflows of resources (Note 10)	9,076,368
Total deferred outflows of resources	9,894,634
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	165,273
Accrued interest payable	29,732
Long-term liabilities – due in one year:	
Compensated absences (Note 6)	338,636
Long-term debt (Note 7)	2,003,445
Total current liabilities	2,537,086
Non-current liabilities:	
Long-term liabilities – due in more than one year:	
Compensated absences (Note 6)	338,636
Long-term debt (Note 7)	610,240
Workers' compensation claims payable (Note 8)	1,019,926
Net other post-employment benefits obligations (Note 9)	18,429,183
Net pension liability (Note 10)	36,493,379
Total non-current liabilities	56,891,364
Total liabilities	59,428,450
DEFERRED INFLOWS OF RESOURCES	
OPEB related deferred inflows of resources (Note 9)	128,571
Pension related deferred inflows of resources (Note 10)	3,868,539
Total deferred inflows of resources	3,997,110
NET POSITION	
Net investment in capital assets (Note 11)	11,460,401
Restricted (Note 3)	1,080,825
Unrestricted (Deficit) (Note 12)	(37,696,750)
Total net position	$ (25,155,524)

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2019

	Governmental Activities
Expenses:	
Fire related services:	
Operations:	
Salaries and wages	$ 8,956,618
Employee benefits	4,924,777
Insurance	551,642
Materials and services	3,804,542
Depreciation expense	835,693
Interest expense	138,815
Total expenses	19,212,087
Program revenues:	
Charges for services:	
Parcel tax	1,814,230
Property assessment	726,723
CSA-115 annexation	426,012
Cal-OES – Personnel	319,689
Cal-OES – Engines	75,248
Cal-OES – Administration	84,566
Fire prevention – plan check and inspections	196,919
Advanced life support – first responder fee	879,634
Weed abatement	140,311
Other charges	3,605
Reimbursements	203,281
Mitigation fees	194,603
Operating and capital grant funding	18,168
Total program revenues	5,082,989
Net program expense	(14,129,098)
General revenues:	
Property taxes	19,811,643
Redevelopment pass-through	131,748
Rental income	177,730
Investment earnings	395,321
Gain on sale of assets	149,843
Total general revenues	20,666,285
Change in net position	6,537,187
Net position:	
Beginning of year (Deficit)	(32,477,352)
Prior period adjustments (Note 15)	784,641
End of year (Deficit)	$ (25,155,524)

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Balance Sheet – Governmental Funds
June 30, 2019

	Major Funds				
ASSETS	General Fund	Fire Mitigation Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and investments	$ 12,277,190	$ 157,622	$ 922,347	$ -	$ 13,357,159
Accrued interest receivable	70,819	856	-	-	71,675
Property taxes receivable	112,769	-	-	-	112,769
Other receivables	231,892	-	-	-	231,892
Deposits with PASIS	527,821	-	-	-	527,821
Total assets	$ 13,220,491	$ 158,478	$ 922,347	$ -	$ 14,301,316
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued expenses	$ 165,273	$ -	$ -	$ -	$ 165,273
Total liabilities	165,273	-	-	-	165,273
Fund Balances: (Note 13)					
Restricted	-	158,478	922,347	-	1,080,825
Assigned	8,500,643	-	-	-	8,500,643
Unassigned	4,554,575	-	-	-	4,554,575
Total fund balance	13,055,218	158,478	922,347	-	14,136,043
Total liabilities and fund balance	$ 13,220,491	$ 158,478	$ 922,347	$ -	$ 14,301,316

Fund Balances – Governmental Funds	$ 14,136,043
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those assets as capital assets.	14,074,086
Deferred outflows of resources used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those deferred outflows of resources.	9,894,634
Long-term liabilities applicable to the District are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position as follows:	
Accrued interest payable	(29,732)
Compensated absences	(677,272)
Long-term debt	(2,613,685)
Workers' compensation claims payable	(1,019,926)
Net other post-employment benefits payable	(18,429,183)
Net pension liability	(36,493,379)
Deferred inflows of resources used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those deferred inflows of resources.	(3,997,110)
Total adjustments	(39,291,567)
Net Position of Governmental Activities	$ (25,155,524)

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2019

	Major Funds				
	General Fund	Fire Mitigation Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Property taxes	$ 19,811,643	$ -	$ -	$ -	$ 19,811,643
Redevelopment pass-through	131,748	-	-	-	131,748
Parcel tax	1,814,230	-	-	-	1,814,230
Property assessment	726,723	-	-	-	726,723
CSA-115 annexation	426,012	-	-	-	426,012
Cal-OES – Personnel	319,689	-	-	-	319,689
Cal-OES – Engines	75,248	-	-	-	75,248
Cal-OES – Administration	84,566	-	-	-	84,566
Fire prevention – plan check and inspections	196,919	-	-	-	196,919
Advanced life support – first responder fee	879,634	-	-	-	879,634
Weed abatement	140,311	-	-	-	140,311
Other charges	3,605	-	-	-	3,605
Reimbursements	203,281	-	-	-	203,281
Mitigation fees	-	194,603	-	-	194,603
Operating and capital grant funding	18,168	-	-	-	18,168
Rental income – site and cellular	177,730	-	-	-	177,730
Investment earnings	391,760	3,174	387	-	395,321
Total revenues	25,401,267	197,777	387	-	25,599,431
EXPENDITURES:					
Fire related services:					
Salaries and wages	8,706,247	-	-	-	8,706,247
Employee benefits	5,581,212	-	-	-	5,581,212
Insurance	220,411	-	-	-	220,411
Materials and services	3,804,542	-	-	-	3,804,542
Capital outlay	1,752,732	125,558	-	-	1,878,290
Debt service:					
Principal	2,000,209	-	810,000	-	2,810,209
Interest	95,322	-	78,975	-	174,297
Total expenditures	22,160,675	125,558	888,975	-	23,175,208
REVENUES OVER(UNDER) EXPENDITURES	3,240,592	72,219	(888,588)	-	2,424,223
OTHER FINANCING SOURCES(USES):					
Proceeds from sale of assets	149,843	-	-	-	149,843
Sale of land	15,757	-	-	-	15,757
Transfers in (Note 14)	4,224,600	86,259	888,975	-	5,199,834
Transfers (out) (Note 14)	(975,234)	-	-	(4,224,600)	(5,199,834)
Total other financing sources(uses)	3,414,966	86,259	888,975	(4,224,600)	165,600
NET CHANGES IN FUND BALANCE	6,655,558	158,478	387	(4,224,600)	2,589,823
FUND BALANCE:					
Beginning of year	6,603,774	-	-	4,224,600	10,828,374
Prior period adjustment (Note 15)	(204,114)	-	921,960	-	717,846
End of year	$ 13,055,218	$ 158,478	$ 922,347	$ -	$ 14,136,043

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

For the Fiscal Year Ended June 30, 2019

Net Change in Fund Balances – Governmental Funds	$ 2,589,823
Amounts reported for governmental activities in the statement of activities is different because:	
Some expenses reported in the statement of activities do not require the use of current financial resources. Therefore, those expenses are not reported as expenditures in governmental funds as follows:	
Change in compensated absences	(250,371)
Change in accrued interest payable	35,482
Change in workers' compensation claims payable	(331,231)
Change in net other post-employment benefits obligations	918,531
Change in net pension liability	(262,096)
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those capitalized assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	1,878,290
Depreciation expense	(835,693)
Special item - Sale of Land	(15,757)
Principal repayment of long-term debt obligations are reported as expenditures in governmental funds. However, principal repayments reduce liabilities in the statement of net position and do not result in expenses in the statement of activities.	2,810,209
Total adjustments	3,947,364
Change in Net Position of Governmental Activities	$ 6,537,187

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Description of Organization

The San Miguel Consolidated Fire Protection District (District) was formed on July 1, 1988, under the provisions of the California Health and Safety Code, Section 14022, to provide fire protection, prevention, emergency medical services, code enforcement, and weed abatement. The District operates eight fire stations over a 54-mile service area that serves the taxpayers and residents in the communities of Bostonia, Casa de Oro, Crest, Grossmont/Mt. Helix, La Presa, Rancho San Diego, Spring Valley and the unincorporated areas of El Cajon and La Mesa of San Diego County. The District's governmental powers are exercised through a seven-member board of directors.

B. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District. Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

The District has identified no organizations that are required to be reported as component units.

C. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the primary government (the District) and its component units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, other nonexchange transactions, and charges for services.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Major Governmental Funds

The District maintains the following major governmental funds:

General Fund: This fund is used to account for all financial resources of the District, except those required to be accounted for in another fund when necessary.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Major Governmental Funds (continued)

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

Debt Service Fund: This fund is used as a cash reserve that is used to pay for the interest and principal payments on certain types of debt.

Non-Major Governmental Funds

Capital Reserve Fund: This fund is used to account for the acquisition and/or construction of major governmental general fixed assets.

Vehicle Replacement Fund: This fund is used for fees collected that can only be used to purchase new vehicles.

Other Governmental – Facilities Replacement Fund: This fund is used for fees collected that can only be used to purchase, replace, or improve capital facilities.

Other Governmental – Capital Equipment Fund: This fund is used for the purchase and development of real property segregated for special projects.

2. Measurement Focus, Basis of Accounting

Government-Wide Financial Statements
The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements
Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation, Basis of Accounting (continued)

3. Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year. Generally, available is defined as collectible within 60 days.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash and Investments

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

Investments are reported at fair value except for short-term investments, which are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments in governmental investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

In accordance with fair value measurements, the District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Financial assets and liabilities recorded on the balance sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The District has the ability to access the holding and quoted prices as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

1. Cash and Investments (continued)

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

2. Capital Assets

Capital assets are stated at cost or at their estimated fair value at date of donation. It is the District's policy to capitalize assets costing over $5,000. The provision for depreciation is computed using the straight-line method over the estimated service lives of the capital assets.

Estimated service lives for the District's classes of assets are as follows:

Description	Estimated Lives
Structures and Improvements	10-50 years
Furniture and Equipment	7-20 years
Vehicles and Apparatuses	5-20 years

3. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

4. Compensated Absences

Accumulated unpaid employee vacation benefits and sick leave are recognized as liabilities of the District.

Forty hour per week employees may accumulate up to a maximum of 1,040 hours combined vacation and sick leave.

5. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plan and addition 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 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

6. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets -** This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

- **Restricted -** This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- **Unrestricted net position -** This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

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

7. Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

Restricted: Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

Committed: The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

8. Fund Balances (continued)

Assigned: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

F. Property Taxes

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

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

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

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

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2019, were categorized on the statement of net position as follows:

Description	Balance
Cash and investments	$ 12,277,190
Restricted – cash and investments	1,079,969
Total cash and investments	$ 13,357,159

Cash and investments at June 30, 2019, consisted of the following:

Description	Balance
Cash on hand	$ 2,100
Demand deposits held with financial institutions	615,426
Money-market funds	922,347
San Diego County Pooled Investment Fund (SDCPIF)	11,817,286
Total cash and investments	$ 13,357,159

Demand Deposits with Financial Institutions
At June 30, 2019, the carrying amount of the District's demand deposits was $615,426 and the financial institution's balance was $791,331. The net difference represents outstanding checks, deposits-in-transit and/or other reconciling items between the financial institution's balance and the District's balance for each year.

Custodial Credit Risk – Deposits
Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the California Government Code requires that a 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 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

NOTE 2 – CASH AND INVESTMENTS

Money-Market Funds

Money-market funds are an investment whose objective is to earn modest investment earnings while maintaining a net asset value (NAV) of $1 per share (which is the funds main goal – preservation of principal). A money-market fund's portfolio is typically comprised of short-term, or less than one year, securities representing high-quality, liquid debt and monetary instruments with minimal credit risk. Money-market funds are Level 1 investments (with quoted prices in active markets for identical assets) that are Not Rated under the current credit risk ratings format. For financial reporting purposes, the District considers money-market funds a cash equivalent due to their highly liquid nature and NAV of $1 per share. As of June 30, 2019, the District had $922,347 in restricted money-market funds for debt service.

San Diego County Treasury Investment Pool (SDCTIP)

The District is a voluntary participant in the San Diego County Treasury Investment Pool (SDCTIP)pursuant to Government Code Section 53694. The cash flow needs of participants are monitored daily to ensure that sufficient liquidity is maintained to meet the needs of those participants. At the time deposits are made, the San Diego County Treasurer may require the depositing entity to provide annual cash flow projections or an anticipated withdrawal schedule for deposits in excess of $1 million. Projections are performed no less than semi-annually. In accordance with Government Code Section 27136, all request for withdrawal of funds for the purpose of investing or deposits the funds elsewhere shall be evaluated to ensure the proposed withdrawal will not adversely affect the principal deposits of the other participants. Pool detail may be obtained from the Treasurer-Tax Collector – San Diego Administration Center – 1600 Pacific Hwy, Room 162 – San Diego, CA 92101 or the Treasurer and Tax Collector's office website at www.sdttc.com. As of June 30, 2019, the District had $11,817,286 in the SDCTIP.

NOTE 3 – RESTRICTED ASSETS AND RESTRICTED NET POSITION

Restricted assets and restricted net position as of June 30, 2019, were categorized as follows:

Description	Balance
Restricted – cash and investments	$ 1,079,969
Restricted – accrued interest receivable	856
Total restricted net position	$ 1,080,825

See Note 13 for further information on the breakdown of the restricted net position balance.

NOTE 4 – DEPOSITS WITH PUBLIC AGENCIES SELF INSURANCE SYSTEM (PASIS)

The District is one of nine members in the Public Agency Self-Insurance System (PASIS). PASIS is a joint-powers authority which was established in 1977 for the purpose of operating and maintaining a cooperative program of self-insurance and risk management for workers' compensation for its members.

PASIS's purpose is to provide for the collection of workers' compensation claims data, purchase claims examiner services, general counsel services and excess insurance coverage. Members are responsible for paying their own claims and related expenses for workers' compensation related injuries. PASIS requires active members to maintain a minimum base funding of 125% of a members' self-insured retention plus a 15% increase for members with annual payroll in excess of $1.8 million. The deductible for self-insured retention selected by the District is $300,000. PASIS carries excess insurance through a joint powers authority to cover amounts over the self-insured retention.

As of June 30, 2019, the District had $527,821 on deposit with PASIS. Further information in regards to PASIS is as follows:

A.	**Entity**	Public Agency Self-Insurance System (PASIS)		
B.	**Purpose**	To pool member resources and realize the advantages of a self-insurance reserve for workers' compensation		
C.	**Participants**	As of June 30, 2019 – Seven member agencies		
D.	**Governing board**	Seven representatives employed/appointed by members		
E.	**District payments for FY 2019:**			
	Contribution	$0		
F.	**Condensed financial information**	June 30, 2019		
	Audit signed	September 30, 2019		
	Statement of net position:		**June 30, 2019**	**District Share**
	Total assets		$ 3,546,647	$ 527,821
	Total liabilities		-	-
	Net position		$ 3,546,647	$ 527,821
	Statement of revenues, expenses and changes in net position:			
	Total revenues		$ 109,825	$ 16,391
	Total expenses		-	-
	Change in net position		109,825	16,391
	Beginning – net position		3,436,822	511,430
	Ending – net position		$ 3,546,647	$ 527,821
G.	**District's share of year-end financial position**		100.00%	14.88%

NOTE 5 – CAPITAL ASSETS

Changes in capital assets for the year were as follows:

Description	Restated Balance July 1, 2018	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2019
Non-depreciable capital assets:				
Land	$ 2,093,520	$ -	$ (15,757)	$ 2,077,763
Construction-in-progress	715,545	913,509	-	1,629,054
Total non-depreciable capital assets	2,809,065	913,509	(15,757)	3,706,817
Depreciable capital assets:				
Structures and improvements	14,301,483	-	(128,619)	14,172,864
Vehicles and apparatuses	8,385,556	897,217	-	9,282,773
Equipment	1,360,365	67,564	-	1,427,929
Total depreciable capital assets	24,047,404	964,781	(128,619)	24,883,566
Accumulated depreciation:				
Structures and improvements	(7,195,155)	(435,992)	128,619	(7,502,528)
Vehicles and apparatuses	(5,471,700)	(370,997)	-	(5,842,697)
Equipment	(1,142,368)	(28,704)	-	(1,171,072)
Total accumulated depreciation	(13,809,223)	(835,693)	128,619	(14,516,297)
Total depreciable capital assets, net	10,238,181	129,088	-	10,367,269
Total capital assets, net	$ 13,047,246	$ 1,042,597	$ (15,757)	$ 14,074,086

Depreciation expense for the year ended June 30, 2019 was $835,693 and is not allocated to the various governmental functions or funds.

NOTE 6 – COMPENSATED ABSENCES

Changes to compensated absences balances for the year ended June 30, 2019, were as follows:

Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Current Portion	Long-term Portion
$ 532,060	$ 276,412	$ (131,200)	$ 677,272	$ 338,636	$ 338,636

NOTE 7 – LONG-TERM DEBT

Changes in long-term debt were as follows:

Long-Term Debt	Balance July 1, 2018	Additions	Payments	Balance June 30, 2019	Current Portion	Long-term Portion
Revenue bonds payable	$ 1,665,000	$ -	$ (810,000)	$ 855,000	$ 855,000	$ -
Public property financing	2,610,000	-	(1,738,000)	872,000	872,000	-
Capital lease payable – solar project	433,349	-	(32,872)	400,477	38,049	362,428
Capital lease payable – fire apparatus	715,545	-	(229,337)	486,208	238,396	247,812
	$ 5,423,894	$ -	$ (2,810,209)	$ 2,613,685	$ 2,003,445	$ 610,240

Revenue Bonds Payable

In October 2003, the San Diego Regional Building Authority (Authority) issued $10,005,000 of Refunding Lease Revenue Bonds, Series 2003 (Bonds) on behalf of the District. Proceeds of the Bonds were used to provide funds to refund, on a current basis, the Refunding Lease Revenue Bonds, Series 1993A, and pay certain costs incurred in connection with execution and delivery of the Bonds. The refunding was undertaken to reduce total future debt service payments and to extend the life of the debt.

The Bonds are special obligations of the Authority, payable from and secured by revenues of the Authority consisting primarily of payments to be made by the District, for the right to the use of certain real property and improvements thereon (Leased Property) pursuant to that certain Second Amended and Restated Lease Agreement dated October 1, 2003 (Lease Agreement), by and between the District, as lessee, and the Authority, as lessor. The District has covenanted in the Lease Agreement to make the Lease Payments for the Leased Property as provided for therein, to include all such Lease Payments in each of its budgets and to make the necessary annual appropriations for all such Lease Payments.

The terms of the Refunding Lease Revenue Bonds call for installments of principal and interest payments up to $887,725, annually. This includes interest ranging from 2.00% to 5.00% through February 2020. These Bonds are collateralized by land, structure and equipment.

The annual requirements to amortize revenue bonds payable, outstanding as of June 30, 2019, are as follows:

Fiscal Year	Principal	Interest	Total
2020	$ 855,000	$ 19,238	$ 874,238

NOTE 7 – LONG-TERM DEBT (continued)

Public Property Financing Corporation
On June 1, 2011, in order to fund the CalPERS Side Fund Obligations related to the District's pension obligation, thereby realizing a substantial cash flow savings, the District leased certain real property, together with all buildings, facilities and other improvements which are located thereon to the Public Property Financing Corporation of California in exchange for an advance rental payment of $11,282,000, which was sufficient to fund the CalPERS Side Fund Obligation. The District is making sixteen bi-annual payments with interest at 4.9% per annum.

The debt will mature on July 30, 2019. Debt service requirements for this note payable are as follows:

Fiscal Year	Principal	Interest	Total
2020	$ 872,000	$ 8,110	$ 880,110

Capital Lease – Solar Equipment
The District constructed a solar project for $479,313 and on October 27, 2016 financed the solar project under a capital lease agreement. At June 30, 2019, the future minimum lease payments under the capital lease are as follows:

Fiscal Year	Principal	Interest	Total
2020	$ 38,049	$ 23,403	$ 61,452
2021	42,456	20,992	63,448
2022	47,206	18,305	65,511
2023	52,318	15,323	67,641
2024	220,448	10,261	230,709
Total	400,477	$ 88,284	$ 488,761
Current	(38,049)		
Long-term	$ 362,428		

Capital Lease – Fire Apparatus
The District constructed a fire apparatus for $715,545 and on April 5, 2018 financed the fire apparatus under a capital lease agreement. At June 30, 2019, the future minimum lease payments under the capital lease are as follows:

Fiscal Year	Principal	Interest	Total
2020	$ 238,396	$ 19,205	$ 257,601
2021	247,812	9,789	257,601
Total	486,208	$ 28,994	$ 515,202
Current	(238,396)		
Long-term	$ 247,812		

NOTE 8 – WORKERS' COMPANSATION CLAIMS PAYABLE

The District is self-insured for workers' compensation and has effectively managed this risk of loss through a combination of insurance, with deductibles, self-insurance, and employee education and prevention programs. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. Excess insurance is purchased above the self-insured retention through PASIS. As of June 30, 2019, the liability for workers' compensation claims payable was estimated at $1,019,926.

Changes in workers' compensation claims payable for the year ended June 30, 2019, was as follows:

Description	Balance
Estimated claims balance – July 1, 2018	$ 688,695
Claim payments	(46,482)
Revised claims estimate	377,713
Change in claims balance	331,231
Estimated claims balance – June 30, 2019	$ 1,019,926

NOTE 9 – NET OTHER POST-EMPLOYMENT BENEFITS OBLIGATIONS

Summary
The following balances on the statement of net position will be addressed in this footnote as follows:

Description	Amount
OPEB related deferred outflows of resources	$ 818,266
Net other post-employment benefits obligation	18,429,183
OPEB related deferred inflows of resources	128,571

A. General Information about the OPEB Plan

Plan Description and Benefits Provided
The District provides healthcare and life insurance benefits for retirees and their dependents. Active employees are offered a choice of medical plans through the CalPERS Health Program under the Public Employees' Medical and Hospital Care Act (PEMHCA). The District offers the same medical plans to eligible retirees except once a retiree is eligible for Medicare, the retiree must join a Medicare HMO or Supplement Plan with Medicare being the primary payer. The District contributes to the retiree health coverage of eligible retirees and eligible surviving spouses. For employees who retired on or before November 1, 2011, the District's financial obligation is to pay for the retiree and eligible dependent coverage up to a monthly maximum, which is equal to the Kaiser Basic family premium. For employees who retired after November 1, 2011, the District's financial obligation is to pay for the retiree and eligible dependent coverage up to a monthly maximum capped at 50% of the growth from the 2011 Kaiser Basic Plan based upon family status. Employees hired after November 1, 2011, the District's financial obligation is to pay the minimum amount required by law for health insurance coverage upon their retirement.

NOTE 9 – NET OTHER POST-EMPLOYMENT BENEFITS OBLIGATIONS (continued)

A. General Information about the OPEB Plan (continued)

Plan Description and Benefits Provided (continued)
An employee is eligible for the District contribution provided they are vested in their CalPERS pension benefit and commence payment of their pension benefit within 120 days of retirement with the District. Vesting requires at least 5 years of CalPERS eligible service. The surviving spouse of an eligible retiree who elected spouse coverage under CalPERS is eligible for the employer contribution upon the death of the retiree.

To be eligible for retiree health benefits, an employee must retire from the District and commence pension benefit under CalPERS (typically on or after age 50 with at least 5 years of CalPERS eligible service). The District's financial obligation is to provide a monthly contribution towards the retiree's continuation of health coverage through the CalPERS Health Program for the lifetime of the retiree or for a surviving spouse. The District's annual contribution is capped at the Kaiser (non-medical) Basic premium amount in 2011 plus 50% of any future increases based on retiree's coverage category. Employees hired after November 1, 2011 will only receive a District Contribution equal to the CalPERS minimum required employee contribution. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Employees covered by benefit terms
At June 30, 2018, the following employees were covered by the benefit terms:

Plan Members	Covered Participants
Active members	53
Inactives entitled to but not yet receiving benefits	-
Inactives currently receiving benefits	84
Total plan members	137

B. Total OPEB Liability
The District's total OPEB liability of $18,429,183 was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2017.

Actuarial assumptions and other inputs
The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.50%
Inflation	2.75%
Salary Increases	3.0% per annum, in aggregate
Investment Rate of Return	3.50%
Mortality Rate	CalPERS Membership Data
Pre-Retirement Turnover	CalPERS Membership Data
Healthcare Trend Rate	HMO 6.0%, Non-HMO 6.5%

NOTE 9 – NET OTHER POST-EMPLOYMENT BENEFITS OBLIGATIONS (continued)

B. Total OPEB Liability (continued)

Mortality, Retirement & Turnover Assumptions
The mortality assumptions are based on the 2014 CalPERS Active and Retiree Mortality for Miscellaneous and Safety Employees table created by CalPERS.

The retirement assumptions are based on the 2009 CalPERS 2.7%@55 Rates for Miscellaneous Employees, and the 2009 PERS 3%@55 FIRE RX tables created by CalPERS.

The turnover assumptions are based on the 2009 CalPERS Turnover for Miscellaneous Employees and Sworn Fire Employees tables created by CalPERS.

Discount Rate
The discount rate used to measure the total OPEB liability was 3.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions would be sufficient to fully fund the obligation over a period not to exceed 30 years. The Bond Buyer 20 Bond Index was used.

C. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2017	$ 18,658,019
Changes for the year:	
Service cost	288,268
Interest	629,060
Assumption changes	(257,142)
Benefit payments	(889,022)
Net changes	(228,836)
Balance at June 30, 2018	$ 18,429,183

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

1% Decrease 2.50%	Discount Rate 3.50%	1% Increase 4.50%
$ 21,284,105	$ 18,429,183	$ 16,145,168

NOTE 9 – NET OTHER POST-EMPLOYMENT BENEFITS OBLIGATIONS (continued)

C. Changes in the Total OPEB Liability

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

1% Decrease	Healthcare Cost Current Trend	1% Increase
$ 16,046,331	$ 18,429,183	$ 21,396,978

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2019, the District recognized OPEB expense of $788,757. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB of the following:

Account Description	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions made after the measurement	$ 818,266	$ -
Changes in assumptions	-	(128,571)
Total Deferred Outflows/(Inflows) of Resources	$ 818,266	$ (128,571)

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

Amortization Period Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2020	$ (128,571)

NOTE 10 – NET PENSION LIABILITY AND DEFINED BENEFIT PENSION PLAN

Summary
The following balances on the statement of net position will be addressed in this footnote as follows:

Description	Amount
Pension related deferred outflows of resources	$ 9,076,368
Net pension liability	36,493,379
Pension related deferred inflows of resources	3,868,539

A. General Information about the Pension Plans

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

	Miscellaneous Plans	
	Classic Tier 1	PEPRA Tier 2
Hire date	Prior to December 31, 2012	On or after January 1, 2013
Benefit formula	2.7% @ 55	2.0% @ 62
Benefit vesting schedule	5-years or service	5-years or service
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	1.0% to 2.7%	1.0% to 2.5%
Required member contribution rates	8.000%	7.000%
Required employer contribution rates	13.057%	7.003%

	Safety Plans	
	Classic Tier 1	PEPRA Tier 2
Hire date	Prior to December 31, 2012	On or after January 1, 2013
Benefit formula	3.0% @ 55	2.7% @ 57
Benefit vesting schedule	5-years or service	5-years or service
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 55 & up	50 - 57 & up
Monthly benefits, as a % of eligible compensation	2.0% to 3.0%	2.0% to 2.7%
Required member contribution rates	9.000%	12.750%
Required employer contribution rates	20.000%	12.750%

NOTE 10 – NET PENSION LIABILITY AND DEFINED BENEFIT PENSION PLAN (continued)

A. General Information about the Pension Plans (continued)

Plan Description
The District contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2017 Annual Actuarial Valuation Report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

Members Covered by Benefit Terms
At June 30, 2018 (Measurement Date), the following members were covered by the benefit terms:

	Miscellaneous Plans		
Plan Members	**Classic Tier 1**	**PEPRA Tier 2**	**Total**
Active members	4	3	7
Transferred and terminated members	28	30	58
Retired members and beneficiaries	25	-	25
Total plan members	57	33	90

	Safety Plans		
Plan Members	**Classic Tier 1**	**PEPRA Tier 2**	**Total**
Active members	43	26	69
Transferred and terminated members	102	3	105
Retired members and beneficiaries	143	-	143
Total plan members	288	29	317

Benefits Provided
CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A Classic CalPERS Miscellaneous and Safety member becomes eligible for service retirement upon attainment of age 60 and 50, respectively, with at least 5 years of credited service. Public Employees' Pension Reform Act (PEPRA) Miscellaneous and Safety members become eligible for service retirement upon attainment of age 62 and 57, respectively, with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 full-time equivalent monthly pay. Retirement benefits for Classic Miscellaneous and Safety members are calculated as a percentage of their plan based the average final 36 months compensation.

NOTE 10 – NET PENSION LIABILITY AND DEFINED BENEFIT PENSION PLAN (continued)

A. General Information about the Pension Plans (continued)

Benefits Provided (continued)
Retirement benefits for PEPRA Miscellaneous members are calculated as a percentage of their plan based the average final 36 months compensation. Participant members are eligible for non-industrial disability retirement if they become disabled and have at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees.

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

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

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

Contributions
Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers will be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The public agency cost-sharing plans covered by the Miscellaneous risk pool, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of members. For the measurement period ended June 30, 2018 (Measurement Date), the active member contribution rate for the Classic Miscellaneous and Safety Plans and the PEPRA Miscellaneous and Safety Plans are based above in the Plans Description schedule.

For the year ended June 30, 2019, the contributions made to the Plan were as follows:

	Total Plans		
Contribution Type	**Classic Tier 1**	**PEPRA Tier 2**	**Total**
Contributions – Miscellaneous Plans	$ 171,368	$ 14,629	$ 185,997
Contributions – Safety Plans	2,983,282	296,426	3,279,708
Total contributions	$ 3,154,650	$ 311,055	$ 3,465,705

NOTE 10 – NET PENSION LIABILITY AND DEFINED BENEFIT PENSION PLAN (continued)

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

Actuarial Methods and Assumptions Used to Determine the Total Pension Liability

For the measurement period ended June 30, 2018 (Measurement Date), the total pension liability was determined by rolling forward the June 30, 2017 total pension liability. The June 30, 2018 total pension liability was based on the following actuarial method and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.00% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The long-term expected rate of return on the pension plan investments was determined in which best-estimate ranges of expected future real rates are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were considered. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years.

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

NOTE 10 – NET PENSION LIABILITY AND DEFINED BENEFIT PENSION PLAN (continued)

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

Discount Rate (continued)

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

Investment Type	New Strategic Allocation	Real Return Years 1 - 10[1]	Real Return Years 11+[2]
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
	100%		

[1] An expected inflation rate-of-return of 2.5% is used for years 1 – 10.
[2] An expected inflation rate-of-return of 3.0% is used for years 11+.

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

The following presents the District's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

	Plan's Net Pension Liability/(Asset)		
Plan Type	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
CalPERS – Miscellaneous Plan	$ 3,535,469	$ 2,331,790	$ 1,338,174

	Plan's Net Pension Liability/(Asset)		
Plan Type	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
CalPERS – Safety Plan	$ 51,404,334	$ 34,161,589	$ 20,034,247

	Plan's Net Pension Liability/(Asset)		
Plan Type	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
CalPERS – Total Plan	$ 54,939,803	$ 36,493,379	$ 21,372,421

NOTE 10 – NET PENSION LIABILITY AND DEFINED BENEFIT PENSION PLAN (continued)

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

Pension Plan Fiduciary Net Position

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

Proportionate Share of Net Pension Liability and Pension Expense

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

Plan Type and Balance Descriptions	Plan Total Pension Liability	Plan Fiduciary Net Position	Change in Plan Net Pension Liability
CalPERS – Miscellaneous Plans:			
Balance as of June 30, 2017 (Measurement Date)	$ 8,608,894	$ 6,232,857	$ 2,376,037
Balance as of June 30, 2018 (Measurement Date)	$ 8,898,260	$ 6,566,470	$ 2,331,790
Change in Plan Net Pension Liability	$ 289,366	$ 333,613	$ (44,247)

Plan Type and Balance Descriptions	Plan Total Pension Liability	Plan Fiduciary Net Position	Change in Plan Net Pension Liability
CalPERS – Safety Plans:			
Balance as of June 30, 2017 (Measurement Date)	$ 124,915,026	$ 90,844,640	$ 34,070,386
Balance as of June 30, 2018 (Measurement Date)	$ 125,077,572	$ 90,915,983	$ 34,161,589
Change in Plan Net Pension Liability	$ 162,546	$ 71,343	$ 91,203

Plan Type and Balance Descriptions	Plan Total Pension Liability	Plan Fiduciary Net Position	Change in Plan Net Pension Liability
CalPERS – Total Plans:			
Balance as of June 30, 2017 (Measurement Date)	$ 133,523,920	$ 97,077,497	$ 36,446,423
Balance as of June 30, 2018 (Measurement Date)	$ 133,975,832	$ 97,482,453	$ 36,493,379
Change in Plan Net Pension Liability	$ 451,912	$ 404,956	$ 46,956

NOTE 10 – NET PENSION LIABILITY AND DEFINED BENEFIT PENSION PLAN (continued)

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

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

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

(1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2017). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability (TPL) determines the net pension liability (NPL) at the valuation date.

(2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2018). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2018 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2017-18 fiscal year).

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

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

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

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

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

CalPERS – Miscellaneous Plan	Percentage Share of Risk Pool Fiscal Year Ending June 30, 2019	Percentage Share of Risk Pool Fiscal Year Ending June 30, 2018	Change Increase/ (Decrease)
Measurement Date	June 30, 2018	June 30, 2017	
Percentage of Risk Pool Net Pension Liability	0.061870%	0.060270%	0.001600%

CalPERS – Safety Plan	Percentage Share of Risk Pool Fiscal Year Ending June 30, 2019	Percentage Share of Risk Pool Fiscal Year Ending June 30, 2018	Change Increase/ (Decrease)
Measurement Date	June 30, 2018	June 30, 2017	
Percentage of Risk Pool Net Pension Liability	0.582210%	0.570200%	0.012010%

NOTE 10 – NET PENSION LIABILITY AND DEFINED BENEFIT PENSION PLAN (continued)

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

Proportionate Share of Net Pension Liability and Pension Expense (continued)
For the year ended June 30, 2019, the District recognized pension expense/(credit) in the amount of $2,392,449 for the CalPERS Miscellaneous and Safety Plans.

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

Deferred Outflows of Resources and Deferred Inflows of Resources
At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Account Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions made after the measurement date	$ 3,465,705	$ -
Difference between actual and proportionate share of employer contributions	-	(2,103,421)
Adjustment due to differences in proportions	926,682	(1,214,514)
Differences between expected and actual experience	823,484	(33,230)
Differences between projected and actual earnings on pension plan investments	242,818	-
Changes in assumptions	3,617,679	(517,374)
Total Deferred Outflows/(Inflows) of Resources	$ 9,076,368	$ (3,868,539)

Description	Amount
Pension related deferred outflows/(inflows), net	$ 5,207,829
Less:	
Pension contributions made after the measurement date	(3,465,705)
Total to be Amortized in Future Fiscal Years	$ 1,742,124

The District will recognize $3,465,705 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date as a reduction of the net pension liability in the fiscal year ended June 30, 2019, as noted above.

NOTE 10 – NET PENSION LIABILITY AND DEFINED BENEFIT PENSION PLAN (continued)

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

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

Amortization Period Fiscal Year Ended June 30	Deferred Outflows/ (Inflows) of Resources
2020	$ 2,086,961
2021	968,009
2022	(1,055,251)
2023	(257,595)
Total	$ 1,742,124

NOTE 11 – NET INVESTMENT IN CAPITAL ASSETS

At June 30, 2019, the net investment in capital assets was calculated as follows:

Description	Balance
Capital assets – not being depreciated	$ 3,706,817
Capital assets – being depreciated, net	10,367,269
Long-term debt obligations payable – current portion	(2,003,445)
Long-term debt obligations payable – noncurrent portion	(610,240)
Total net investment in capital assets	$ 11,460,401

NOTE 12 – UNRESTRICTED NET POSITION (DEFICIT)

As of June 30, 2019, the District had an unrestricted net position deficit of ($37,696,750). Due to the nature of the deficit from the implementation of GASB No. 68 – Net Pension Liability – in fiscal year 2015 and GASB No. 75 – Net OPEB Obligation – in fiscal year 2018, the District will continue to make its actuarial determined contributions and healthcare administrative costs to CalPERS and annually review its outstanding net pension liability and net OPEB obligation funding requirements for future periods to reduce the deficit position.

NOTE 13 – FUND BALANCES

At June 30, 2019, fund balances of the District's governmental funds were classified as follows:

Description	General Fund	Fire Mitigation Fund	Debt Service Fund	Total
Restricted:				
Mitigation fees	$ -	$ 158,478	$ -	$ 158,478
Debt service reserve	-	-	922,347	922,347
Total restricted	-	158,478	922,347	1,080,825
Assigned:				
Deposits with Public Agencies Self Insurance System	527,821	-	-	527,821
Compensated absences	677,272	-	-	677,272
Workers' compensation claims payable	492,105	-	-	492,105
Long-term debt repayment - fiscal year 2020	2,003,445	-	-	2,003,445
Capital asset replacement	4,800,000	-	-	4,800,000
Total assigned	8,500,643	-	-	8,500,643
Unassigned	4,554,575	-	-	4,554,575
Total fund balances	$ 13,055,218	$ 158,478	$ 922,347	$ 14,136,043

NOTE 14 – TRANSFERS IN/(OUT)

Inter-fund transfers are transactions used to close out a fund, reimburse an operating fund, and transfer cash between operating funds and capital projects funds. For the year ended June 30, 2019, the District made the following inter-fund transfers in and out.

Transfer To	Transfer From	Balance	Purpose
General Fund	Other Gov. Funds	$ 4,224,600	Release from non-major funds
Fire Mitigation	General Fund	86,259	Establish beginning fund balance
Debt Service	General Fund	888,975	Debt service payment
	Total	$ 5,199,834	

NOTE 15 – PRIOR PERIOD ADJUSTMENTS – RESTATEMENTS

Government-Wide Statement of Net Position and Statement of Activities
A detailed schedule of adjustments to net position at June 30, 2018 is as follows:

Description	Amount
Deposits with Public Agencies Self Insurance System	$ 511,431
Restricted – cash and investments for debt service	921,960
Accrued interest payable	(65,214)
Compensated absences	105,159
Workers' compensation claims payable	(688,695)
Total prior period adjustment to net position	$ 784,641

Description	Amount
Net position – June 30, 2018, as previously stated	$ (32,477,352)
Total prior period adjustment to net position	784,641
Net position – June 30, 2018, as restated	$ (31,692,711)

Governmental Fund – Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance
A detailed schedule of adjustments to fund balance at June 30, 2018 is as follows:

Description	Amount
Deposits with Public Agencies Self Insurance System	$ 511,431
Restricted – cash and investments for debt service	921,960
Capital outlay – Fire apparatus not expensed	(715,545)
Total prior period adjustment to fund balance	$ 717,846

Description	Amount
Fund balance – June 30, 2018, as previously stated	$ 10,828,374
Total prior period adjustment to fund balance	717,846
Fund balance – June 30, 2018, as restated	$ 11,546,220

NOTE 16 – DEFERRED COMPENSATION SAVINGS PLAN

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

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.* Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statement of net position.

NOTE 17 – RISK MANAGEMENT

Fire Agencies Insurance Risk Authority (FAIRA)

The District entered into a JPA, known as the Fire Agencies Insurance Risk Authority (FAIRA), a self-insurance plan for general liability insurance. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the FAIRA. The JPA is a separate entity which is independently audited. Condensed financial and other information available for the FAIRA as of June 30, 2019 is as follows:

A.	**Entity**	Fire Agencies Insurance Risk Authority (FAIRA)
B.	**Purpose**	To pool member resources and realize the advantages of self-insurance for general liability insurance
C.	**Participants**	As of June 30, 2019 – Approx. 100 member agencies
D.	**Governing board**	13 representatives employed/appointed by members
E.	**District payments for FY 2019:**	
	Insurance premium	$61,880
F.	**Condensed financial information**	June 30, 2019
	Audit signed	January 6, 2020

	June 30, 2019
Statement of net position:	
Total assets	$ 3,484,276
Total liabilities	706,746
Net position	$ 2,777,530
Statement of revenues, expenses and changes in net position:	
Total revenues	$ 3,352,330
Total expenses	(3,670,085)
Change in net position	(317,755)
Beginning – net position	3,095,285
Ending – net position	$ 2,777,530

The complete financial statements can be obtained by contacting FAIRA at 1255 Battery St, Suite 450, San Francisco, CA 94111.

NOTE 18 – COMMITMENTS AND CONTINGENCIES

Grant Awards

Grant funds received by the District are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

Litigation

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

NOTE 19 – SUBSEQUENT EVENT

At the end of the first quarter of calendar year 2020, the United States and global economy suffered a major decline due to the impact of the COVID-19 virus. This economic decline may affect the District's operations and investment earnings for the remainder of calendar year 2020 and beyond. However, the potential impact to the District is unknown at this time.

Required Supplementary Information

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2019

	Adopted Original Budget	Revised Final Budget	Actual	Variance Positive (Negative)
REVENUES:				
Property taxes	$ 19,342,952	$ 19,342,952	$ 19,811,643	$ 468,691
Redevelopment pass-through	-	-	131,748	131,748
Parcel tax	1,814,230	1,814,230	1,814,230	-
Property assessment	726,723	726,723	726,723	-
CSA-115 annexation	150,000	150,000	426,012	276,012
Cal-OES – Personnel	40,000	40,000	319,689	279,689
Cal-OES – Engines	-	-	75,248	75,248
Cal-OES – Administration	-	-	84,566	84,566
Fire prevention – plan check and inspections	150,000	150,000	196,919	46,919
Advanced life support – first responder fee	832,000	832,000	879,634	47,634
Weed abatement	-	-	140,311	140,311
Other charges	-	-	3,605	3,605
Reimbursements	150,000	150,000	203,281	53,281
Operating and capital grant funding	-	-	18,168	18,168
Rental income – site and cellular	143,100	143,100	177,730	34,630
Investment earnings	-	-	391,760	391,760
Total revenues	23,349,005	23,349,005	25,401,267	2,052,262
EXPENDITURES:				
Fire related services:				
Salaries and wages	8,909,137	8,909,137	8,706,247	202,890
Employee benefits	5,805,069	5,805,069	5,581,212	223,857
Insurance	691,880	691,880	220,411	471,469
Materials and services	5,074,121	5,074,121	3,804,542	1,269,579
Capital outlay	906,413	906,413	1,752,732	(846,319)
Debt service:				
Principal	-	-	2,000,209	(2,000,209)
Interest	-	-	95,322	(95,322)
Total expenditures	21,386,620	21,386,620	22,160,675	(774,055)
REVENUES OVER(UNDER) EXPENDITURES	1,962,385	1,962,385	3,240,592	1,278,207
OTHER FINANCING SOURCES(USES):				
Proceeds from sale of assets	-	-	149,843	149,843
Sale of land	-	-	15,757	15,757
Transfers in	80,000	80,000	4,224,600	4,144,600
Transfers (out)	-	-	(975,234)	(975,234)
Total other financing sources(uses)	80,000	80,000	3,414,966	3,334,966
NET CHANGES IN FUND BALANCE	$ 2,042,385	$ 2,042,385	6,655,558	$ 4,613,173
FUND BALANCE:				
Beginning of year			6,603,774	
Prior period adjustment			(204,114)	
End of year			$ 13,055,218	

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Budgetary Comparison Schedule – Fire Mitigation Fund
For the Fiscal Year Ended June 30, 2019

	Adopted Original Budget	Revised Final Budget	Actual	Variance Positive (Negative)
REVENUES:				
Mitigation fees	$ 1,000	$ 1,000	$ 194,603	$ 193,603
Investment earnings	-	-	3,174	3,174
Total revenues	1,000	1,000	197,777	196,777
EXPENDITURES:				
Fire mitigation:				
Capital outlay	-	-	125,558	(125,558)
Total expenditures	-	-	125,558	(125,558)
REVENUES OVER(UNDER) EXPENDITURES	1,000	1,000	72,219	71,219
OTHER FINANCING SOURCES(USES):				
Transfers in	-	-	86,259	86,259
Total other financing sources(uses)	-	-	86,259	86,259
NET CHANGES IN FUND BALANCE	$ 1,000	$ 1,000	158,478	$ 157,478
FUND BALANCE:				
Beginning of year (Deficit)			-	
End of year (Deficit)			$ 158,478	

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Budgetary Comparison Schedule – Debt Service Fund

For the Fiscal Year Ended June 30, 2019

	Adopted Original Budget	Revised Final Budget	Actual	Variance Positive (Negative)
REVENUES:				
Investment earnings	$ -	$ -	$ 387	$ 387
Total revenues	-	-	387	387
EXPENDITURES:				
Debt service:				
Principal	-	-	810,000	(810,000)
Interest	-	-	78,975	(78,975)
Total expenditures	-	-	888,975	(888,975)
REVENUES OVER(UNDER) EXPENDITURES	-	-	(888,588)	(888,588)
OTHER FINANCING SOURCES(USES):				
Transfers (out)	-	-	888,975	888,975
Total other financing sources(uses)	-	-	888,975	888,975
NET CHANGES IN FUND BALANCE	$ -	$ -	387	$ 387
FUND BALANCE:				
Beginning of year (Deficit)			-	
Prior period adjustment			921,960	
End of year (Deficit)			$ 922,347	

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Schedule of Proportionate Share of the Net Pension Liability – Miscellaneous Plan

For the Fiscal Year Ended June 30, 2019

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Measurement Date:	**June 30, 2018[1]**	**June 30, 2017[1]**	**June 30, 2016[1]**	**June 30, 2015[1]**	**June 30, 2014[1]**
District's Proportion of the Net Pension Liability	0.061872%	0.060274%	0.059424%	0.058173%	0.019200%
District's Proportionate Share of the Net Pension Liability	$ 2,331,790	$ 2,376,037	$ 2,064,310	$ 1,595,949	$ 1,194,809
District's Covered Payroll	$ 442,246	$ 550,796	$ 654,446	$ 485,488	$ 511,999
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	527.26%	431.38%	315.43%	328.73%	233.36%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	73.79%	72.40%	73.82%	78.53%	83.03%

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

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year:	**2018-19[1]**	**2017-18[1]**	**2016-17[1]**	**2015-16[1]**	**2014-15[1]**	**2013-14[1]**
Actuarially Determined Contribution[2]	$ 185,997	$ 163,905	$ 152,433	$ 134,534	$ 79,114	$ 79,345
Contribution in Relation to the Actuarially Determined Contribution[2]	(185,997)	(163,905)	(152,433)	(134,534)	(79,114)	(79,345)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's Covered Payroll[3]	$ 452,000	$ 442,246	$ 550,796	$ 654,446	$ 485,488	$ 511,999
Contributions as a Percentage of Covered Payroll	41.15%	37.06%	27.68%	20.56%	16.30%	15.50%

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

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

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

Notes to the Schedule:

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

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Schedule of Proportionate Share of the Net Pension Liability – Safety Plan
For the Fiscal Year Ended June 30, 2019

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Safety Plan

Measurement Date:	**June 30, 2018**[1]	**June 30, 2017**[1]	**June 30, 2016**[1]	**June 30, 2015**[1]	**June 30, 2014**[1]
District's Proportion of the Net Pension Liability	0.582212%	0.570196%	0.575033%	0.538947%	0.341730%
District's Proportionate Share of the Net Pension Liability	$ 34,161,589	$ 34,070,386	$ 29,782,206	$ 22,207,029	$ 21,263,891
District's Covered Payroll	$ 5,415,482	N/A	N/A	N/A	N/A
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	630.81%	N/A	N/A	N/A	N/A
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	72.69%	72.73%	74.36%	80.50%	81.42%

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

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Safety Plan

Fiscal Year:	**2018-19[1]**	**2017-18[1]**	**2016-17[1]**	**2015-16[1]**	**2014-15[1]**	**2013-14[1]**
Actuarially Determined Contribution[2]	$ 3,279,708	$ 2,754,177	$ 1,442,121	$ 943,018	$ -	$ 14,294
Contribution in Relation to the Actuarially Determined Contribution[2]	(3,279,708)	(2,754,177)	(1,442,121)	(943,018)	-	(14,294)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's Covered Payroll[3]	$ 5,500,000	$ 5,415,482	N/A	N/A	N/A	N/A
Contributions as a Percentage of Covered Payroll	59.63%	50.86%	0.00%	0.00%	0.00%	0.00%

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

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

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

Notes to the Schedule:

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

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Schedule of Changes in the District's Total OPEB Liability and Related Ratios
For the Fiscal Year Ended June 30, 2019

Last Ten Fiscal Years

Fiscal Year - Measurement Date	**2018**	**2017**
Total OPEB liability		
Service cost	$ 288,268	$ 278,788
Interest	629,060	627,434
Changes of assumptions	(257,142)	-
Benefit payments	(889,022)	(846,688)
Net change in total OPEB liability	(228,836)	59,534
Total OPEB liability - beginning	18,658,019	18,598,485
Total OPEB liability - ending	$ 18,429,183	$ 18,658,019
Plan fiduciary net position		
Contributions - employer	$ -	$ -
Benefit payments	-	-
Net change in plan fiduciary net position	-	-
Plan fiduciary net position - beginning	-	-
Plan fiduciary net position - ending	$ -	$ -
District's net OPEB liability	$ 18,429,183	$ 18,658,019
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%
Covered-employee payroll	N/A	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A

This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

Supplementary Information

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
Balance Sheets – Other Governmental Funds
For the Fiscal Year Ended June 30, 2019

ASSETS	Capital Reserve Fund	Vehicle Replacement Fund	Other Governmental Funds	Total
Assets:				
Cash and investments	$ -	$ -	$ -	$ -
Total assets	$ -	$ -	$ -	$ -
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	-	-	-	-
Total liabilities	-	-	-	-
Fund Balances: (Note 13)				
Restricted	-	-	-	-
Total fund balance	-	-	-	-
Total liabilities and fund balance	$ -	$ -	$ -	$ -

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Other Governmental Funds
For the Fiscal Year Ended June 30, 2019

	Capital Reserve Fund	Vehicle Replacement Fund	Other Governmental Funds	Total
OTHER FINANCING SOURCES(USES):				
Transfers (out) (Note 13)	$ (1,034,257)	$ (1,759,111)	$ (1,431,232)	$ (4,224,600)
Total other financing sources(uses)	(1,034,257)	(1,759,111)	(1,431,232)	(4,224,600)
NET CHANGES IN FUND BALANCE	(1,034,257)	(1,759,111)	(1,431,232)	(4,224,600)
FUND BALANCE:				
Beginning of year	1,034,257	1,759,111	1,431,232	4,224,600
End of year	$ -	$ -	$ -	$ -

Other Independent Auditors' Report

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

Board of Directors
San Miguel Consolidated Fire Protection District
Spring Valley, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of San Miguel Consolidated Fire Protection District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise San Miguel Consolidated Fire Protection District's basic financial statements, and have issued our report thereon dated April 15, 2020.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA
Shannon Bishop, CPA | Leslie A. Doherty, CPA | Peter Glenn, CPA | Paul J. Kaymark, CPA | Michael Klein, CPA, CMA

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

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

Nigro & Nigro, PC

Murrieta, California
April 15, 2020