

**SAN MIGUEL CONSOLIDATED
FIRE PROTECTION DISTRICT
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
For the Fiscal Year Ended
June 30, 2020
(With Comparative Amounts for June 30, 2019)**

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SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
For the Fiscal Year Ended June 30, 2020
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Financial Section

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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, 2020, 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.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of the net pension liability, schedule of pension contributions, and schedule of changes in the District's total OPEB liability and related ratios 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a separate report dated February 28, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Murrieta, California
February 28, 2021

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2020

Management's Discussion and Analysis (MD&A) offers readers of San Miguel Consolidated Fire Protection District's financial statements a narrative overview of the District's financial activities for the fiscal year ended June 30, 2020. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current-to prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt. Please read in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position increased \$1,176,497 as a result of this year's operations.
- Total revenues from all sources increased by 2.0%, or \$513,663 from \$25,749,274 to \$26,262,937, from the prior year, primarily due to an increase in property taxes of \$1,191,800 with a decrease in charges for services of (\$696,062).
- Total expenses for the District's operations increased by 30.6% or \$5,874,353 from \$19,212,087 to \$25,086,440, from the prior year, primarily due to a \$4,984,181 increase in salaries and benefits expense.
- The District purchased new capital assets during the year in the amount of \$464,700. Depreciation expense was \$1,177,564.

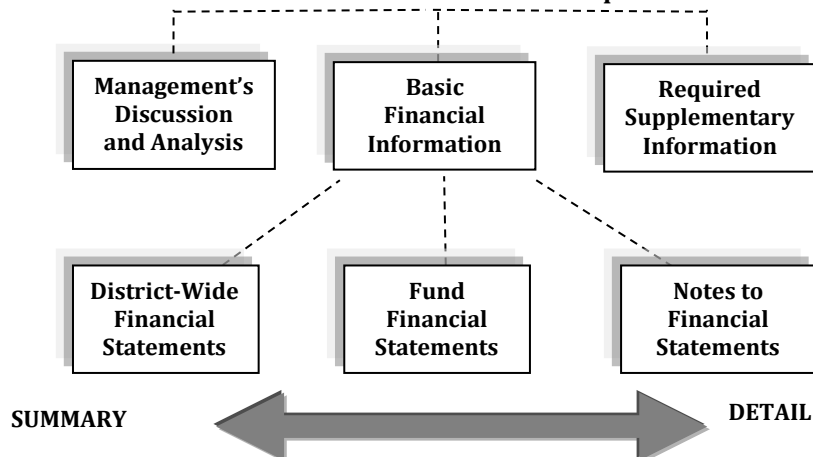
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- *District-wide financial statements* provide both short-term and long-term information about the District's overall financial status.
- *Fund financial statements* focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
 - The *governmental funds* statements tell how basic services were financed in the short term as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1. Organization of San Miguel Consolidated Fire Protection District's Annual Financial Report



SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	Governmental Funds
<i>Scope</i>	Entire District	The activities of the District that are not proprietary or fiduciary, such as fire and ambulance services
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

District-Wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of buildings and other facilities.
- In the District-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as fire protection, medical transport, and administration. Local property taxes finance most of these activities.

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2020

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION

Analysis of Net Position

Table A-1: Condensed Statement of Net Position

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Change</u>
Assets:			
Current assets	\$ 17,335,352	\$ 13,220,491	\$ 4,114,861
Capital assets, net	<u>13,697,915</u>	<u>15,154,911</u>	<u>(1,456,996)</u>
Total assets	<u>31,033,267</u>	<u>28,375,402</u>	<u>2,657,865</u>
Deferred outflows of resources	<u>13,793,007</u>	<u>9,894,634</u>	<u>3,898,373</u>
Liabilities:			
Current liabilities	1,227,182	2,537,086	(1,309,904)
Non-current liabilities	<u>63,819,894</u>	<u>56,891,364</u>	<u>6,928,530</u>
Total liabilities	<u>65,047,076</u>	<u>59,428,450</u>	<u>5,618,626</u>
Deferred inflows of resources	<u>3,758,225</u>	<u>3,997,110</u>	<u>(238,885)</u>
Net position (Deficit):			
Net investment in capital assets	12,749,219	11,460,401	1,288,818
Restricted	336,693	1,080,825	(744,132)
Unrestricted (Deficit)	<u>(37,064,939)</u>	<u>(37,696,750)</u>	<u>631,811</u>
Total net position (deficit)	<u>\$ (23,979,027)</u>	<u>\$ (25,155,524)</u>	<u>\$ 1,176,497</u>

At the end of fiscal year 2020, the District shows a deficit balance in its unrestricted net position of (\$37,064,939).

Analysis of Revenues and Expenses

Table A-2: Condensed Statements of Activities

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Change</u>
Program revenues	\$ 4,344,376	\$ 5,082,989	\$ (738,613)
Expenses	<u>(25,086,440)</u>	<u>(19,212,087)</u>	<u>(5,874,353)</u>
Net program expense	(20,742,064)	(14,129,098)	(6,612,966)
General revenues	<u>21,918,561</u>	<u>20,666,285</u>	<u>1,252,276</u>
Change in net position	1,176,497	6,537,187	(5,360,690)
Net position:			
Beginning of year	<u>(25,155,524)</u>	<u>(31,692,711)</u>	<u>6,537,187</u>
End of year	<u>\$ (23,979,027)</u>	<u>\$ (25,155,524)</u>	<u>\$ 1,176,497</u>

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2020

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)

Analysis of Revenues and Expenses (continued)

The statement of activities shows how the government's net position changed during the fiscal year. In the case of the District, the operations of the District increased its net position by \$1,176,497.

Table A-3: Total Revenues

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Increase (Decrease)</u>
Program revenues:			
Charges for services	\$ 3,970,875	\$ 4,666,937	\$ (696,062)
Reimbursements	175,738	203,281	(27,543)
Mitigation fees	178,447	194,603	(16,156)
Operating and capital grant funding	<u>19,316</u>	<u>18,168</u>	<u>1,148</u>
Total program revenues	<u>4,344,376</u>	<u>5,082,989</u>	<u>(738,613)</u>
General revenues:			
Property taxes	21,003,443	19,811,643	1,191,800
Redevelopment pass-through	162,800	131,748	31,052
Rental income	211,300	177,730	33,570
Investment earnings	508,017	395,321	112,696
Gain on sale of assets	<u>33,001</u>	<u>149,843</u>	<u>(116,842)</u>
Total general revenues	<u>21,918,561</u>	<u>20,666,285</u>	<u>1,252,276</u>
Total revenues	<u>\$ 26,262,937</u>	<u>\$ 25,749,274</u>	<u>\$ 513,663</u>

Total revenues from all sources increased by 2.0%, or \$513,663 from \$25,749,274 to \$26,262,937, from the prior year, primarily due to an increase in property taxes of \$1,191,800 with a decrease in charges for services of (\$696,062).

Table A-4: Total Expenses

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Increase (Decrease)</u>
Expenses:			
Operations	\$ 23,845,450	\$ 18,237,579	\$ 5,607,871
Depreciation expense	1,177,564	835,693	341,871
Interest expense	<u>63,426</u>	<u>138,815</u>	<u>(75,389)</u>
Total expenses	<u>\$ 25,086,440</u>	<u>\$ 19,212,087</u>	<u>\$ 5,874,353</u>

Total expenses for the District's operations increased by 30.6% or \$5,874,353 from \$19,212,087 to \$25,086,440, from the prior year, primarily due to a \$4,984,181 increase in salaries and benefits expense.

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2020

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, the *unreserved fund balance* may serve as a useful measure of the government's net resources for spending at the end of the fiscal year.

As of June 30, 2020, the District reported a total fund balance of \$17,210,283. An amount of \$8,139,707 constitutes the District's *unassigned fund balance*.

OPERATIONS FUND BUDGETARY HIGHLIGHTS

The final budgeted expenditures for the District's general fund at year-end were \$246,177 less than actual. Actual revenues were greater than the anticipated budget by \$1,985,182. Actual revenues less expenses were over budget by \$1,816,326.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2019-20 the District had invested \$13,361,222 in capital assets, related to the purchase of equipment for use in fire protection. (More detailed information about capital assets can be found in Note 5 to the financial statements). Total depreciation expense for the year was \$1,177,564.

Table A-5: Capital Assets at Year End, Net of Depreciation

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Capital assets:		
Non-depreciable assets	\$ 2,077,763	\$ 3,706,817
Depreciable assets	26,105,644	24,883,566
Accumulated depreciation	<u>(14,822,185)</u>	<u>(14,516,297)</u>
Total capital assets, net	<u><u>\$ 13,361,222</u></u>	<u><u>\$ 14,074,086</u></u>

Long-Term Debt

At year-end the District had \$612,003 in outstanding long-term debt – a decrease of 77% or (\$2,001,682) from last year – as shown in Table A-6. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

Table A-6: Outstanding Long-Term Debt at Year-End

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Long-term debt	<u><u>\$ 612,003</u></u>	<u><u>\$ 2,613,685</u></u>

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2020

FACTORS AFFECTING CURRENT FINANCIAL POSITION

Global Pandemic

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.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The District's basic financial statements are designed to present users with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional information, please contact the District's Fire Chief at the San Miguel Consolidated Fire Protection District at 2850 Via Orange Way, Spring Valley, California 91978 or (619) 670-0500.

Basic Financial Statements

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
Statements of Net Position
June 30, 2020 (With Comparative Amounts as of June 30, 2019)

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash and investments (Note 2)	\$ 16,494,981	\$ 12,277,190
Accrued interest receivable	30,695	77,806
Property taxes and assessments receivable	97,023	105,782
Other receivables	94,032	231,892
Prepaid items	72,114	-
Deposits with Public Agencies Self Insurance System (Note 4)	546,507	527,821
Total current assets	17,335,352	13,220,491
Non-current assets:		
Restricted – cash and investments (Note 2 and 3)	336,072	1,079,969
Restricted – accrued interest receivable (Note 3)	621	856
Capital assets – not being depreciated (Note 5)	2,077,763	3,706,817
Capital assets – being depreciated, net (Note 5)	11,283,459	10,367,269
Total non-current assets	13,697,915	15,154,911
Total assets	31,033,267	28,375,402
DEFERRED OUTFLOWS OF RESOURCES		
OPEB related deferred outflows of resources (Note 9)	5,060,683	818,266
Pension related deferred outflows of resources (Note 10)	8,732,324	9,076,368
Total deferred outflows of resources	13,793,007	9,894,634
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	461,762	165,273
Accrued interest payable	4,224	29,732
Long-term liabilities – due in one year:		
Compensated absences (Note 6)	474,328	338,636
Long-term debt (Note 7)	286,868	2,003,445
Total current liabilities	1,227,182	2,537,086
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (Note 6)	474,328	338,636
Long-term debt (Note 7)	325,135	610,240
Workers' compensation claims payable (Note 8)	1,444,000	1,019,926
Net other post-employment benefits obligations (Note 9)	22,648,185	18,429,183
Net pension liability (Note 10)	38,928,246	36,493,379
Total non-current liabilities	63,819,894	56,891,364
Total liabilities	65,047,076	59,428,450
DEFERRED INFLOWS OF RESOURCES		
OPEB related deferred inflows of resources (Note 9)	648,405	128,571
Pension related deferred inflows of resources (Note 10)	3,109,820	3,868,539
Total deferred inflows of resources	3,758,225	3,997,110
NET POSITION		
Net investment in capital assets (Note 11)	12,749,219	11,460,401
Restricted (Note 3)	336,693	1,080,825
Unrestricted (Deficit) (Note 12)	(37,064,939)	(37,696,750)
Total net position	\$ (23,979,027)	\$ (25,155,524)

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Statements of Activities

For the Fiscal Year Ended June 30, 2020

(With Comparative Amounts for the Fiscal Year Ended June 30, 2019)

	Governmental Activities	
	2020	2019
Expenses:		
Fire related services:		
Operations:		
Salaries and wages	\$ 10,033,868	\$ 8,956,618
Employee benefits	8,831,708	4,924,777
Insurance	974,866	551,642
Materials and services	4,005,008	3,804,542
Depreciation expense	1,177,564	835,693
Interest expense	63,426	138,815
Total expenses	25,086,440	19,212,087
Program revenues:		
Charges for services:		
Parcel tax	1,871,016	1,814,230
Property assessment	748,485	726,723
CSA-115 annexation	100,000	426,012
Cal-OES – Personnel	238,472	319,689
Cal-OES – Engines	27,462	75,248
Cal-OES – Administration	10,734	84,566
Fire prevention – plan check and inspections	250,321	196,919
Advanced life support – first responder fee	629,893	879,634
Weed abatement	83,826	140,311
Other charges	10,666	3,605
Reimbursements	175,738	203,281
Mitigation fees	178,447	194,603
Operating and capital grant funding	19,316	18,168
Total program revenues	4,344,376	5,082,989
Net program expense	(20,742,064)	(14,129,098)
General revenues:		
Property taxes	21,003,443	19,811,643
Redevelopment pass-through	162,800	131,748
Rental income	211,300	177,730
Investment earnings	508,017	395,321
Gain on sale of assets	33,001	149,843
Total general revenues	21,918,561	20,666,285
Change in net position	1,176,497	6,537,187
Net position:		
Beginning of year (Deficit)	(25,155,524)	(31,692,711)
End of year (Deficit)	\$ (23,979,027)	\$ (25,155,524)

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
Balance Sheet – Governmental Funds
June 30, 2020

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Fire Mitigation Fund</u>	<u>Debt Service Fund</u>	
<u>ASSETS</u>				
Assets:				
Cash and investments	\$ 16,494,981	\$ 336,072	\$ -	\$ 16,831,053
Accrued interest receivable	30,695	621	-	31,316
Property taxes receivable	97,023	-	-	97,023
Other receivables	94,032	-	-	94,032
Prepaid items	72,114	-	-	72,114
Deposits with PASIS	546,507	-	-	546,507
Total assets	<u>\$ 17,335,352</u>	<u>\$ 336,693</u>	<u>\$ -</u>	<u>\$ 17,672,045</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable and accrued expenses	\$ 461,762	\$ -	\$ -	\$ 461,762
Total liabilities	<u>461,762</u>	<u>-</u>	<u>-</u>	<u>461,762</u>
Fund Balances: (Note 13)				
Restricted	-	336,693	-	336,693
Assigned	8,733,883	-	-	8,733,883
Unassigned	8,139,707	-	-	8,139,707
Total fund balance	<u>16,873,590</u>	<u>336,693</u>	<u>-</u>	<u>17,210,283</u>
Total liabilities and fund balance	<u>\$ 17,335,352</u>	<u>\$ 336,693</u>	<u>\$ -</u>	<u>\$ 17,672,045</u>

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2020

Fund Balances – Governmental Funds	<u>\$ 17,210,283</u>
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.	13,361,222
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.	13,793,007
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	(4,224)
Compensated absences	(948,656)
Long-term debt	(612,003)
Workers' compensation claims payable	(1,444,000)
Net other post-employment benefits payable	(22,648,185)
Net pension liability	(38,928,246)
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.	<u>(3,758,225)</u>
Total adjustments	<u>(41,189,310)</u>
Net Position of Governmental Activities	<u><u>\$ (23,979,027)</u></u>

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2020

	Major Funds			Total Governmental Funds
	General Fund	Fire Mitigation Fund	Debt Service Fund	
REVENUES:				
Property taxes	\$ 21,003,443	\$ -	\$ -	\$ 21,003,443
Redevelopment pass-through	162,800	-	-	162,800
Parcel tax	1,871,016	-	-	1,871,016
Property assessment	748,485	-	-	748,485
CSA-115 annexation	100,000	-	-	100,000
Cal-OES – Personnel	238,472	-	-	238,472
Cal-OES – Engines	27,462	-	-	27,462
Cal-OES – Administration	10,734	-	-	10,734
Fire prevention – plan check and inspections	250,321	-	-	250,321
Advanced life support – first responder fee	629,893	-	-	629,893
Weed abatement	83,826	-	-	83,826
Other charges	10,666	-	-	10,666
Reimbursements	175,738	-	-	175,738
Mitigation fees	-	178,447	-	178,447
Operating and capital grant funding	19,316	-	-	19,316
Rental income – site and cellular	211,300	-	-	211,300
Investment earnings	492,801	8,729	6,487	508,017
Total revenues	26,036,273	187,176	6,487	26,229,936
EXPENDITURES:				
Fire related services:				
Salaries and wages	9,762,484	-	-	9,762,484
Employee benefits	6,315,097	-	-	6,315,097
Insurance	550,792	-	-	550,792
Materials and services	4,005,008	-	-	4,005,008
Capital outlay	464,700	-	-	464,700
Debt service:				
Principal	1,146,682	-	855,000	2,001,682
Interest	50,459	-	38,475	88,934
Total expenditures	22,295,222	-	893,475	23,188,697
REVENUES OVER(UNDER) EXPENDITURES	3,741,051	187,176	(886,988)	3,041,239
OTHER FINANCING SOURCES(USES):				
Proceeds from sale of assets	33,001	-	-	33,001
Transfers in (Note 14)	44,320	-	-	44,320
Transfers (out) (Note 14)	-	(8,961)	(35,359)	(44,320)
Total other financing sources(uses)	77,321	(8,961)	(35,359)	33,001
NET CHANGES IN FUND BALANCE	3,818,372	178,215	(922,347)	3,074,240
FUND BALANCE:				
Beginning of year	13,055,218	158,478	922,347	14,136,043
End of year	\$ 16,873,590	\$ 336,693	\$ -	\$ 17,210,283

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, 2020

Net Change in Fund Balances – Governmental Funds	<u>\$ 3,074,240</u>
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	(271,384)
Change in accrued interest payable	25,508
Change in workers' compensation claims payable	(424,074)
Change in net other post-employment benefits obligations	(496,419)
Change in net pension liability	(2,020,192)
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	464,700
Depreciation expense	(1,177,564)
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.	<u>2,001,682</u>
Total adjustments	<u>(1,897,743)</u>
Change in Net Position of Governmental Activities	<u>\$ 1,176,497</u>

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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.

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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.

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.

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.

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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

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.

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
Equipment	7-20 years
Vehicles and Apparatuses	5-20 years

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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)

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. No employee may accumulate more annual leave hours than they would earn in a two-year period based on their own earnings rate. Employees earn with a maximum carryover of 1,040 hours.

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.

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.

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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 (continued)

- **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.

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.

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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

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 XIII A 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 November 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, 2020, were categorized on the statement of net position as follows:

<u>Description</u>	<u>Balance</u>
Cash and investments	\$ 16,494,981
Restricted – cash and investments	336,072
Total cash and investments	<u>\$ 16,831,053</u>

Cash and investments at June 30, 2020, consisted of the following:

<u>Description</u>	<u>Balance</u>
Cash on hand	\$ 100
Demand deposits held with financial institutions	386,475
San Diego County Pooled Investment Fund (SDCPIF)	16,444,478
Total cash and investments	<u>\$ 16,831,053</u>

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 2 – CASH AND INVESTMENTS (continued)

Demand Deposits with Financial Institutions

At June 30, 2020, the carrying amount of the District's demand deposits was \$386,475 and the financial institution's balance was \$552,810. 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 District'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.

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, 2020, the District had \$16,444,478 in the SDCTIP.

NOTE 3 – RESTRICTED ASSETS AND RESTRICTED NET POSITION

Restricted assets and restricted net position as of June 30, 2020, were categorized as follows:

Description	Balance
Restricted – cash and investments	\$ 336,072
Restricted – accrued interest receivable	621
Total restricted net position	\$ 336,693

Restricted assets and restricted net position as of June 30, 2020, were received from mitigation fees for capital expenditures.

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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

The District is one of seven 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, 2020, the District had \$546,507 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, 2020 – Seven member agencies |
| D. Governing board | Seven representatives employed/appointed by members |
| E. District payments for FY 2020: | |
| Contribution | \$0 |
| F. Condensed financial information | June 30, 2020 |
| Audit signed | October 15, 2020 |

	<u>June 30, 2020</u>	<u>District Share</u>
Statement of net position:		
Total assets	\$ 3,667,065	\$ 546,507
Total liabilities	-	-
Net position	<u>\$ 3,667,065</u>	<u>\$ 546,507</u>
Statement of revenues, expenses and changes in net position:		
Total revenues	\$ 120,418	\$ 18,686
Total expenses	-	-
Change in net position	120,418	18,686
Beginning - net position	3,546,647	527,821
Ending - net position	<u>\$ 3,667,065</u>	<u>\$ 546,507</u>
G. District's share of year-end financial position	<u>100.00%</u>	<u>14.90%</u>

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 5 – CAPITAL ASSETS

Changes in capital assets for the year were as follows:

Description	Restated Balance July 1, 2019	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2020
Non-depreciable capital assets:				
Land	\$ 2,077,763	\$ -	\$ -	\$ 2,077,763
Construction-in-progress	1,629,054	-	(1,629,054)	-
Total non-depreciable capital assets	3,706,817	-	(1,629,054)	2,077,763
Depreciable capital assets:				
Structures and improvements	14,172,864	130,117	-	14,302,981
Vehicles and apparatuses	9,282,773	12,666	757,378	10,052,817
Equipment	1,427,929	321,917	-	1,749,846
Total depreciable capital assets	24,883,566	464,700	757,378	26,105,644
Accumulated depreciation:				
Structures and improvements	(7,502,528)	(428,561)	-	(7,931,089)
Vehicles and apparatuses	(5,842,697)	(706,766)	871,676	(5,677,787)
Equipment	(1,171,072)	(42,237)	-	(1,213,309)
Total accumulated depreciation	(14,516,297)	(1,177,564)	871,676	(14,822,185)
Total depreciable capital assets, net	10,367,269	(712,864)	1,629,054	11,283,459
Total capital assets, net	\$ 14,074,086	\$ (712,864)	\$ -	\$ 13,361,222

Depreciation expense for the year ended June 30, 2020 was \$1,177,564 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, 2020, were as follows:

Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Current Portion	Long-term Portion
\$ 677,272	\$ 754,386	\$ (483,002)	\$ 948,656	\$ 474,328	\$ 474,328

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 7 – LONG-TERM DEBT

Changes in long-term debt were as follows:

<u>Long-Term Debt</u>	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2020</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
Revenue bonds payable	\$ 855,000	\$ -	\$ (855,000)	\$ -	\$ -	\$ -
Public property financing	872,000	-	(872,000)	-	-	-
Capital lease payable – solar project	400,477	-	(36,286)	364,191	39,056	325,135
Capital lease payable – fire apparatus	486,208	-	(238,396)	247,812	247,812	-
	<u>\$ 2,613,685</u>	<u>\$ -</u>	<u>\$ (2,001,682)</u>	<u>\$ 612,003</u>	<u>\$ 286,868</u>	<u>\$ 325,135</u>

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. As of June 30, 2020, the District had paid-off this debt.

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. As of June 30, 2020, the District had paid-off this debt.

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 7 – LONG-TERM DEBT (continued)

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, 2020, the future minimum lease payments under the capital lease are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 39,056	\$ 20,992	\$ 60,048
2022	47,206	18,305	65,511
2023	52,318	15,323	67,641
2024	<u>225,611</u>	<u>10,261</u>	<u>235,872</u>
Total	364,191	<u>\$ 64,881</u>	<u>\$ 429,072</u>
Current	<u>(39,056)</u>		
Long-term	<u>\$ 325,135</u>		

Capital Lease – Fire Apparatus

The District constructed a fire apparatus for \$715,545 and on November 5, 2018 financed the fire apparatus under a capital lease agreement. At June 30, 2020, the future minimum lease payments under the capital lease are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	<u>\$ 247,812</u>	<u>\$ 9,789</u>	<u>\$ 257,601</u>

NOTE 8 – WORKERS' COMPENSATION 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, 2020, the liability for workers' compensation claims payable was estimated at \$1,444,000.

Changes in workers' compensation claims payable for the year ended June 30, 2020, was as follows:

<u>Description</u>	<u>Balance</u>
Estimated claims balance – July 1, 2019	<u>\$ 1,019,926</u>
Claim payments	(272,583)
Revised claims estimate	<u>696,657</u>
Change in claims balance	<u>424,074</u>
Estimated claims balance – June 30, 2020	<u>\$ 1,444,000</u>

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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:

<u>Description</u>	<u>Amount</u>
OPEB related deferred outflows of resources	\$ 5,060,683
Net other post-employment benefits obligation	22,648,185
OPEB related deferred inflows of resources	648,405

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 through a cost-sharing multi-employer plan. 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. For 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.

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.

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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

A. General Information about the OPEB Plan (continued)

Employees covered by benefit terms

At June 30, 2019, the following employees were covered by the benefit terms:

<u>Plan Members</u>	<u>Covered Participants</u>
Active members	85
Inactives entitled to but not yet receiving benefits	80
Inactives currently receiving benefits	<u>6</u>
Total plan members	<u><u>171</u></u>

B. Total OPEB Liability

The District's total OPEB liability of \$22,648,185 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs

The total OPEB liability in the June 30, 2019 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	3.51%
Inflation	2.50%
Salary Increases	3.0% per annum, in aggregate
Investment Rate of Return	3.51%
Mortality Rate	CalPERS Membership Data
Pre-Retirement Turnover	CalPERS Membership Data
Healthcare Trend Rate	HMO 6.0%, Non-HMO 6.5%

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 3.51 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.

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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

C. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2018	<u>\$ 18,429,183</u>
Changes for the year:	
Service cost	298,357
Interest	639,984
Changes in assumptions	(778,086)
Changes in experience	4,943,295
Benefit payments	<u>(884,548)</u>
Net changes	<u>4,219,002</u>
Balance at June 30, 2019	<u><u>\$ 22,648,185</u></u>

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	Discount Rate	1% Increase
<u>2.51%</u>	<u>3.51%</u>	<u>4.51%</u>
<u>\$ 26,403,111</u>	<u>\$ 22,648,185</u>	<u>\$ 19,667,649</u>

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
<u>\$ 19,645,784</u>	<u>\$ 22,648,185</u>	<u>\$ 26,432,294</u>

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$1,437,690. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB of the following:

<u>Account Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions made after the measurement	\$ 941,271	\$ -
Changes in assumptions	-	(648,405)
Changes in experience	4,119,412	-
Total Deferred Outflows/(Inflows) of Resources	<u>\$ 5,060,683</u>	<u>\$ (648,405)</u>

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

<u>Amortization Period Fiscal Year Ended June 30</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2021	\$ 694,202
2022	694,202
2023	694,201
2024	694,201
2025	694,201
Total	<u>\$ 3,471,007</u>

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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:

<u>Description</u>	<u>Amount</u>
Pension related deferred outflows of resources	\$ 8,732,324
Net pension liability	38,928,246
Pension related deferred inflows of resources	3,109,820

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):

	<u>Miscellaneous Plans</u>	
	<u>Classic Tier 1</u>	<u>PEPRA Tier 2</u>
Hire date	Prior to <u>December 31, 2012</u>	On or after <u>January 1, 2013</u>
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	13.680%	7.370%

	<u>Safety Plans</u>	
	<u>Classic Tier 1</u>	<u>PEPRA Tier 2</u>
Hire date	Prior to <u>December 31, 2012</u>	On or after <u>January 1, 2013</u>
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%	13.750%
Required employer contribution rates	20.000%	13.884%

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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, 2018 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, 2019 (Measurement Date), the following members were covered by the benefit terms:

Plan Members	Miscellaneous Plans		
	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

Plan Members	Safety Plans		
	Classic Tier 1	PEPRA Tier 2	Total
Active members	43	35	78
Transferred and terminated members	102	5	107
Retired members and beneficiaries	139	-	139
Total plan members	284	40	324

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.

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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, 2019 (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, 2020, the contributions made to the Plan were as follows:

Contribution Type	Total Plans		
	Classic Tier 1	PEPRA Tier 2	Total
Contributions – Miscellaneous Plans	\$ 194,879	\$ 25,952	\$ 220,831
Contributions – Safety Plans	3,536,764	395,367	3,932,131
Total contributions	\$ 3,731,643	\$ 421,319	\$ 4,152,962

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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, 2019 (Measurement Date), the total pension liability was determined by rolling forward the June 30, 2018 total pension liability. The June 30, 2019 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, 2018 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*.

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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.

<u>Investment Type</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10¹</u>	<u>Real Return Years 11+²</u>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	77.00%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
	<u>100%</u>		

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:

<u>Plan Type</u>	<u>Plan's Net Pension Liability/(Asset)</u>		
	<u>Discount Rate - 1% 6.15%</u>	<u>Current Discount Rate 7.15%</u>	<u>Discount Rate + 1% 8.15%</u>
CalPERS – Miscellaneous Plan	\$ 3,808,918	\$ 2,549,866	\$ 1,510,608

<u>Plan Type</u>	<u>Plan's Net Pension Liability/(Asset)</u>		
	<u>Discount Rate - 1% 6.15%</u>	<u>Current Discount Rate 7.15%</u>	<u>Discount Rate + 1% 8.15%</u>
CalPERS – Safety Plan	\$ 54,470,500	\$ 36,378,380	\$ 21,545,676

<u>Plan Type</u>	<u>Plan's Net Pension Liability/(Asset)</u>		
	<u>Discount Rate - 1% 6.15%</u>	<u>Current Discount Rate 7.15%</u>	<u>Discount Rate + 1% 8.15%</u>
CalPERS – Total Plan	\$ 58,279,418	\$ 38,928,246	\$ 23,056,284

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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:

<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Change in Plan Net Pension Liability</u>
CalPERS – Miscellaneous Plans:			
Balance as of June 30, 2018 (Measurement Date)	\$ 8,898,260	\$ 6,566,470	\$ 2,331,790
Balance as of June 30, 2019 (Measurement Date)	\$ 9,360,770	\$ 6,810,904	\$ 2,549,866
Change in Plan Net Pension Liability	\$ 462,510	\$ 244,434	\$ 218,076

<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Change in Plan Net Pension Liability</u>
CalPERS – Safety Plans:			
Balance as of June 30, 2018 (Measurement Date)	\$ 125,077,572	\$ 90,915,983	\$ 34,161,589
Balance as of June 30, 2019 (Measurement Date)	\$ 132,017,461	\$ 95,639,081	\$ 36,378,380
Change in Plan Net Pension Liability	\$ 6,939,889	\$ 4,723,098	\$ 2,216,791

<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Change in Plan Net Pension Liability</u>
CalPERS – Total Plans:			
Balance as of June 30, 2018 (Measurement Date)	\$ 133,975,832	\$ 97,482,453	\$ 36,493,379
Balance as of June 30, 2019 (Measurement Date)	\$ 141,378,231	\$ 102,449,985	\$ 38,928,246
Change in Plan Net Pension Liability	\$ 7,402,399	\$ 4,967,532	\$ 2,434,867

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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, 2018). 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, 2019). 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, 2019 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2018-19 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:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending	Fiscal Year Ending	
	June 30, 2020	June 30, 2019	
CalPERS – Miscellaneous Plan			
Measurement Date	June 30, 2019	June 30, 2018	
Percentage of Risk Pool Net Pension Liability	0.063675%	0.061872%	0.001803%

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending	Fiscal Year Ending	
	June 30, 2020	June 30, 2019	
CalPERS – Safety Plan			
Measurement Date	June 30, 2019	June 30, 2018	
Percentage of Risk Pool Net Pension Liability	0.582750%	0.582212%	0.000538%

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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, 2020, the District recognized pension expense/(credit) in the amount of \$6,173,153 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, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Account Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions made after the measurement date	\$ 4,152,962	\$ -
Difference between actual and proportionate share of employer contributions	-	(1,671,764)
Adjustment due to differences in proportions	414,408	(545,222)
Differences between expected and actual experience	2,552,279	(13,722)
Differences between projected and actual earnings on pension plan investments	-	(545,026)
Changes in assumptions	<u>1,612,675</u>	<u>(334,086)</u>
Total Deferred Outflows/(Inflows) of Resources	<u>\$ 8,732,324</u>	<u>\$ (3,109,820)</u>

<u>Description</u>	<u>Amount</u>
Pension related deferred outflows/(inflows), net	\$ 5,622,504
Less:	
Pension contributions made after the measurement date	<u>(4,152,962)</u>
Total to be Amortized in Future Fiscal Years	<u>\$ 1,469,542</u>

The District will recognize \$4,152,962 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, 2021, as noted above.

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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	Deferred Outflows/ (Inflows) of Resources
Fiscal Year Ended June 30	
2021	\$ 1,575,312
2022	(456,377)
2023	244,228
2024	106,379
Total	\$ 1,469,542

NOTE 11 – NET INVESTMENT IN CAPITAL ASSETS

At June 30, 2020, the net investment in capital assets was calculated as follows:

Description	Balance
Capital assets – not being depreciated	\$ 2,077,763
Capital assets – being depreciated, net	11,283,459
Long-term debt obligations payable – current portion	(286,868)
Long-term debt obligations payable – noncurrent portion	(325,135)
Total net investment in capital assets	\$ 12,749,219

NOTE 12 – UNRESTRICTED NET POSITION (DEFICIT)

As of June 30, 2020, the District had an unrestricted net position deficit of (\$37,064,939). 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.

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 13 – FUND BALANCES

At June 30, 2020, fund balances of the District’s governmental funds were classified as follows:

<u>Description</u>	<u>General Fund</u>	<u>Fire Mitigation Fund</u>	<u>Total</u>
Restricted:			
Mitigation fees	\$ -	\$ 336,693	\$ 336,693
Assigned:			
Deposits with Public Agencies Self Insurance System	546,507	-	546,507
Accrued interest payable	4,224	-	4,224
Compensated absences	948,656	-	948,656
Workers' compensation claims payable	897,493	-	897,493
Long-term debt repayment	612,003	-	612,003
Capital asset replacement	5,725,000	-	5,725,000
Total assigned	<u>8,733,883</u>	<u>-</u>	<u>8,733,883</u>
Unassigned	<u>8,139,707</u>	<u>-</u>	<u>8,139,707</u>
Total fund balances	<u>\$ 16,873,590</u>	<u>\$ 336,693</u>	<u>\$ 17,210,283</u>

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, 2020, the District made the following inter-fund transfers in and out.

<u>Transfer To</u>	<u>Transfer From</u>	<u>Balance</u>	<u>Purpose</u>
General Fund	Other Gov. Funds	\$ 44,320	Release from non-major funds
Fire Mitigation	General Fund	(8,961)	Capital outlay
Debt Service	General Fund	(35,359)	Transfer residual cash balance
	Total	<u>\$ -</u>	

NOTE 15 – DEFERRED COMPENSATION SAVINGS PLAN

For the benefit of its employees, the District participates in a 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.

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 15 – DEFERRED COMPENSATION SAVINGS PLAN (continued)

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 16 – 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

Statement of net position:		June 30, 2019
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.

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 17 – 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 18 – CURRENT AND SUBSEQUENT EVENT

Global Pandemic

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, 2020

	Adopted Original Budget	Revised Final Budget	Actual	Variance Positive (Negative)
REVENUES:				
Property taxes	\$ 20,096,101	\$ 20,096,101	\$ 21,003,443	\$ 907,342
Redevelopment pass-through	-	-	162,800	162,800
Parcel tax	1,869,986	1,869,986	1,871,016	1,030
Property assessment	748,072	748,072	748,485	413
CSA-115 annexation	100,000	100,000	100,000	-
Cal-OES – Personnel	50,000	50,000	238,472	188,472
Cal-OES – Engines	-	-	27,462	27,462
Cal-OES – Administration	-	-	10,734	10,734
Fire prevention – plan check and inspections	200,000	200,000	250,321	50,321
Advanced life support – first responder fee	840,682	840,682	629,893	(210,789)
Weed abatement	-	-	83,826	83,826
Other charges	-	-	10,666	10,666
Reimbursements	-	-	175,738	175,738
Operating and capital grant funding	-	-	19,316	19,316
Rental income – site and cellular	131,250	131,250	211,300	80,050
Investment earnings	15,000	15,000	492,801	477,801
Total revenues	24,051,091	24,051,091	26,036,273	1,985,182
EXPENDITURES:				
Fire related services:				
Salaries and wages	9,531,083	9,531,083	9,762,484	(231,401)
Employee benefits	6,520,273	6,520,273	6,315,097	205,176
Insurance	563,736	563,736	550,792	12,944
Materials and services	4,527,540	4,527,540	4,005,008	522,532
Capital outlay	906,413	906,413	464,700	441,713
Debt service:				
Principal	-	-	1,146,682	(1,146,682)
Interest	-	-	50,459	(50,459)
Total expenditures	22,049,045	22,049,045	22,295,222	(246,177)
REVENUES OVER(UNDER) EXPENDITURES	2,002,046	2,002,046	3,741,051	1,739,005
OTHER FINANCING SOURCES(USES):				
Proceeds from sale of assets	-	-	33,001	33,001
Transfers in (out)	-	-	44,320	44,320
Total other financing sources(uses)	-	-	77,321	77,321
NET CHANGES IN FUND BALANCE	\$ 2,002,046	\$ 2,002,046	3,818,372	\$ 1,816,326
FUND BALANCE:				
Beginning of year			13,055,218	
End of year			<u>\$ 16,873,590</u>	

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
Budgetary Comparison Schedule – Fire Mitigation Fund
For the Fiscal Year Ended June 30, 2020

	<u>Adopted Original Budget</u>	<u>Revised Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:				
Mitigation fees	\$ -	\$ -	\$ 178,447	\$ 178,447
Investment earnings	-	-	8,729	8,729
Total revenues	<u>-</u>	<u>-</u>	<u>187,176</u>	<u>187,176</u>
EXPENDITURES:				
Fire mitigation:				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER(UNDER) EXPENDITURES	-	-	187,176	187,176
OTHER FINANCING SOURCES(USES):				
Transfers out	-	-	(8,961)	(8,961)
Total other financing sources(uses)	<u>-</u>	<u>-</u>	<u>(8,961)</u>	<u>(8,961)</u>
NET CHANGES IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	178,215	<u>\$ 178,215</u>
FUND BALANCE:				
Beginning of year (Deficit)			<u>158,478</u>	
End of year (Deficit)			<u>\$ 336,693</u>	

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
Budgetary Comparison Schedule – Debt Service Fund
For the Fiscal Year Ended June 30, 2020

	<u>Adopted Original Budget</u>	<u>Revised Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:				
Investment earnings	-	-	6,487	6,487
Total revenues	<u>-</u>	<u>-</u>	<u>6,487</u>	<u>6,487</u>
EXPENDITURES:				
Debt service:				
Principal	-	-	855,000	(855,000)
Interest	-	-	38,475	(38,475)
Total expenditures	<u>-</u>	<u>-</u>	<u>893,475</u>	<u>(893,475)</u>
REVENUES OVER(UNDER) EXPENDITURES	-	-	(886,988)	899,962
OTHER FINANCING SOURCES(USES):				
Transfers (out)	-	-	(35,359)	(35,359)
Total other financing sources(uses)	<u>-</u>	<u>-</u>	<u>(35,359)</u>	<u>(35,359)</u>
NET CHANGES IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(922,347)</u>	<u>\$ 864,603</u>
FUND BALANCE:				
Beginning of year (Deficit)			<u>922,347</u>	
End of year (Deficit)			<u>\$ -</u>	

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

*Schedule of Proportionate Share of the Net Pension Liability – Miscellaneous Plan
For the Fiscal Year Ended June 30, 2020*

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Measurement Date:	June 30, 2019¹	June 30, 2018¹	June 30, 2017¹	June 30, 2016¹	June 30, 2015¹	June 30, 2014¹
District's Proportion of the Net Pension Liability	0.063675%	0.061872%	0.060274%	0.059424%	0.058173%	0.019200%
District's Proportionate Share of the Net Pension Liability	\$ 2,549,866	\$ 2,331,790	\$ 2,376,037	\$ 2,064,310	\$ 1,595,949	\$ 1,194,809
District's Covered Payroll	\$ 510,254	\$ 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	499.72%	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	72.76%	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.

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Schedule of Pension Contributions – Miscellaneous Plan

For the Fiscal Year Ended June 30, 2020

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year:	2019-20¹	2018-19¹	2017-18¹	2016-17¹	2015-16¹	2014-15¹	2013-14¹
Actuarially Determined Contribution ²	\$ 220,831	\$ 185,997	\$ 163,905	\$ 152,433	\$ 134,534	\$ 79,114	\$ 79,345
Contribution in Relation to the Actuarially Determined Contribution ²	(220,831)	(185,997)	(163,905)	(152,433)	(134,534)	(79,114)	(79,345)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll ³	\$ 522,114	\$ 510,254	\$ 442,246	\$ 550,796	\$ 654,446	\$ 485,488	\$ 511,999
Contributions as a Percentage of Covered Payroll	42.30%	36.45%	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, 2020

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Safety Plan

Measurement Date:	June 30, 2019¹	June 30, 2018¹	June 30, 2017¹	June 30, 2016¹	June 30, 2015¹	June 30, 2014¹
District's Proportion of the Net Pension Liability	0.582750%	0.582212%	0.570196%	0.575033%	0.538947%	0.341730%
District's Proportionate Share of the Net Pension Liability	\$ 36,378,380	\$ 34,161,589	\$ 34,070,386	\$ 29,782,206	\$ 22,207,029	\$ 21,263,891
District's Covered Payroll	\$ 6,453,325	\$ 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	563.72%	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	72.44%	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.

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Schedule of Pension Contributions – Safety Plan

For the Fiscal Year Ended June 30, 2020

Last Ten Fiscal Years							
California Public Employees' Retirement System (CalPERS) Safety Plan							
Fiscal Year:	2019-20 ¹	2018-19 ¹	2017-18 ¹	2016-17 ¹	2015-16 ¹	2014-15 ¹	2013-14 ¹
Actuarially Determined Contribution ²	\$ 3,932,131	\$ 3,279,708	\$ 2,754,177	\$ 1,442,121	\$ 943,018	\$ -	\$ 14,294
Contribution in Relation to the Actuarially Determined Contribution ²	<u>(3,932,131)</u>	<u>(3,279,708)</u>	<u>(2,754,177)</u>	<u>(1,442,121)</u>	<u>(943,018)</u>	<u>-</u>	<u>(14,294)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll ³	<u>\$ 6,652,380</u>	<u>\$ 6,453,325</u>	<u>\$ 5,415,482</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Contributions as a Percentage of Covered Payroll	<u>59.11%</u>	<u>50.82%</u>	<u>50.86%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

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, 2020

Last Ten Fiscal Years

Fiscal Year - Measurement Date	2019	2018	2017
Total OPEB liability			
Service cost	\$ 298,357	\$ 288,268	\$ 278,788
Interest	639,984	629,060	627,434
Changes in assumptions	(778,086)	(257,142)	-
Changes in experience	4,943,295	-	-
Benefit payments	(884,548)	(889,022)	(846,688)
Net change in total OPEB liability	4,219,002	(228,836)	59,534
Total OPEB liability - beginning	18,429,183	18,658,019	18,598,485
Total OPEB liability - ending	<u>\$ 22,648,185</u>	<u>\$ 18,429,183</u>	<u>\$ 18,658,019</u>
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	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's net OPEB liability	<u>\$ 22,648,185</u>	<u>\$ 18,429,183</u>	<u>\$ 18,658,019</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%
Covered-employee payroll	N/A	N/A	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A	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.

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 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, 2020, 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 February 28, 2021.

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) as a basis for designing 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.

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

Purpose of this Report

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



Murrieta, California
February 28, 2021