

# Central Fire District of Santa Cruz County

Santa Cruz, California

*Basic Financial Statements  
and Independent Auditors' Report*

*For the fiscal year ended June 30, 2021*



# Central Fire District of Santa Cruz County

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
of the Central Fire District of Santa Cruz County  
Santa Cruz, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Central Fire District of Santa Cruz County (District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors  
of the Central Fire District of Santa Cruz County  
Santa Cruz, California  
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## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the pension information, the OPEB information and budgetary comparison information on pages and 52-58 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 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Badawi & Associates, CPAs  
Berkeley, California  
July 15, 2022

## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Central Fire District of Santa Cruz County**  
**Statement of Net Position**  
**June 30, 2021**

<b>ASSETS</b>	
Current assets:	
Cash	\$ 32,506,921
Accounts receivable	106,221
Prepaid items	18,752
<b>Total current assets</b>	<u>32,631,894</u>
Noncurrent assets:	
Capital assets - non-depreciable	1,786,453
Capital assets - depreciable, net	14,759,686
<b>Total capital assets</b>	<u>16,546,139</u>
<b>Total noncurrent assets</b>	<u>16,546,139</u>
<b>Total assets</b>	<u>49,178,033</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources - pension	11,816,249
Deferred outflows of resources - OPEB	3,574,115
<b>Total deferred outflows of resources</b>	<u>15,390,364</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable - claims	1,239,151
Accounts payable - payroll	218,637
Interest payable	12,931
Compensated absences, due within one year	331,666
Long term debt, due within one year	311,145
<b>Total current liabilities</b>	<u>2,113,530</u>
Noncurrent liabilities:	
Compensated absences, due in more than one year	2,984,992
Long term debt, due in more than one year	990,198
Net OPEB liabilities	21,604,488
Net pension liability	50,261,589
<b>Total noncurrent liabilities</b>	<u>75,841,267</u>
<b>Total liabilities</b>	<u>77,954,797</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources - pension	2,120,035
Deferred inflows of resources - OPEB	902,254
<b>Total deferred inflows of resources</b>	<u>3,022,289</u>
<b>NET POSITION</b>	
Net investment in capital assets	15,244,796
Unrestricted	(31,653,485)
<b>Net position</b>	<u>\$ (16,408,689)</u>

See accompanying Notes to Basic Financial Statements.

**Central Fire District of Santa Cruz County**  
**Statement of Activities**  
**For the year ended June 30, 2021**

	Program Revenues				Total	Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Revenue
						and Changes in Net Position
					Governmental Activities	
<b>Governmental activities</b>						
Public safety	\$ 16,728,425	\$ 1,507,194	\$ 3,211,718	\$ -	\$ 4,718,912	\$ (12,009,513)
<b>Total governmental activities</b>	<u>\$ 16,728,425</u>	<u>\$ 1,507,194</u>	<u>\$ 3,211,718</u>	<u>\$ -</u>	<u>\$ 4,718,912</u>	<u>(12,009,513)</u>
<b>General Revenues:</b>						
						18,565,041
						48,105
						33,391
						<u>18,646,537</u>
<b>Special Item:</b>						
						(23,045,713)
						<u>(16,408,689)</u>
						<u>-</u>
						<u>\$ (16,408,689)</u>

See accompanying Notes to Basic Financial Statements.

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**GOVERNMENTAL FUND FINANCIAL STATEMENTS**

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**Central Fire District of Santa Cruz County**  
**Balance Sheet - Governmental Funds**  
**June 30, 2021**

	General Fund	Capital Outlay Capital Project Fund	Fleet Maintenance Capital Project Fund	Total
<b>ASSETS</b>				
Cash	\$ 26,788,752	\$ 5,415,686	\$ 302,483	\$ 32,506,921
Accounts receivable	75,660	-	30,561	106,221
Prepaid items	18,752	-	-	18,752
<b>Total assets</b>	<b>\$ 26,883,164</b>	<b>\$ 5,415,686</b>	<b>\$ 333,044</b>	<b>\$ 32,631,894</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 653,631	\$ 563,408	\$ 22,112	\$ 1,239,151
Accrued salaries and benefits	212,389	-	6,248	218,637
<b>Total liabilities</b>	<b>866,020</b>	<b>563,408</b>	<b>28,360</b>	<b>1,457,788</b>
<b>FUND BALANCES</b>				
Nonspendable:				
Prepaid items	18,752	-	-	18,752
Assigned:				
Capital improvement and equipment	-	2,072,047	-	2,072,047
Mobile equipment vehicle replacement	-	2,780,231	-	2,780,231
Fleet maintenance	-	-	304,684	304,684
Unassigned:				
Economic stability	981,882	-	-	981,882
Other	25,016,510	-	-	25,016,510
<b>Total fund balances</b>	<b>26,017,144</b>	<b>4,852,278</b>	<b>304,684</b>	<b>31,174,106</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 26,883,164</b>	<b>\$ 5,415,686</b>	<b>\$ 333,044</b>	<b>\$ 32,631,894</b>

See accompanying Notes to Basic Financial Statements.

**Central Fire District of Santa Cruz County**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Government-Wide Statement of Net Position**  
**June 30, 2021**

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**Fund Balances of Governmental Funds** \$ 31,174,106

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. 16,546,139

In the Government-Wide Financial Statements, employer contributions made subsequent to the measurement date for pension and OPEB, certain differences between actuarial amounts and actual results for pension are deferred and amortized or applied to the net pension liability or net OPEB liability in future periods, however these items do not impact the Governmental Funds Balance Sheet:

Deferred outflows of resources - pension	11,816,249
Deferred outflows of resources - OPEB	3,574,115
Deferred inflows of resources - pension and OPEB	(3,022,289)

Interest expense on long-term debt is reported on the accrual basis on the Government-Wide Statements, but expenditures on long-term debt in the governmental funds statements are recorded when paid. The following amount represents the change in accrued interest from the prior year. (12,931)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore they are not reported in the governmental funds.

Long-term debt	(1,301,343)
Compensated absences	(3,316,658)
Net OPEB liabilities	(21,604,488)
Net pension liability	(50,261,589)

**Net Position of Governmental Activities** \$ (16,408,689)

**Central Fire District of Santa Cruz County**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2021**

	General Fund	Capital Outlay Capital Project Fund	Fleet Maintenance Capital Project Fund	Total
<b>REVENUES:</b>				
Property taxes	\$ 18,565,041	\$ -	\$ -	\$ 18,565,041
Use of money and property	39,213	8,891	-	48,104
Aid from other government agencies	3,211,718	-	-	3,211,718
Charges for services	674,202	-	1,199,544	1,873,746
Other revenue	33,391	-	-	33,391
<b>Total revenues</b>	<b>22,523,565</b>	<b>8,891</b>	<b>1,199,544</b>	<b>23,732,000</b>
<b>EXPENDITURES:</b>				
Current:				
Public Safety				
Salaries and benefits	10,054,719	-	271,219	10,325,938
Services and supplies	3,045,551	-	332,202	3,377,753
Capital outlay	46,521	588,163	5,916	640,600
Debt service:				
Principal	-	302,138	-	302,138
Interest and fiscal charges	-	47,800	-	47,800
<b>Total expenditures</b>	<b>13,146,791</b>	<b>938,101</b>	<b>609,337</b>	<b>14,694,229</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>9,376,774</b>	<b>(929,210)</b>	<b>590,207</b>	<b>9,037,771</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in	-	1,725,000	-	1,725,000
Transfer out	(1,725,000)	-	-	(1,725,000)
<b>Total other financing sources (uses)</b>	<b>(1,725,000)</b>	<b>1,725,000</b>	<b>-</b>	<b>-</b>
<b>SPECIAL ITEM:</b>				
Transfer from former fire districts (Note 9)	18,365,370	4,056,488	(285,523)	22,136,335
<b>Net change in fund balances</b>	<b>26,017,144</b>	<b>4,852,278</b>	<b>304,684</b>	<b>31,174,106</b>
<b>FUND BALANCES:</b>				
Beginning of year	-	-	-	-
End of year	\$ 26,017,144	\$ 4,852,278	\$ 304,684	\$ 31,174,106

See accompanying Notes to Basic Financial Statements.

**Central Fire District of Santa Cruz County**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund**  
**Balances of Governmental Funds to the Government-Wide Statement of Activities**  
**For the year ended June 30, 2021**

**Net Change in Fund Balances - Total Governmental Funds** \$ 31,174,106

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlay as expenditures. In the statement of activities, however, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Acquisition of capital assets	640,503
Depreciation expense	(397,259)

Certain assets, deferred outflows of resources, liabilities, and deferred inflows of resources were transferred to the District from Aptos/La Selva Fire Protection District and Central Fire Protection District of Santa Cruz County that are not required to be reported in the governmental funds.

Capital assets	16,302,895
Pension related items	(37,768,734)
OPEB related items	(18,639,903)
Long term liabilities	(5,076,306)

Current year employer pension contributions recorded as expenditures in the governmental funds, however these amounts are reported a deferred outflow of resources on the Government-Wide Statement of Net Position. 5,494,714

Current year employer OPEB contributions recorded as expenditures in the governmental funds, however these amounts are reported a deferred outflow of resources on the Government-Wide Statement of Net Position. 2,075,977

Pension expense is recorded as incurred in the Government-Wide Statement of Activities, however pension expense is not recognized in the governmental funds. (8,291,355)

OPEB expense is recorded as incurred in the Government-Wide Statement of Activities, however pension expense is not recognized in the governmental funds. (2,368,701)

Repayments of debt principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net position. 302,138

Interest expense on long-term debt is reported on the accrual basis on the Government-Wide Statements, but expenditures on long-term debt in the governmental funds statements are recorded when paid. The following amount represents the change in accrued interest from the prior year. (12,931)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences	156,167
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<b>Change in Net Position of Governmental Activities</b>	<b>\$ (16,408,689)</b>
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See accompanying Notes to Basic Financial Statements.

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**Central Fire District Of Santa Cruz County**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2021**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Central Fire Protection District of Santa Cruz County (District) have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below:

**A. *Description of Reporting Entity***

In 1987, Central Fire Protection District was created from the consolidation of the Capitola, Live Oak and Soquel Fire Districts. In 1986, Aptos Fire District and La Selva Beach Fire District also consolidated, to become the Aptos/La Selva Fire Protection District. By 2018, Aptos/La Selva FPD and Central FPD entered into a Shared Services Agreement, combining services with their Administrative and Prevention/ Community Risk Reduction divisions. In February of 2021, Central Fire Protection District and Aptos/La Selva Fire Protection District consolidated into Central Fire District of Santa Cruz County.

Central Fire District serves the communities of Capitola, Live Oak, Soquel, Aptos, Rio Del Mar and La Selva Beach. The resident population is approximately 90,500, with a seasonal influx during the summer, and covers an area of 55 square miles. The District responds to requests for service for fire, water rescue, emergency medical services, hazardous materials calls, and assorted alarms.

The District operates seven fire stations, an Administrative Office, Community Risk Reduction Division, and Fleet Services Facility. The District has several robust program areas including Community Risk Reduction, Community Education, Emergency Medical Services, Water Rescue, Fire Investigation, Hazardous Materials, Urban Search and Rescue, and Training. The District has a publicly elected Board of Directors consisting of five members who are elected to four year, staggered terms.

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether it exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters). The District has determined that no outside entity meets the above criteria, and therefore, no agency has been included as a component unit in the District's financial statements. In addition, the District is not aware of any entity that would exercise such oversight responsibility that would result in the District being considered a component unit of that entity.

**B. *Basis of Accounting/Measurement Focus***

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

**Central Fire District of Santa Cruz County**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2021**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***B. Basis of Accounting/Measurement Focus, Continued***

Government - Wide Financial Statements - The District's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental activities for the Authority.

The Statement of Net Position and Statement of Activities display information about the primary government. These statements include the financial activities of the overall government.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District governmental activities. Direct expenses are those that are specifically associated with the District. Program revenues include contributions from other governmental agencies that are restricted for meeting the operational or capital requirements of the District. Revenues that are not classified as program revenues, including investment income, are presented instead as general revenues.

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.

Certain eliminations have been made in regards to interfund activities. All internal balances (transfers in and out) in the Statement of Net Position have been eliminated.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between government-wide statements and the statements for governmental funds.

The accounting objectives of the economic resources measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or non-current) associated with their activities are reported. Fund equity is classified as net position.

Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred or economic asset used.

Governmental Fund Financial Statements - Fund financial statements are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary.

The emphasis of fund financial statements is on major governmental and enterprise funds rather than reporting funds by type. Each major fund is presented in a separate column. The District has no proprietary funds.

**Central Fire District of Santa Cruz County**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2021**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**B. Basis of Accounting/Measurement Focus, Continued**

The District reported the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources, which are not required to be accounted for in another fund.

Capital Outlay Capital Project Fund - The Capital Outlay Capital Project Fund accounts for monies accumulated for the acquisition of equipment and acquisition or improvement of existing buildings and structures.

Fleet Maintenance Capital Project Fund - The Fleet Maintenance Capital Project Fund accounts for monies assigned for the maintenance of the District's existing fire engines.

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting.

In the current financial resources measurement focus, only current financial assets and liabilities are generally included on the balance sheets. The operating statements present sources and uses of funds available for financial resources during a given period. The fund balance is used as the measure of available financial resources at the end of the period.

Under the modified accrual basis of accounting, revenues are recognized when measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means having been earned and collectible within the current period. Expenditures (including capital outlay) are recorded when the related liability is incurred, except for debt service expenditures (principal and interest), as well as expenditures related to compensated absences which are reported when due.

**C. Interfund Transactions**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as "due to/from other funds" (i.e. current portion of interfund loans) or "advances from/to other funds" (i.e. noncurrent portion of interfund loans).

**Central Fire District of Santa Cruz County**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2021**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**D. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. A reservation of fund balance has been reported in the governmental funds to show that prepaid amounts do not constitute "available spendable resources."

**E. Capital Assets and Depreciation**

Capital assets, which include land, buildings, improvements, and equipment are reported in the Government-Wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at their estimated fair value on the date donated. The District capitalization thresholds for reporting capital assets as of June 30, 2018 is \$5,000.

Depreciation is recorded on the straight-line method over the useful lives of the assets as follows:

Buildings	20-30 years
Equipment	3-10 years

**F. Net Position**

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvements of the assets.

Restricted Net Position - This amount is restricted by external creditors.

Unrestricted Net Position - This amount is all net position that does not meet the definition of "invested in capital assets, net of related debt" or "restricted net position."

**G. Fund Balances**

In the fund financial statements, fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash, receivables, and other current assets, less its liabilities.

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on specific purposes for which amounts in the funds can be spent. As of June 30, 2021, fund balances for governmental funds are made up of the following:

Nonspendable Fund Balance - includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid items, and long-term loans receivable.

**Central Fire District of Santa Cruz County**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2021**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**G. Fund Balances, Continued**

Restricted Debt Service - includes the funds held by trustees or fiscal agents for future payment of bond principal and interest, or otherwise are restricted by bond terms. These funds are not available for general operations.

Committed Fund Balance - includes amounts that can only be used for the specific purposes determined by a formal action of the District's highest level of decision-making authority, the Board of Directors by passage of a resolution. Commitments may be changed or lifted only by the District taking the same formal action that imposed the constraint originally. The District does not have any committed fund balances.

Assigned Fund Balance - comprises amounts intended to be used by the District for specific purposes that are neither restricted nor committed. The District has not designated any level of authority for assigning fund balance, therefore, the Board of Directors can assign fund balance.

Unassigned Fund Balance - is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. In other governmental funds, if expenditures exceed amounts restricted, committed, or assigned, the negative amount is reflected as negative unassigned fund balance.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

**H. Pension Expense**

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 additions to/deductions from the Plan's fiduciary net position have 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.

**I. Other Postemployment Benefits (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

**Central Fire District of Santa Cruz County**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2021**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**I. Other Postemployment Benefits (OPEB), Continued**

Investments are reported at fair value. Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used for 2021:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

**J. Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position will sometimes report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the statement of financial position will sometimes report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then.

**K. Liability for compensated absences**

The District is required to recognize a liability for employees' rights to receive compensation for future absences.

**L. New Accounting Pronouncements**

In 2021, the District adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 84, *Fiduciary Activities* - The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement establishes criteria for identifying fiduciary activities of all state and local government. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The Authority reclassified funds previously reported as an agency fund to a custodial fund, and removed previously reported OPEB trust fund as a result of implementing this accounting statement.

**Central Fire District of Santa Cruz County**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2021**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*L. New Accounting Pronouncements, Continued*

- GASB Statement No. 90, *Majority Equity Interest* - The objective of this statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if the government's holding of the equity meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. There was no impact on net position as a result of implementation of this statement.
- GASB Statement No. 93, *Replacement of Interbank Offered Rates* - The objective of this statement is to address the accounting and financial reporting implications that result from the elimination of the London Interbank Offered Rate (LIBOR) that is notably used in most agreements in which variable payments made or received depend on an interbank offered rate (IBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. There was no impact on net position as a result of implementation of this statement.
- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* - The objectives of this statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. There was no impact on net position as a result of implementation of this statement.
- GASB Statement No. 98, *The Annual Comprehensive Financial Report* - The objective of this statement is to address references in authoritative literature to the term *comprehensive annual financial report*. There was no impact on net position as a result of implementation of this statement.

**Central Fire District of Santa Cruz County**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2021**

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**2. CASH AND INVESTMENTS**

The District maintains cash and investments as summarized below:

Petty cash	\$ 500
County of Santa Cruz Investment Pool	<u>32,506,421</u>
<b>Total cash and investments</b>	<b><u><u>\$ 32,506,921</u></u></b>

**A. Investment with Santa Cruz County Investment Pool**

\$32,506,421 at June 30, 2021 respectively is part of the common investment pool of the Santa Cruz County Investment Pool. It is the policy of the Treasurer-Tax Collector of Santa Cruz County to invest public funds in a manner which provides for the safety of the funds on deposit, the cash flow demands, or liquidity needs of the treasury pool participants, and the highest possible yield after first considering the first two objectives of safety and liquidity. In addition, it is the Treasurer-Tax Collectors' policy to invest all funds in strict conformance with all state statutes governing the investment of public monies.

Investments are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District's investment in the Santa Cruz County Investment Pool is exempt from levelling disclosure.

**B. Interest Rate Risk**

At June 30, 2021, the District had the following investment maturities.

Investment Type	Fair Value	Investment Maturity (In Years)		
		Less than 1	1 to 2	2 to 3
Santa Cruz County Investment Pool	\$ 32,506,421	\$ 32,506,421	\$ -	\$ -
<b>Total</b>	<b><u><u>\$ 32,506,421</u></u></b>	<b><u><u>\$ 32,506,421</u></u></b>	<b><u><u>\$ -</u></u></b>	<b><u><u>\$ -</u></u></b>

**Central Fire District of Santa Cruz County**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2021**

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**2. CASH AND INVESTMENTS, Continued**

***B. Concentration of Credit Risk***

The District's investment in the Santa Cruz County Investment Pool is exempt from disclosure.

***C. Investment Policy***

The District does not have a formally adopted investment policy, however is limited by State law to the following investments:

Investment Type	Maximum Maturity	Maximum Specified % of Portfolio
Local Agency Bonds	5 Years	None
U.S. Treasury Obligations	5 Years	None
State Obligations	5 Years	None
CA Local Agency Obligations	5 Years	None
U.S. Agency Obligations	5 Years	None
Bankers' Acceptances	180 Days	40%
Commercial Paper	270 Days	40%
Negotiable Certificates of Deposit	5 Years	30%
CD Placement Services	5 Years	30%
Repurchase Agreements	1 Year	None
Reverse Repurchase Agreements and Securities Lending Agreements	92 Days	20% of the Base Value of the Portfolio
Medium-Term Notes	5 Years	30%
Mutual Fund and Money Market Mutual Funds	Unrated	20%
Collateralized Bank Deposits	5 Years	None
Mortgage Pass-Through Securities	5 Years	None
Bank/Time Deposits	5 Years	None
Joint Powers Authority Pool	N/A	None
Local Agency Investment Fund	N/A	None
Supranationals	5 Years	30%

**Central Fire District of Santa Cruz County**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2021**

**3. INTERFUND TRANSACTIONS - FUND FINANCIAL STATEMENTS**

The District had the following transfers for the year ended June 30, 2021:

	<u>Transfers in</u>	<u>Transfers out</u>
Governmental Funds		
General Fund	\$ -	\$ 1,725,000
Capital Projects Fund:		
Capital Outlay Fund	<u>1,725,000</u>	<u>-</u>
Total	<u>\$ 1,725,000</u>	<u>\$ 1,725,000</u>

Transfers from the General Fund to the Capital Outlay Capital Projects Fund were to fund for future capital projects and vehicle and equipment acquisitions.

**4. CAPITAL ASSETS**

The District's capital assets is based on historical costs, or estimates of historical cost. For purposes of fixed asset accounting the District considers assets with a cost of \$5,000 or more and a useful life of three years or more to be capital assets.

Capital asset activities for fiscal years 2021 follow:

	<u>Balance at July 1, 2020</u>	<u>Transfers<sup>1</sup></u>	<u>Additions</u>	<u>Deletion\ Reclassification</u>	<u>Balance at June 30, 2021</u>
Non-depreciable assets:					
Land	\$ -	\$ 1,786,453	\$ -	\$ -	\$ 1,786,453
Total non-depreciable	<u>-</u>	<u>1,786,453</u>	<u>-</u>	<u>-</u>	<u>1,786,453</u>
Depreciable assets:					
Structures and improvements	-	12,007,691	-	-	12,007,691
Equipment	-	14,753,122	640,503	-	15,393,625
Total non-depreciable	<u>-</u>	<u>26,760,813</u>	<u>640,503</u>	<u>-</u>	<u>27,401,316</u>
Less accumulated depreciation	<u>-</u>	<u>(12,244,371)</u>	<u>(397,259)</u>	<u>-</u>	<u>(12,641,630)</u>
Total depreciable assets, net	<u>-</u>	<u>14,516,442</u>	<u>243,244</u>	<u>-</u>	<u>14,759,686</u>
<b>Total capital assets</b>	<u>\$ -</u>	<u>\$ 16,302,895</u>	<u>\$ 243,244</u>	<u>\$ -</u>	<u>\$ 16,546,139</u>

1 - Capital assets previously held by Aptos/La Selva Fire Protection District and Central Fire Protection District of Santa Cruz County were transferred to the District when the District was formed.

**Central Fire District of Santa Cruz County**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2021**

**5. NON CURRENT LIABILITIES**

The following is a summary of changes in non-current liabilities transactions for the fiscal years ended June 30, 2021:

	Balance July 1, 2020	Transfers <sup>1</sup>	Deletions	Balance June 30, 2021	Due Within One Year	Due More Than One Year
<b>Governmental Activities:</b>						
Finance purchase agreement	\$ -	\$ 1,603,481	\$ (302,138)	\$ 1,301,343	\$ 311,145	\$ 990,198
Sub-total	-	1,603,481	(302,138)	1,301,343	311,145	990,198
Compensated absences	-	3,472,825	(156,167)	3,316,658	331,666	2,984,992
Total long-term liabilities	\$ -	\$ 5,076,306	\$ (458,305)	\$ 4,618,001	\$ 642,811	\$ 3,975,190

1 - Long term liabilities owed by Aptos/La Selva Fire Protection District and Central Fire Protection District of Santa Cruz County became obligations of the District when the District was formed.

**A. Finance Purchase Agreement**

On February 28, 2018, the District entered into a finance purchase agreement in the amount of \$2,181,772 for acquisition of various fire engines and fire equipment from Rosenbauer. The lease agreement provides for 7 annual payments for of \$349,938 from February 28, 2019 to February 28, 2025.

Year Ending June 30,	Principal	Interest	Total
2022	\$ 311,145	\$ 38,793	\$ 349,938
2023	320,420	29,518	349,938
2024	329,971	19,966	349,938
2025	339,807	10,131	349,938
Total	\$ 1,301,343	\$ 98,408	\$ 1,399,752

**Central Fire District of Santa Cruz County**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2021**

**6. DEFINED BENEFIT PENSION PLAN**

**A. Plan Description**

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other.) Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous risk pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools.

The District sponsors ten rate plans (five miscellaneous and five safety). Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**B. Benefits Provided**

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employee's Retirement Law.

The rate plan provisions and benefits in effect at June 30, 2021 are summarized as follows:

	<b>Central Fire Protection District of Santa Cruz County Rate Plans</b>		
	<b>Safety Tier 1</b>	<b>Safety Tier 2</b>	<b>Safety PEPR</b>
Hire Date	Prior to January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50 - 55	50 - 57
Monthly benefits, as a % of annual salary	3%	3%	2.0% to 2.7%
Required employee contribution rates	9.000%	9.000%	12.000%
Required employer contribution rates	23.674%	20.585%	13.044%
Required unfunded liability payment	\$ 1,838,230	\$ 28,399	\$ 20,846

**Central Fire District of Santa Cruz County**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2021**

**6. DEFINED BENEFIT PENSION PLAN, Continued**

*B. Benefits Provided, Continued*

	<b>Central Fire Protection District of Santa Cruz County Rate Plans</b>		
	<b>Miscellaneous</b>	<b>Miscellaneous</b>	<b>Miscellaneous</b>
	<b>Tier 1</b>	<b>Tier 2</b>	<b>PEPRA</b>
Hire Date	Prior to January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	55	55	62
Monthly benefits, as a % of annual salary	2.5%	2.5%	2.0%
Required employee contribution rates	8.000%	8.000%	6.250%
Required employer contribution rates	12.361%	11.742%	7.732%
Required unfunded liability payment	\$ 68,732	\$ 4,473	\$ 5,906

	<b>Aptos/La Selva Fire Protection District Rate Plans</b>	
	<b>Safety Tier 1</b>	<b>Safety PEPRA</b>
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	55	57
Monthly benefits, as a % of annual salary	3%	2.7%
Required employee contribution rates	9.000%	11.500%
Required employer contribution rates	21.746%	13.044%
Required unfunded liability payment	\$ 1,228,989	\$ 19,517

**Central Fire District of Santa Cruz County**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2021**

**6. DEFINED BENEFIT PENSION PLAN, Continued**

*B. Benefits Provided, Continued*

	<u>Aptos/La Selva Fire Protection District Rate Plans</u>	
	<u>Miscellaneous</u>	<u>Miscellaneous</u>
	<u>Tier 1</u>	<u>PEPRA</u>
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	60	62
Monthly benefits, as a % of annual salary	3.0%	2.0%
Required employee contribution rates	8.000%	6.250%
Required employer contribution rates	15.445%	7.732%
Required unfunded liability payment	\$ 39,281	\$ 5,566

**Contributions** - Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an actuarial basis, annually and is effective on July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Employer contributions made to the Plan for the measurement period ended June 30, 2020 were \$3,022,355 from Central Fire Protection District of Santa Cruz County, and \$1,941,754 for Aptos/La Selva Fire Protection District, totaling \$4,964,109. Employer contributions made to the Plan for the fiscal year ended June 30, 2021 totaled \$5,494,714.

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

As of June 30, 2021, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$50,261,359.



**Central Fire District of Santa Cruz County**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2021**

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**6. DEFINED BENEFIT PENSION PLAN, Continued**

*C. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions, Continued*

\$5,494,714 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022 respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year	
Ending June 30:	
2022	\$ 791,033
2023	1,656,209
2024	1,201,187
2025	553,071

Actuarial assumptions

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

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return <sup>(1)</sup>	7.15%
Mortality	Derived by CalPERS membership data for all funds

(1) Net of pension plan investment expenses, including inflation

**Central Fire District of Santa Cruz County**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2021**

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**6. DEFINED BENEFIT PENSION PLAN, Continued**

*C. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions, Continued*

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2019 valuation were based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

*Discount Rate* - The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

**Central Fire District of Santa Cruz County**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2021**

**6. DEFINED BENEFIT PENSION PLAN, Continued**

*C. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions, Continued*

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 <sup>(a)</sup>	Real Return Years 11+ <sup>(b)</sup>
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

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

The following presents the net pension liability of the District for each Plan, calculated using the discount rate for each Plan, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease	6.15%
Net Pension Liability	\$ 74,104,217
Current Discount Rate	7.15%
Net Pension Liability	\$ 50,261,589
1% Increase	8.15%
Net Pension Liability	\$ 30,691,008

***Pension Plan Fiduciary Net Position*** – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. Reports are available from [www.calpers.ca.gov](http://www.calpers.ca.gov).

Payable to the Pension Plan

At June 30, 2021, the District reported a payable of \$0 for outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

**Central Fire District of Santa Cruz County**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2021**

**7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS**

In addition to pension benefits, the District provides medical insurance to retired employees. The scope of the benefits provided depends on the memorandum of understanding between the District and various employee groups. The District participates in two agent multiple-employer defined benefit OPEB plans that were created by Aptos/La Selva Fire Protection District and Central Fire Protection District of Santa Cruz County and become the responsibility of the District as part of its formation. Employees of the former Districts maintained their benefits. Significant amounts related to the plans are summarized in the table below:

	Deferred Outflows of Resources	Net OPEB Liability	Deferred Inflows of Resources	OPEB Expense
Central Fire Protection District of Santa Cruz County	\$ 3,237,352	\$ 17,925,700	\$ 834,012	\$ 1,899,553
Aptos/La Selva Fire Protection District	336,763	3,678,788	68,242	469,148
<b>Total</b>	<b>\$ 3,574,115</b>	<b>\$ 21,604,488</b>	<b>\$ 902,254</b>	<b>\$ 2,368,701</b>

**A. Central Fire Protection District of Santa Cruz County OPEB Plan**

Plan Description

Eligible retirees may elect to maintain their life and dental insurance benefits provided their portion of the premium is paid. Vision insurance coverage is offered to retirees, but 100% of the premium is paid by the retiree. Effective January 1, 2019 for IAFF Local-3605, and January 1, 2020 for Administrative and Management Group, benefits provided by the District change to a tiered system. Eligibility for District-paid benefits is now based on one or more of the following criteria: bargaining unit, date of hire, date of retirement, and years of service with the District.

Employees Covered

As of the June 30, 2019 actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB Plan:

Active employees	63
Inactive employees or beneficiaries currently receiving benefits	<u>62</u>
<b>Total</b>	<b>125</b>

Contributions

The District primarily finances the plan on a pay-as-you-go basis. The annual contribution is based on the actuarially determined contribution. For the measurement period ended June 30, 2020, the District's cash contributions were \$1,105,300 and payment to the trust of \$417,200 resulting in total payments of \$1,105,300.

**Central Fire District of Santa Cruz County**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2021**

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**7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS, Continued**

*A. Central Fire Protection District of Santa Cruz County OPEB Plan, Continued*

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019 rolled forward to June 30, 2020, that was based on the following actuarial methods and assumptions:

<b>Actuarial Assumptions</b>	
Measurement Date	<u>6/30/2020</u>
Discount Rate	7.59%
Inflation	2.50%
Salary Increases	2.75% per annum
Investment Rate of Return	7.59%
Mortality Rate <sup>(1)</sup>	Derived using CalPERS' Membership Data for all funds
Pre-Retirement turnover <sup>(2)</sup>	Derived using CalPERS' Membership Data for all funds
Healthcare Trend Rate	6.00% to 4.50%

Notes: (1) Pre-retirement mortality information was derived from data collected during 1997 to 2011 CalPERS Experience Study dated January 2014 and post-retirement mortality information was derived from the 2007 to 2011 CalPERS Experience Study. The Experience Study Reports may be accessed on the CalPERS website [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications. (2) The pre-retirement turnover information was developed based on CalPERS' specific data. For more details, please refer to the 2007 to 2011 Experience Study Report. The Experience Study Report may be accessed on the CalPERS website [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized on the following page.

**Central Fire District of Santa Cruz County**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2021**

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**7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS, Continued**

*A. Central Fire Protection District of Santa Cruz County OPEB Plan, Continued*

Net OPEB Liability, Continued

Investment Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	59.00%	4.82%
Fixed Income	25.00%	1.47%
Treasury Inflation-Protected Securities (TIPS)	5.00%	1.29%
Commodities	3.00%	0.84%
Real Estate Investment Trusts	8.00%	3.76%
<b>TOTAL</b>	100.00%	

Discount Rate

The discount rate used to measure the total OPEB liability was 7.59 percent for measurement date June 30, 2020. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Central Fire District of Santa Cruz County**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2021**

**7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS, Continued**

*A. Central Fire Protection District of Santa Cruz County OPEB Plan, Continued*

Changes in the OPEB Liability

The changes in the net OPEB liability for the OPEB Plan are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2020 (Measurement Date June 30, 2019)	\$ 19,846,500	\$ 2,232,900	\$ 17,613,600
<b>Changes recognized for the measurement period:</b>			
Service cost	428,000	-	428,000
Interest	1,496,900	-	1,496,900
Contributions - employer	-	1,522,500	(1,522,500)
Net investment income	-	92,300	(92,300)
Benefit payment	(1,105,300)	(1,105,300)	-
Administrative expenses	-	(2,000)	2,000
<b>Net Changes</b>	<b>819,600</b>	<b>507,500</b>	<b>312,100</b>
Balance at June 30, 2021 (Measurement Date June 30, 2020)	\$ 20,666,100	\$ 2,740,400	\$ 17,925,700

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2020:

	1% Decrease (6.59%)	Current Discount Rate (7.59%)	1% Increase (8.59%)
Net OPEB Liability	\$ 20,367,300	\$ 17,925,700	\$ 15,874,500

**Central Fire District of Santa Cruz County**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2021**

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**7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS, Continued**

*A. Central Fire Protection District of Santa Cruz County OPEB Plan, Continued*

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the District if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2020:

	1% Decrease (5.00% Graded Down to 3.50%)	Current Rates (6.00% Graded Down to 4.50%)	1% Increase (7.00% Graded Down to 5.50%)
Net OPEB Liability	\$ 15,499,700	\$ 17,925,700	\$ 20,878,800

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 Years
All other amounts	Expected average remaining service lifetime (EARSL)

**Central Fire District of Santa Cruz County**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2021**

**7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS, Continued**

*A. Central Fire Protection District of Santa Cruz County OPEB Plan, Continued*

OPEB Expense and Deferred Outflows/(Inflows) of Resources Related to OPEB

For the fiscal years ended June 30, 2021, the District recognized OPEB expense of \$1,899,553. For the fiscal year ended June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,729	\$ 834,012
Changes of assumptions or other input	1,464,478	-
Net difference between projected and actual earnings on OPEB plan investments	21,653	-
Contribution subsequent to the measurement date	1,743,492	-
	<u>\$ 3,237,352</u>	<u>\$ 834,012</u>

The \$1,743,492 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2020 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30:	
2022	\$ 100,214
2023	99,780
2024	91,884
2025	97,772
2026	90,067
Thereafter	180,131

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. Reports are available from [www.calpers.ca.gov](http://www.calpers.ca.gov).

Payable to the Pension Plan

At June 30, 2021 the District reported a payable of \$0 for outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2021.

Changes in Assumptions

There were no changes of assumptions for measurement period ended June 30, 2020.

**Central Fire District of Santa Cruz County**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2021**

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**7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS, Continued**

***B. Aptos/La Selva Fire Protection District OPEB Plan***

Plan Description

The post-retirement welfare benefit plan is a defined benefit healthcare plan, which is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. In addition the District contributes a fixed monthly amount to an eligible retiree’s California Government Voluntary Employee Beneficiary Association (CALGOVEBA) account. The Plan is closed to new hires.

Significant plan provisions are as follows:

**Retirement Eligibility**

The retiree must be eligible for benefits from CalPERS. The eligibility requirement under PEMHCA is as follows

PEMHCA Benefits: Age 50 with 5 years of service (age 52 for Miscellaneous PEPRA).

**Explicit Benefits**

Retiree Tier One For employees that retired before January 1, 2020, the District will contribute \$350 per month to the retiree's CALGOVEBA account until the earlier of the retirees' age 65 or death.

Retiree Tier Two For employees hired before January 1, 2020, the District will contribute \$1,800 per month to the retiree's CALGOVEBA account until the retiree's age 65. After age 65, this amount is reduced to \$900 per month.

Retiree Tier Three For employees hired after December 31, 2019, the District will contribute \$900 per month to the retiree's CALGOVEBA account until the retiree's age 65. After age 65, this amount is reduced to \$450 per month.

PEMHCA Benefit Amount The District pays the minimum employer contribution for health coverage set by PEMHCA. For 2020, the minimum is \$139 per month.

Survivor Benefit Surviving spouses are eligible for the minimum employer contribution for health coverage set by PEMHCA.

In addition to the explicit benefits for eligible retirees, continued medical coverage is offered to the District’s eligible retirees and their spouses and dependents. The active premium rate (whether paid by the District or by the retiree) still applies. However, in some cases the premium itself does not represent the full cost of covering these retirees (since they are older than the active population, retirees can be expected to generate higher medical claims and therefore higher premiums for the active population). This additional cost is called the “implied subsidy” and is reflected in the District’s net OPEB liability.

**Central Fire District of Santa Cruz County**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2021**

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**7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS, Continued**

**B. Aptos/La Selva Fire Protection District OPEB Plan, Continued**

Plan Description, Continued

**Implicit Medical Benefit**

Eligible Class of Employee	All classes of employee are eligible to continue coverage upon retirement.
Dependent Eligibility	Qualified spouses, domestic partners, and children may qualify for coverage.
Benefit Amount	There is an implicit subsidy with respect to pre-Medicare retired employees because the medical premium rates charged for coverage typically are less than actual expected retiree claims costs. This is due to medical premium rates being determined by blending both active employee and pre-Medicare retiree experience.
Current Premiums	Monthly medical premiums were blended to align with the valuation date, June 30, 2019  The CalPERS Region 1 blended medical premiums are as follows:  Region 1 Basic: Varies from \$531.74 to \$2,944.27  Region 1 Medicare: Varies from \$313.20 to \$1,169.42

Employees Covered

As of the June 30, 2019 actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB Plan:

Active employees	40
Inactive employees or beneficiaries currently receiving benefits	<u>28</u>
<b>Total</b>	<b>68</b>

Contributions

The District primarily finances the plan on a pay-as-you-go basis. The annual contribution is based on the actuarially determined contribution. For the measurement period ended June 30, 2020, the District's cash contributions were \$251,215 and payment to the trust of \$40,000 resulting in total payments of \$291,215.

**Central Fire District of Santa Cruz County**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2021**

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**7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS, Continued**

***B. Aptos/La Selva Fire Protection District OPEB Plan, Continued***

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019 rolled forward to June 30, 2020, that was based on the following actuarial methods and assumptions:

<b>Actuarial Assumption</b>	
Contribution Policy	District contributes full actuarially determined contribution (ADC)
Discount Rate and Long Term Expected Rate of Return on Assets	6.75% Expected District contributions projected to keep sufficient plan assets to pay all benefits from trust.
General Inflation	2.50%
Mortality, Retirement, Disability, Termination	CalPERS Experience Study December 2017
Salary Increases	Aggregate - 2.75% Merit - CalPERS Experience Study December 2017
Healthcare Trend	6.0% for 2020, decreasing to an ultimate rate of 4.5% in 2037 and later years
Participation	100% of actives eligible for District-paid health benefits
Plan Enrollment	Current and future retirees are assumed to remain enrolled in the plans in which they are currently enrolled. Future eligible retirees that are not currently enrolled in coverage are assumed to elect PERS Choice Region 1.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized on the following page.

**Central Fire District of Santa Cruz County**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2021**

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**7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS, Continued**

*B. Aptos/La Selva Fire Protection District OPEB Plan, Continued*

Net OPEB Liability, Continued

Investment Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	59.00%	4.82%
Fixed Income	25.00%	1.47%
Treasury Inflation-Protected Securities (TIPS)	5.00%	1.29%
Commodities	3.00%	0.84%
Real Estate Investment Trusts	8.00%	3.76%
<b>TOTAL</b>	100.00%	

Discount Rate

The discount rate used to measure the total OPEB liability was 6.75 percent for measurement date June 30, 2020. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Central Fire District of Santa Cruz County**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2021**

**7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS, Continued**

**B. Aptos/La Selva Fire Protection District OPEB Plan, Continued**

Changes in the OPEB Liability

The changes in the net OPEB liability for the OPEB Plan are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/ (Asset) (c) = (a) - (b)
Beginning balance	\$ 4,278,708	\$ 807,431	\$ 3,471,277
Change in the year:			
Service cost	232,081	-	232,081
Interest on the total OPEB liability	296,000	-	296,000
Contribution - employer	-	291,215	(291,215)
Net Investment income	-	30,053	(30,053)
Benefit payments, including refunds	(251,215)	(251,215)	-
Administrative expenses	-	(698)	698
<b>Net Changes</b>	<b>276,866</b>	<b>69,355</b>	<b>207,511</b>
Ending at June 30, 2021 (measurement date June, 30, 2020)	<b>\$ 4,555,574</b>	<b>\$ 876,786</b>	<b>\$ 3,678,788</b>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2020:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net OPEB liability	\$ 4,125,539	\$ 3,678,788	\$ 3,294,797

**Central Fire District of Santa Cruz County**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2021**

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**7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS, Continued**

**B. Aptos/La Selva Fire Protection District OPEB Plan, Continued**

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the District if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2020:

	1% Decrease (5.0% - 3.5%)	Current Healthcare Trend Rate (6.0% - 4.5%)	1% Increase (7.0% - 5.5%)
Net OPEB liability	\$ 3,410,637	\$ 3,678,788	\$ 4,002,077

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 Years
All other amounts	Expected average remaining service lifetime (EARSL)

**Central Fire District of Santa Cruz County**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2021**

**7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS, Continued**

***B. Aptos/La Selva Fire Protection District OPEB Plan, Continued***

OPEB Expense and Deferred Outflows/(Inflows) of Resources Related to OPEB

For the fiscal years ended June 30, 2021, the District recognized OPEB expense of \$469,148. For the fiscal year ended June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 60,335
Changes of assumptions or other input	-	7,907
Net difference between projected and actual earnings on OPEB plan investments	4,278	-
Contribution subsequent to the measurement date	332,485	-
	<u>\$ 336,763</u>	<u>\$ 68,242</u>

The \$332,485 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2020 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30:	
2022	\$ (12,608)
2023	(8,608)
2024	(6,947)
2025	(6,555)
2026	(9,749)
Thereafter	(19,497)

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. Reports are available from [www.calpers.ca.gov](http://www.calpers.ca.gov).

Payable to the Pension Plan

At June 30, 2021 the District reported a payable of \$0 for outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2021.

Changes in Assumptions

There were no changes of assumptions for measurement period ended June 30, 2020.

**Central Fire District of Santa Cruz County**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2021**

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**8. RISK MANAGEMENT**

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

*Workers' compensation coverage*

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

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

*Primary workers' compensation*

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

*Excess workers' compensation*

CPEIA retains responsibility for payment of claims in excess of \$125,000 for each member who also participates in the primary workers' compensation program.

The District paid \$750,000 including the District's payment for workers' compensation portfolio transfer for workers' compensation to the Group for the year ended June 30, 2021, respectively

**Central Fire District of Santa Cruz County**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2021**

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**8. RISK MANAGEMENT, Continued**

*Fire Agencies Insurance Risk Authority (FAIRA)*

The District has joined the Fire Agencies Insurance Risk Authority, a joint powers authority (JPA), with other California special districts as members. The relationship between the district and the JPA is such that the JPA is not a component unit of the District for reporting purposes. The Authority, as administrator, maintains general liability insurance for its members. The purpose of this joint protection program is to reduce the amount and frequency of their losses, pool their self-insured losses, and jointly purchase general liability insurance. The JPA's separately published financial statements are available from the JPA.

*Insurance Coverage*

Insurance coverage at June 30, 2021 was as follows:

	<u>Limits</u>	<u>Deductible</u>
Coverage through FAIRA		
General liability		
General liability-per occurrence	\$ 1,000,000	\$ -
General liability-Aggregate	\$ 10,000,000	\$ -
Auto liability-combined single limit	\$ 1,000,000	\$ 5,000
Excess liability coverage-per occurrence	\$ 10,000,000	\$ -
Other Insurance:		
Personnel		
Workers' compensation (self-insured through the Santa Cruz County Fire Agencies Insurance Group)	Statutory	
Health-PERS	Limited Coverage	
Dental-Delta Dental	Limited Coverage	
Life and Long-Term Disability CA Assn. of Professional firefighters-Fontis/Unum	Limited Coverage	
Paid Call-Life Insurance and Long-Term Disability-C.S.F.A	Limited Coverage	

**Central Fire District of Santa Cruz County**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2021**

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**9. SPECIAL ITEM - TRANSFER FROM FORMER DISTRICTS**

On February 4, 2021, Aptos/La Selva Fire Protection District and Central Fire Protection District of Santa Cruz County officially consolidated into one District (Central Fire District of Santa Cruz County). The consolidation resulted in the transfer of assets and liabilities from both agencies into the newly formed entity, and the creation of one Board of Directors. Amounts transferred included cash and other current assets and liabilities of \$22,136,335, capital assets of \$16,302,895, pension liabilities and related amounts netting to \$37,768,734, other post employment benefit liabilities and related amounts netting to \$18,639,903, and other long term liabilities (compensated absences and finance purchase agreement) of \$5,076,306.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**Central Fire District of Santa Cruz County**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the year ended June 30, 2021**

**1. BUDGETS AND BUDGETARY ACCOUNTING**

The General Fund's budgetary comparison schedule for the year ended June 30, 2021 is as follows.

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 32,332,914	\$ 32,867,807	\$ 18,565,041	(14,302,766)
Use of money and property	306,000	110,000	39,213	(70,787)
Aid from other government agencies	759,516	3,359,516	3,211,718	(147,798)
Charges for services	1,099,711	1,099,711	674,202	(425,509)
Other revenue	113,000	24,500	33,391	8,891
<b>Total revenues</b>	<b>34,611,141</b>	<b>37,461,534</b>	<b>22,523,565</b>	<b>(14,937,969)</b>
<b>EXPENDITURES:</b>				
Current:				
Public Safety				
Salaries and benefits	27,783,148	29,448,753	10,054,719	19,394,034
Services and supplies	6,150,633	6,518,539	3,045,551	3,472,988
Capital outlay	492,564	492,564	46,521	446,043
<b>Total expenditures</b>	<b>34,426,345</b>	<b>36,459,856</b>	<b>13,146,791</b>	<b>23,313,065</b>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<b>184,796</b>	<b>1,001,678</b>	<b>9,376,774</b>	<b>8,375,096</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer out	(1,495,000)	(1,725,000)	(1,725,000)	-
<b>Total other financing sources (uses)</b>	<b>(1,495,000)</b>	<b>(1,725,000)</b>	<b>(1,725,000)</b>	<b>-</b>
<b>SPECIAL ITEM:</b>				
Transfer from former fire districts (Note 9)	-	-	18,365,370	18,365,370
<b>Net change in fund balances</b>	<b>\$ (1,310,204)</b>	<b>\$ (723,322)</b>	<b>26,017,144</b>	<b>\$ 26,740,466</b>
<b>FUND BALANCES:</b>				
Beginning of year			-	
End of year			26,017,144	

**Central Fire District of Santa Cruz County**  
**Required Supplementary Information**  
**For the year ended June 30, 2021**

**2. DEFINED BENEFIT PENSION PLAN**

*Schedule of Proportionate Share of the Net Pension Liability and Related Ratios - Last 10 Years\**

<b>Fiscal Year</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Measurement Date	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of the net pension liability	0.46194%	0.44752%	0.43849%	0.42952%	0.43757%	0.43796%	0.50119%
Proportionate share of the net pension liability	\$ 50,261,589	\$ 45,857,354	\$ 42,253,391	\$ 42,596,736	\$ 37,863,059	\$ 30,061,470	\$ 31,186,940
Covered payroll	\$ 11,978,699	\$ 12,162,424	\$ 11,221,928	\$ 10,926,105	\$ 9,841,362	\$ 9,804,916	\$ 10,132,342
Proportionate Share of the net pension liability as percentage of covered payroll	419.59%	377.04%	376.53%	389.86%	384.73%	306.60%	307.80%
Plan's fiduciary net position as a percentage of the total pension liability	75.26%	75.26%	75.26%	73.31%	74.06%	78.40%	83.03%

**Notes to Schedule:**

\* Fiscal year 2015 was the 1st year of implementation.

The CalPERS discount rate was increased from 7.5% to 7.65% in fiscal year 2016, and then decreased from 7.65% to 7.15% in fiscal year 2018.

The CalPERS mortality assumptions were adjusted in fiscal year 2019.

Schedule presents combined plan information from former fire protection districts from prior to formation of the District for historical context.

**Central Fire District of Santa Cruz County**  
**Required Supplementary Information**  
**For the year ended June 30, 2021**

**2. DEFINED BENEFIT PENSION PLAN**

*Schedule of Contributions - Last 10 Fiscal Years\**

<b>Fiscal Year</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution (actuarially determined)	\$ 5,494,714	\$ 4,964,149	\$ 4,207,660	\$ 3,557,113	\$ 4,054,582	\$ 3,752,521	\$ 3,144,733
Contribution in relation to the actuarially determined contributions	(5,494,714)	(4,964,149)	(4,207,660)	(3,557,113)	(4,054,582)	(3,752,521)	(3,144,733)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 12,338,060	\$ 11,978,699	\$ 12,162,424	\$ 11,221,928	\$ 10,926,105	\$ 9,841,362	\$ 9,804,916
Contributions as a percentage of covered payroll	44.53%	41.44%	34.60%	31.70%	37.11%	38.13%	32.07%

**Note to Schedule**

\* Fiscal year 2015 was the 1st year of implementation.

Schedule presents combined plan information from former fire protection districts from prior to formation of the District for historical context.

Methods and assumptions used to determine contribution rates:

Valuation date:	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
Actuarial cost method:	Entry Age						
Amortization method:	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Assets valuation method:	Market Value	15 Year Smoothed Market Method					
Inflation:	2.50%	2.63%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases:	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Investment rate of return:	7.00%	7.25%	7.375%	7.50%	7.50%	7.50%	7.50%
Retirement age:	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Mortality:	(4)	(4)	(4)	(4)	(4)	(4)	(4)

<sup>(1)</sup> Level percentage of payroll, closed

<sup>(2)</sup> Depending on age, service, and type of employment

<sup>(3)</sup> 50 for all plans, with the exception of 52 for Miscellaneous PEPRA 2%@62

<sup>(4)</sup> Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

**Central Fire District of Santa Cruz County**  
**Required Supplementary Information**  
**For the year ended June 30, 2021**

**3. OTHER POST EMPLOYMENT BENEFITS (OPEB)**

**A. Central Fire Protection District of Santa Cruz County OPEB Plan**

*Schedule of the Changes in the Net OPEB Liability and Related Ratios - Last 10 Fiscal Years\**

<i>Measurement Period</i>	2020	2019	2018	2017
<b>Total OPEB Liability</b>				
Service Cost	\$ 428,000	\$ 440,500	\$ 427,700	\$ 427,700
Interest on the total OPEB liability	1,496,900	1,353,200	1,287,900	1,242,700
Changes in benefit terms	-	(348,200)	-	-
Differences between expected and actual experience	-	(1,072,300)	14,800	-
Changes of assumptions	-	1,882,900	-	-
Benefit payments	(1,105,300)	(1,113,600)	(998,300)	(1,095,300)
<b>Net change in total OPEB liability</b>	819,600	1,142,500	732,100	575,100
<b>Total OPEB liability - beginning</b>	19,846,500	18,704,000	17,971,900	17,396,800
<b>Total OPEB liability - ending (a)</b>	<u>\$ 20,666,100</u>	<u>\$ 19,846,500</u>	<u>\$ 18,704,000</u>	<u>\$ 17,971,900</u>
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	\$ 1,522,500	\$ 1,496,600	\$ 1,300,900	\$ 1,519,400
Net investment income	92,300	123,200	70,227	75,607
Benefit payments	(1,105,300)	(1,113,600)	(998,300)	(1,095,300)
Administrative expense	(2,000)	(1,500)	(327)	(507)
<b>Net change in plan fiduciary net position</b>	507,500	504,700	372,500	499,200
<b>Plan fiduciary net position - beginning</b>	2,232,900	1,728,200	1,355,700	856,500
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 2,740,400</u>	<u>\$ 2,232,900</u>	<u>\$ 1,728,200</u>	<u>\$ 1,355,700</u>
<b>Net OPEB liability/(asset) - ending (a) - (b)</b>	\$ 17,925,700	\$ 17,613,600	\$ 16,975,800	\$ 16,616,200
Plan fiduciary net position as a percentage of the total OPEB liability	11%	11%	9%	8%
Covered-employee payroll	9,197,254	8,644,226	8,236,268	7,185,600
Net OPEB liability as a percentage of covered-employee payroll	194.90%	203.76%	206.11%	231.24%

**Notes to Schedule:**

Changes in assumptions

2018: Average per capita claims cost was updated to reflect actual 2017 premiums, the health care cost trend rate was updated to reflect 2018 industry survey, and the mortality table was updated to most recent CalPERS studies.

2019: The discount rate was updated to reflect the rate of return on CERBT strategy #1 assets. The plan enrollment assumption and premium increase rates were modified. Demographic and economic assumptions were revised to closer match those developed in the most recent experience study for CalPERS.

\*Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available. Schedule presents information from former fire protection districts from prior to formation of the District for historical context.

**Central Fire District of Santa Cruz County**  
**Required Supplementary Information**  
**For the year ended June 30, 2021**

**3. OTHER POST EMPLOYMENT BENEFITS (OPEB), Continued**

**A. Central Fire Protection District of Santa Cruz County OPEB Plan, Continued**

*Schedule of Contributions - Last 10 Fiscal Years\**

Fiscal Year Ended June 30	2021	2020	2019	2018
Actuarially Determined Contribution (ADC)	\$ 1,693,100	\$ 1,637,500	\$ 1,513,700	\$ 1,561,000
Contributions in relation to the ADC	(1,743,492)	(1,522,471)	(1,496,601)	(1,513,700)
Contribution deficiency (excess)	\$ (50,392)	\$ 115,029	\$ 17,099	\$ 47,300
Covered-employee payroll	9,535,711	9,197,254	8,644,226	8,236,268
Contributions as a percentage of covered-employee payroll	18.28%	16.55%	17.31%	18.38%

**Notes to Schedule:**

**Methods and assumptions used to determine ADC:**

Valuation date:	6/30/2019	6/30/2019	6/30/2017	6/30/2017
Actuarial cost method:	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Asset valuation method:	Market Value	Market Value	Market Value	Market Value
Amortization method:	Level % of Pay			
Amortization period:	27 years	28 years	29 years	30 years
Discount rate:	7.59%	7.59%	7.28%	7.28%
Amortization growth rate:	2.75%	2.75%	2.00%	2.00%
Inflation:	2.50%	2.50%	3.00%	3.00%

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

**Central Fire District of Santa Cruz County**  
**Required Supplementary Information**  
**For the year ended June 30, 2021**

**3. OTHER POST EMPLOYMENT BENEFITS (OPEB)**

**B. Aptos/La Selva Fire Protection District OPEB Plan**

*Schedule of the Changes in the Net OPEB Liability and Related Ratios - Last 10 Fiscal Years\**

<i>Measurement Period</i>	2020	2019	2018	2017
<b>Total OPEB Liability</b>				
Service Cost	\$ 232,081	\$ 70,281	\$ 68,234	\$ 66,000
Interest on the total OPEB liability	296,000	165,840	161,679	157,000
Changes in benefit terms	-	1,830,035	-	-
Differences between expected and actual experience	-	(77,573)	-	-
Changes of assumptions	-	(10,167)	-	-
Benefit payments, including refunds of employee contribution	(251,215)	(172,621)	(168,000)	(157,000)
<b>Net change in total OPEB liability</b>	<b>276,866</b>	<b>1,805,795</b>	<b>61,913</b>	<b>66,000</b>
<b>Total OPEB liability - beginning</b>	<b>4,278,708</b>	<b>2,472,913</b>	<b>2,411,000</b>	<b>2,345,000</b>
<b>Total OPEB liability - ending (a)</b>	<b>\$ 4,555,574</b>	<b>\$ 4,278,708</b>	<b>\$ 2,472,913</b>	<b>\$ 2,411,000</b>
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	\$ 291,215	\$ 172,621	\$ 171,000	\$ 160,000
Net investment income	30,053	47,482	55,906	67,000
Benefit payments, including refunds of employee contribution	(251,215)	(172,621)	(168,000)	(157,000)
Administrative expense	(698)	(648)	(4,309)	(3,000)
<b>Net change in plan fiduciary net position</b>	<b>69,355</b>	<b>46,834</b>	<b>54,597</b>	<b>67,000</b>
<b>Plan fiduciary net position - beginning</b>	<b>807,431</b>	<b>760,597</b>	<b>706,000</b>	<b>639,000</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 876,786</b>	<b>\$ 807,431</b>	<b>\$ 760,597</b>	<b>\$ 706,000</b>
<b>Net OPEB liability/(asset) - ending (a) - (b)</b>	<b>\$ 3,678,788</b>	<b>\$ 3,471,277</b>	<b>\$ 1,712,316</b>	<b>\$ 1,705,000</b>
Plan fiduciary net position as a percentage of the total OPEB liability	19%	19%	31%	29%
Covered-employee payroll	6,874,299	6,485,563	6,088,000	5,752,000
Net OPEB liability as a percentage of covered-employee payroll	53.52%	53.52%	28.13%	29.64%

**Notes to Schedule:**

Changes in benefits

In fiscal year 2018-19, there were changes in benefits offered by the District to make additional contributions to a retiree's

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**Central Fire District of Santa Cruz County**  
**Required Supplementary Information**  
**For the year ended June 30, 2021**

**3. OTHER POST EMPLOYMENT BENEFITS (OPEB), Continued**

***B. Aptos/La Selva Fire Protection District OPEB Plan, Continued***

*Schedule of Contributions - Last 10 Fiscal Years\**

Fiscal Year Ended June 30	2021	2020	2019	2018
Actuarially Determined Contribution (ADC)	\$ 562,809	\$ 526,991	\$ 204,000	\$ 199,000
Contributions in relation to the ADC	(332,485)	(291,215)	(172,621)	(171,000)
Contribution deficiency (excess)	\$ 230,324	\$ 235,776	\$ 31,379	\$ 28,000
Covered-employee payroll	6,778,381	6,874,299	6,485,563	6,088,000
Contributions as a percentage of covered-employee payroll	4.91%	4.24%	2.66%	2.81%

**Notes to Schedule:**

**Methods and assumptions used to determine ADC:**

Valuation date:	6/30/2019	6/30/2019	6/30/2017	6/30/2017
Actuarial cost method:	Entry Age	Entry Age	Entry Age	Entry Age
	Normal	Normal	Normal	Normal
Asset valuation method:	Market Value	Market Value	G/L Spread over 5 Years	G/L Spread over 5 Years
Amortization method:	Level % of Pay	Level % of Pay	Level % of Pay	Level % of Pay
Amortization period:	17 years	18 years	19 years	20 years
Discount rate:	6.75%	6.75%	6.75%	6.75%
Amortization growth rate:	2.75%	2.75%	3.00%	3.00%
Inflation:	2.50%	2.50%	2.75%	2.75%

\*Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

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