

Central Fire District of Santa Cruz County

Santa Cruz, California

*Basic Financial Statements
and Independent Auditors' Report*

For the fiscal year ended June 30, 2022

Central Fire District of Santa Cruz County

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Central Fire District of Santa Cruz County, California (District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.⁵
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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.

To the Board of Directors
of the Central Fire District of Santa Cruz County
Santa Cruz, California
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Accounting principles generally accepted in the United States of America require that the budgetary comparison information, pension schedules, and other post employment benefits (OPEB) schedules on pages 43-51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi and Associates, CPAs
Berkeley, California
May 31, 2023

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

Central Fire District of Santa Cruz County
Statement of Net Position
June 30, 2022

ASSETS	
Current assets:	
Cash	\$ 35,494,836
Accounts receivable	127,863
Total current assets	<u>35,622,699</u>
Noncurrent assets:	
Capital assets - non-depreciable	1,786,453
Capital assets - depreciable, net	13,781,521
Total capital assets	<u>15,567,974</u>
Total noncurrent assets	<u>15,567,974</u>
Total assets	<u>51,190,673</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pension	13,403,568
Deferred outflows of resources - OPEB	3,670,815
Total deferred outflows of resources	<u>17,074,383</u>
LIABILITIES	
Current liabilities:	
Accounts payable - claims	455,068
Accounts payable - payroll	349,371
Interest payable	9,839
Compensated absences, due within one year	342,096
Long term debt, due within one year	320,420
Total current liabilities	<u>1,476,794</u>
Noncurrent liabilities:	
Compensated absences, due in more than one year	3,078,866
Long term debt, due in more than one year	669,778
Net OPEB liabilities	17,812,127
Net pension liability	31,589,514
Total noncurrent liabilities	<u>53,150,285</u>
Total liabilities	<u>54,627,079</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pension	21,863,097
Deferred inflows of resources - OPEB	3,323,486
Total deferred inflows of resources	<u>25,186,583</u>
NET POSITION	
Net investment in capital assets	14,577,776
Unrestricted	(26,126,382)
Net position	<u>\$ (11,548,606)</u>

See accompanying Notes to Basic Financial Statements.

Central Fire District of Santa Cruz County
Statement of Activities
For the year ended June 30, 2022

	Program Revenues				Total	Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Revenue
						Governmental Activities
Governmental activities						
Public safety	\$ 37,444,888	\$ 1,438,341	\$ 3,320,739	\$ -	\$ 4,759,080	\$ (32,685,808)
Total governmental activities	<u>\$ 37,444,888</u>	<u>\$ 1,438,341</u>	<u>\$ 3,320,739</u>	<u>\$ -</u>	<u>\$ 4,759,080</u>	<u>(32,685,808)</u>
General Revenues:						
						37,217,438
						125,737
						202,716
						<u>37,545,891</u>
						4,860,083
						(16,408,689)
						<u>\$ (11,548,606)</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, 2022

	General Fund	Capital Outlay Capital Project Fund	Fleet Maintenance Capital Project Fund	Total
ASSETS				
Cash	\$ 28,559,636	\$ 6,607,106	\$ 328,094	\$ 35,494,836
Accounts receivable	82,428	-	45,435	127,863
Total assets	\$ 28,642,064	\$ 6,607,106	\$ 373,529	\$ 35,622,699
LIABILITIES				
Accounts payable	\$ 393,464	\$ -	\$ 61,604	\$ 455,068
Accrued salaries and benefits	342,130	-	7,241	349,371
Total liabilities	735,594	-	68,845	804,439
FUND BALANCES				
Assigned:				
Capital improvement and equipment	-	6,607,106	-	6,607,106
Fleet maintenance	-	-	304,684	304,684
Unassigned	27,906,470	-	-	27,906,470
Total fund balances	27,906,470	6,607,106	304,684	34,818,260
Total liabilities and fund balances	\$ 28,642,064	\$ 6,607,106	\$ 373,529	\$ 35,622,699

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, 2022

Fund Balances of Governmental Funds \$ 34,818,260

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. 15,567,974

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	13,403,568
Deferred outflows of resources - OPEB	3,670,815
Deferred inflows of resources - pension	(21,863,097)
Deferred inflows of resources - OPEB	(3,323,486)

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. (9,839)

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	(990,198)
Compensated absences	(3,420,962)
Net OPEB liabilities	(17,812,127)
Net pension liability	(31,589,514)

Net Position of Governmental Activities \$ (11,548,606)

Central Fire District of Santa Cruz County
Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2022

	General Fund	Capital Outlay Capital Project Fund	Fleet Maintenance Capital Project Fund	Total
REVENUES:				
Property taxes	\$ 37,217,438	\$ -	\$ -	\$ 37,217,438
Use of money and property	99,028	30,291	(3,582)	125,737
Aid from other government agencies	3,320,739	-	-	3,320,739
Charges for services	30,000	-	1,408,341	1,438,341
Other revenue	176,706	-	-	176,706
Total revenues	40,843,911	30,291	1,404,759	42,278,961
EXPENDITURES:				
Current:				
Public Safety				
Salaries and benefits	32,905,658	-	650,779	33,556,437
Services and supplies	3,867,901	-	753,980	4,621,881
Capital outlay	81,026	51,535	-	132,561
Debt service:				
Principal	-	311,145	-	311,145
Interest and fiscal charges	-	38,793	-	38,793
Total expenditures	36,854,585	401,473	1,404,759	38,660,817
REVENUES OVER (UNDER)	3,989,326	(371,182)	-	3,618,144
EXPENDITURES				
OTHER FINANCING SOURCES (USES):				
Transfer in	-	2,100,000	-	2,100,000
Transfer out	(2,100,000)	-	-	(2,100,000)
Total other financing sources (uses)	(2,100,000)	2,126,010	-	26,010
Net change in fund balances	1,889,326	1,754,828	-	3,644,154
FUND BALANCES:				
Beginning of year	26,017,144	4,852,278	304,684	31,174,106
End of year	\$ 27,906,470	\$ 6,607,106	\$ 304,684	\$ 34,818,260

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, 2022

Net Change in Fund Balances - Total Governmental Funds \$ 3,644,154

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	76,911
Depreciation expense	(1,000,811)
Net book value of sales and disposals	(54,265)

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. 6,518,755

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. 2,148,725

Pension expense is recorded as incurred in the Government-Wide Statement of Activities, however pension expense is not recognized in the governmental funds. (6,002,423)

OPEB expense is recorded as incurred in the Government-Wide Statement of Activities, however pension expense is not recognized in the governmental funds. (680,896)

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. 311,145

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. 3,092

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	(104,304)
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Change in Net Position of Governmental Activities \$ 4,860,083

NOTES TO BASIC FINANCIAL STATEMENTS

Central Fire District Of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Central Fire 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/M 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, 2022

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, 2022

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, 2022

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, 2022, 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, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Fund Balances, Continued

Restricted- includes the funds held by trustees or fiscal agents for future payment of bond principal and interest, or otherwise are restricted by bond terms or are restricted by other law or contract. These funds are not available for general operations. The District does not have any restricted fund balances.

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, 2022

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 2022:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

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

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

GASB Statement No. 87, Leases - The objective of this statement is to recognize in the financial statements certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this statement did not apply to the District.

GASB Statement No. 92, Omnibus 2020 - The objective of this Statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this statement did not apply to the District.

GASB Statement No. 99, Omnibus 2022 - The objective of this Statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this statement did not apply to the District.

Central Fire District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2022

2. CASH AND INVESTMENTS

The District maintains cash and investments as summarized below:

Petty cash	\$	500
County of Santa Cruz Investment Pool		<u>35,494,336</u>
Total cash and investments	\$	<u>35,494,836</u>

A. Investment with Santa Cruz County Investment Pool

\$35,494,836 at June 30, 2022 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, 2022, 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	\$ 35,494,336	\$ 35,494,336	\$ -	\$ -
Total	<u>\$ 35,494,336</u>	<u>\$ 35,494,336</u>	<u>\$ -</u>	<u>\$ -</u>

Central Fire District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2022

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, 2022

3. INTERFUND TRANSACTIONS - FUND FINANCIAL STATEMENTS

The District had the following transfers for the year ended June 30, 2022:

	<u>Transfers in</u>	<u>Transfers out</u>
Governmental Funds		
General Fund	\$ -	\$ 2,100,000
Capital Projects Fund:		
Capital Outlay Fund	<u>2,100,000</u>	<u>-</u>
Total	<u>\$ 2,100,000</u>	<u>\$ 2,100,000</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 2022 follow:

	<u>Balance at July 1, 2021</u>	<u>Additions</u>	<u>Deletion\ Reclassification</u>	<u>Balance at June 30, 2022</u>
Non-depreciable assets:				
Land	\$ 1,786,453	\$ -	\$ -	\$ 1,786,453
Total non-depreciable	<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	15,393,625	76,911	(83,509)	15,387,027
Total non-depreciable	<u>27,401,316</u>	<u>76,911</u>	<u>(83,509)</u>	<u>27,394,718</u>
Less accumulated depreciation	<u>(12,641,630)</u>	<u>(1,000,811)</u>	<u>29,244</u>	<u>(13,613,197)</u>
Total depreciable assets, net	<u>14,759,686</u>	<u>(923,900)</u>	<u>(54,265)</u>	<u>13,781,521</u>
Total capital assets	<u>\$ 16,546,139</u>	<u>\$ (923,900)</u>	<u>\$ (54,265)</u>	<u>\$ 15,567,974</u>

Central Fire District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2022

5. NON CURRENT LIABILITIES

The following is a summary of changes in non-current liabilities transactions for the fiscal years ended June 30, 2022:

	Balance July 1, 2021	Addition	Deletions	Balance June 30, 2022	Due Within One Year	Due More Than One Year
Governmental Activities:						
Finance purchase agreement	\$ 1,301,343	\$ -	\$ (311,145)	\$ 990,198	\$ 320,420	\$ 669,778
Sub-total	1,301,343	-	(311,145)	990,198	320,420	669,778
Compensated absences	3,316,658	104,304	-	3,420,962	342,096	3,078,866
Total long-term liabilities	<u>\$ 4,618,001</u>	<u>\$ 104,304</u>	<u>\$ (311,145)</u>	<u>\$ 4,411,160</u>	<u>\$ 662,516</u>	<u>\$ 3,748,644</u>

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
2023	\$ 320,420	\$ 29,518	\$ 349,938
2024	329,971	19,966	349,938
2025	339,807	10,131	349,938
Total	<u>\$ 990,198</u>	<u>\$ 59,615</u>	<u>\$ 1,049,814</u>

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.

Central Fire District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2022

6. DEFINED BENEFIT PENSION PLAN, Continued

A. Plan Description, Continued

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, 2022 are summarized as follows:

	Central Fire Protection District of Santa Cruz County Rate Plans		
	Safety Tier 1	Safety Tier 2	Safety PEPR
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	23.710%	20.640%	13.130%
Required unfunded liability payment	\$ 2,140,562	\$ 35,040	\$ 26,991

Central Fire District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2022

6. DEFINED BENEFIT PENSION PLAN, Continued

B. Benefits Provided, Continued

	Central Fire Protection District of Santa Cruz County Rate Plans		
	Miscellaneous	Miscellaneous	Miscellaneous
	Tier 1	Tier 2	PEPRA
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	12.200%	11.590%	7.590%
Required unfunded liability payment	\$ 80,317	\$ 6,897	\$ 8,882

	Aptos/La Selva Fire Protection District Rate Plans	
	Safety Tier 1	Safety PEPRA
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%	13.000%
Required employer contribution rates	21.790%	13.130%
Required unfunded liability payment	\$ 1,416,894	\$ 22,514

Central Fire District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2022

6. DEFINED BENEFIT PENSION PLAN, Continued

B. Benefits Provided, Continued

	Aptos/La Selva Fire Protection District Rate Plans	
	Miscellaneous	Miscellaneous
	Tier 1	PEPRA
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%	6.750%
Required employer contribution rates	15.250%	7.590%
Required unfunded liability payment	\$ 47,588	\$ 6,547

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, 2021 were \$5,494,714. Employer contributions made to the Plan for the fiscal year ended June 30, 2022 totaled \$6,518,755.

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

As of June 30, 2022, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$31,589,514.

Central Fire District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2022

6. DEFINED BENEFIT PENSION PLAN, Continued

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

The District’s net pension liability for the Plan is measured as the proportionate share of the total net pension liability of the Plan. The net pension liability of the Plan is measured as of June 30, 2021, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2020 rolled forward to June 30, 2021 respectively using standard update procedures. The District’s proportionate share of the net pension liability was based on the District’s plan liability and asset-related information where available, and proportional allocations of individual plan amounts as of the valuation date where not available.

The District’s proportionate share of the net pension liability for the Plan as of the measurement dates June 30, 2020 and 2021 were as follows:

Proportion - June 30, 2020	0.46194%
Proportion - June 30, 2021	<u>0.58409%</u>
Change - Increase (Decrease)	<u>0.12215%</u>

For the year ended June 30, 2022, the District recognized pension expense of \$6,002,423. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 6,518,755	\$ -
Differences between expected and actual experience	5,348,800	-
Changes in employer's proportion	1,536,013	-
Differences between the employer's contribution and the employer's proportionate share of contributions	-	2,833,035
Net differences between projected and actual earnings on plan investments	-	19,030,062
Total	<u><u>\$ 13,403,568</u></u>	<u><u>\$ 21,863,097</u></u>

Central Fire District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2022

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, 2020 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
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 ⁽¹⁾	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, 2022

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, 2020 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, 2022

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 ^(a)	Real Return Years 11+ ^(b)
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	\$ 56,432,218
Current Discount Rate	7.15%
Net Pension Liability	\$ 31,589,514
1% Increase	8.15%
Net Pension Liability	\$ 11,178,617

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.

Payable to the Pension Plan

At June 30, 2022, the District reported a payable of \$0 for outstanding amount of contributions to the pension plan required for the year ended June 30, 2022.

Central Fire District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2022

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

A. Plan Description

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 had participated 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, which become the responsibility of the District as part of its formation. These plans were consolidated during the fiscal year.

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. 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. For Aptos/La Selva existing retired Firefighters, the District contributes specified agreed upon amounts to the retiree's CALGOVEBA account in addition to the PEMHCA minimum amount paid to CalPERS.

B. Employees Covered

As of the June 30, 2021 actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB Plan:

Active employees	89
Inactive employees or beneficiaries currently receiving benefits	<u>102</u>
Total	191

C. Contributions

The District primarily finances the plan based on actuarially determined contribution recommendations. For the measurement period ended June 30, 2021, the District's cash contributions were \$1,511,805 and payment to the trust of \$743,933 resulting in total payments of \$2,255,738.

Central Fire District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2022

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS, Continued

D. Net OPEB Liability

The District’s net OPEB liability was measured as of June 30, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2021 that was based on the following actuarial methods and assumptions:

Measurement Date	June 30, 2021
Discount Rate	6.75%
Inflation	2.50%
Payroll growth	2.80% wage inflation plus seniority, merit, and promotion salary increases based on CalPERS Experience Study and Review of Actuarial Assumptions published in November 2021.
Investment Rate of Return	6.75%
Mortality Rate	Based on CalPERS Experience Study and Review of Actuarial Assumptions published in November 2021 for Public Agency Miscellaneous and Fire Members.
Retirement	Based on CalPERS Experience Study and Review of Actuarial Assumptions published in November 2021 for Public Agency Miscellaneous and Fire
Healthcare Trend Rate	Based on 2021 Getzen model that reflects actual premium increases from 2021 to 2024 followed by 5.75% (non-Medicare) / 5.40% (Medicare) in 2022, decreasing gradually to an ultimate rate of 4.04% in 2075.

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 below:

Investment Class	Target Allocation	Expected L/T Real Rates of Return
Equity	59.00%	4.42%
Fixed Income	25.00%	1.00%
Treasury Inflation-Protected Securities (TIPS)	5.00%	0.15%
Commodities	3.00%	1.73%
Real Estate	8.00%	3.98%
TOTAL	100.00%	

Central Fire District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2022

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS, Continued

E. Discount Rate

The discount rate used to measure the total OPEB liability was 6.75 percent for measurement date June 30, 2021. 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.

F. 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, 2021 (Measurement Date June 30, 2020)*	\$ 25,221,674	\$ 3,617,186	\$ 21,604,488
Changes recognized for the measurement period:			
Service cost	689,785	-	689,785
Interest	1,871,401	-	1,871,401
Difference between expected and actual experience	(2,284,658)	-	(2,284,658)
Changes of benefit terms	(1,084,746)	-	(1,084,746)
Changes of assumption or other inputs	305,026	-	305,026
Contributions - employer	-	2,255,738	(2,255,738)
Net investment income	-	1,034,869	(1,034,869)
Benefit payment	(1,511,805)	(1,511,805)	-
Trust administrative expenses	-	(1,438)	1,438
Net Changes	(2,014,997)	1,777,364	(3,792,361)
Balance at June 30, 2022 (Measurement Date June 30, 2021)	\$ 23,206,677	\$ 5,394,550	\$ 17,812,127

* Aptos/La Selva and Central Fire Protection District plans were consolidated.

Central Fire District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2022

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS, Continued

G. 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, 2021:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net OPEB Liability	\$ 20,470,634	\$ 17,812,127	\$ 15,570,871

H. 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, 2021:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability	\$ 15,306,167	\$ 17,812,127	\$ 20,844,019

I. 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.

Central Fire District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2022

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS, Continued

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

For the fiscal years ended June 30, 2022, the District recognized OPEB expense of \$680,896. For the fiscal year ended June 30, 2022, 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	\$ 5,372	\$ 2,724,862
Changes in assumptions or other input	1,516,718	6,777
Net difference between projected and actual earnings on OPEB plan investments	-	591,847
Employer contribution subsequent to the measurement date	2,148,725	-
	<u>\$ 3,670,815</u>	<u>\$ 3,323,486</u>

The \$2,148,725 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2021 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30:	
2023	\$ (436,017)
2024	(436,017)
2025	(436,017)
2026	(436,016)
2027	(282,805)
Thereafter	225,476

K. 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.

L. Payable to the Pension Plan

At June 30, 2022 the District reported a payable of \$0 for outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2022.

Central Fire District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2022

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS, Continued

M. Changes in Assumptions

The following significant assumption changes were made in the District most recent valuation:

- The discount rate for Central Fire Protection District was reduced from 7.59% to 6.75%.
- Payroll growth, mortality, termination, and retirement rates assumptions have been updated from CalPERS Experience Study and Review of Actuarial Assumptions published in December 2017 to the most recent study published in November 2021.
- Health care cost trend rates were updated resulting in a slight decrease in liability.
- Estimates for spousal coverage at retirement was updated resulting in a slight reduction in liability.
- Dependent coverage assumptions were updated resulting in a slight decrease in liability.
- Medical benefit participation assumption was updated to 100% for all employees resulting in an increase in the District's liability.

N. Changes in Benefits

Aptos/La Selva Fire Protection District and Central Fire Protection District of Santa Cruz County merged in February 2021. There are no changes to the retiree health benefits for existing retirees, however, the retiree medical benefits for future retirees have changed as noted below. There are no changes to the dental or life insurance benefits at retirement. The impact of these changes is a decrease in liability.

Administrative & Management Group - The District will contribute up to the maximum District subsidy for active employees for the coverage level elected at retirement for those hired prior to 1/1/2018 and for single coverage only at retirement for those hired on/after 1/1/2018. Employees hired on/after 1/1/2018 must also have 20 years of District service to be eligible for the District subsidy.

Firefighters - Firefighters hired prior to 2/4/2021 who retired prior to 1/1/2023 will receive District subsidy up to 85% of the 3rd most expensive Region 1 Basic premium rate District subsidy. For Firefighters hired prior to 2/4/2021 who retired on/after 1/1/2023, the District will contribute up to the maximum District subsidy for active employees for the coverage level elected at retirement prior to age 65, reduced to half the amount received prior to age 65 when the participant turns 65. For Firefighters hired on/after 2/4/2021, the District will contribute up to a percentage of the maximum District subsidy for active employees for single coverage only at retirement prior to age 65. When the retiree turns 65, the District will contribute \$450 per month to the retiree's CALGOVEBA account in addition to the PEMHCA minimum amount paid to CalPERS. The applicable percentage is 75% at 15 years of District service, increasing by 5% for each year of District service.

Central Fire District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2022

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.

Central Fire District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2022

8. RISK MANAGEMENT, Continued

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, 2022, respectively

Insurance Coverage

Insurance coverage at June 30, 2022 was as follows:

	<u>Deductible</u>	<u>Amount</u>
Property:		
Property (buildings)	\$ 1,000	Guaranteed Repl Cost
Repl cost subject to scheduled limit		
Business personal property (including theft)	\$ 1,000	Repl. Cost
Earthquake:		
Buildings		Guaranteed Repl. Cost
Business personal property		Repl Cost
Deductible		5% per Buidling and BPP
Flood:		
Buildings		Guaranteed Repl. Cost
Business personal property		Repl. Cost
Deductible		\$1000 per premises
Portable equipment insurance		
Blanket portable equipment		Guaranteed Repl. Cost
Business personal property		\$50,000
General liability:		
General aggregate		\$10,000,000
Personal injury		\$1,000,000
Each occurrence		\$1,000,000
Automobile:		
Auto - liability		\$1,000,000 (Each Accident)
Auto - uninsured motorist		\$1,000,000 (Each Accident)
Auto - physical damage (comprehensive)		Agreed value, actual cash value, or cost of repairs, whichever is less minus \$1,000 deductible
Auto - physical damage (collision)		Agreed value, actual cash value, or cost of repairs, whichever is less minus \$1,000 deductible
Management practives liability insurance:		
General aggregate		\$10,000,000
Each wrongful act		\$1,000,000

REQUIRED SUPPLEMENTARY INFORMATION

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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, 2022

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		
REVENUES:				
Property taxes	\$ 36,954,311	\$ 36,719,311	\$ 37,217,438	498,127
Use of money and property	100,000	60,000	99,028	39,028
Aid from other government agencies	984,805	2,964,805	3,320,739	355,934
Charges for services	-	-	30,000	30,000
Other revenue	17,000	17,000	176,706	159,706
Total revenues	38,056,116	39,761,116	40,843,911	1,082,795
EXPENDITURES:				
Current:				
Public safety:				
Salaries and benefits	30,517,232	32,996,692	32,905,658	91,034
Services and supplies	4,680,745	4,958,255	3,867,901	1,090,354
Capital outlay	113,605	279,605	81,026	198,579
Total expenditures	35,311,582	38,234,552	36,854,585	1,379,967
REVENUES OVER (UNDER)				
EXPENDITURES	2,744,534	1,526,564	3,989,326	2,462,762
OTHER FINANCING SOURCES (USES):				
Transfer out	(1,300,000)	(2,100,000)	(2,100,000)	-
Total other financing sources (uses)	(1,300,000)	(2,100,000)	(2,100,000)	-
Net change in fund balances	\$ 1,444,534	\$ (573,436)	1,889,326	\$ 2,462,762
FUND BALANCES:				
Beginning of year			26,017,144	
End of year			27,906,470	

Central Fire District of Santa Cruz County
Required Supplementary Information
For the year ended June 30, 2022

2. DEFINED BENEFIT PENSION PLAN

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

<u>Fiscal Year</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Measurement Date	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Proportion of the net pension liability	0.46194%	0.46194%	0.44752%	0.43849%	0.42952%
Proportionate share of the net pension liability	\$ 50,261,589	\$ 50,261,589	\$ 45,857,354	\$ 42,253,391	\$ 42,596,736
Covered payroll	\$ 12,338,060	\$ 11,978,699	\$ 12,162,424	\$ 11,221,928	\$ 10,926,105
Proportionate Share of the net pension liability as percentage of covered payroll	407.37%	419.59%	377.04%	376.53%	389.86%
Plan's fiduciary net position as a percentage of the total pension liability	75.26%	75.26%	75.26%	75.26%	73.31%

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.

2017	2016	2015
6/30/2016	6/30/2015	6/30/2014
0.43757%	0.43796%	0.50119%
\$ 37,863,059	\$ 30,061,470	\$ 31,186,940
\$ 9,841,362	\$ 9,804,916	\$ 10,132,342
384.73%	306.60%	307.80%
74.06%	78.40%	83.03%

Central Fire District of Santa Cruz County
Required Supplementary Information
For the year ended June 30, 2022

2. DEFINED BENEFIT PENSION PLAN

*Schedule of Contributions - Last 10 Fiscal Years**

Fiscal Year	2022	2021	2020	2019	2018
Contractually required contribution (actuarially determined)	\$ 6,518,755	\$ 5,494,714	\$ 4,964,149	\$ 4,207,660	\$ 3,557,113
Contribution in relation to the actuarially determined contributions	(6,518,755)	(5,494,714)	(4,964,149)	(4,207,660)	(3,557,113)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 12,708,202	\$ 12,338,060	\$ 11,978,699	\$ 12,162,424	\$ 11,221,928
Contributions as a percentage of covered payroll	51.30%	44.53%	41.44%	34.60%	31.70%

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:	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Actuarial cost method:	Entry Age				
Amortization method:	(1)	(1)	(1)	(1)	(1)
Assets valuation method:	Market Value				

Inflation:	2.50%	2.50%	2.63%	2.75%	2.75%
Salary increases:	(2)	(2)	(2)	(2)	(2)
Investment rate of return:	7.00%	7.00%	7.25%	7.375%	7.50%
Retirement age:	(3)	(3)	(3)	(3)	(3)
Mortality:	(4)	(4)	(4)	(4)	(4)

⁽¹⁾ Level percentage of payroll, closed

⁽²⁾ Depending on age, service, and type of employment

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

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

2017	2016	2015
\$ 4,054,582	\$ 3,752,521	\$ 3,144,733
(4,054,582)	(3,752,521)	(3,144,733)
\$ -	\$ -	\$ -
\$ 10,926,105	\$ 9,841,362	\$ 9,804,916
37.11%	38.13%	32.07%

6/30/2014	6/30/2013	6/30/2012
Entry Age	Entry Age	Entry Age
(1)	(1)	(1)
Market Value	Market Value	15 Year Smoothed Market Method
2.75%	2.75%	2.75%
(2)	(2)	(2)
7.50%	7.50%	7.50%
(3)	(3)	(3)
(4)	(4)	(4)

Central Fire District of Santa Cruz County
Required Supplementary Information
For the year ended June 30, 2022

3. OTHER POST EMPLOYMENT BENEFITS (OPEB)

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

<i>Measurement Period</i>	2021	2020**	2019**
Total OPEB Liability			
Service Cost	\$ 689,785	\$ 660,081	\$ 510,781
Interest on the total OPEB liability	1,871,401	1,792,900	1,519,040
Changes in benefit terms	(1,084,746)	-	1,481,835
Differences between expected and actual experience	(2,284,658)	-	(1,149,873)
Changes of assumptions	305,026	-	1,872,733
Benefit payments	(1,511,805)	(1,356,515)	(1,286,221)
Net change in total OPEB liability	(2,014,997)	1,096,466	2,948,295
Total OPEB liability - beginning	25,221,674	24,125,208	21,176,913
Total OPEB liability - ending (a)	\$ 23,206,677	\$ 25,221,674	\$ 24,125,208
Plan Fiduciary Net Position			
Contributions - employer	\$ 2,255,738	\$ 1,813,715	\$ 1,669,221
Net investment income	1,034,869	122,353	170,682
Benefit payments	(1,511,805)	(1,356,515)	(1,286,221)
Administrative expense	(1,438)	(2,698)	(2,148)
Net change in plan fiduciary net position	1,777,364	576,855	551,534
Plan fiduciary net position - beginning	3,617,186	3,040,331	2,488,797
Plan fiduciary net position - ending (b)	\$ 5,394,550	\$ 3,617,186	\$ 3,040,331
Net OPEB liability/(asset) - ending (a) - (b)	\$ 17,812,127	\$ 21,604,488	\$ 17,613,600
Plan fiduciary net position as a percentage of the total OPEB liability	23%	11%	11%
Covered-employee payroll	16,314,092	16,071,553	15,129,789
Net OPEB liability as a percentage of covered-employee payroll	109.18%	134.43%	203.76%

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.

**Prior year information has been consolidated due to merging of OPEB Plans for informational and comparative purposes.

2018**	2017**
\$ 495,934	\$ 493,700
1,449,579	1,399,700
-	-
14,800	-
-	-
(1,166,300)	(1,252,300)
794,013	641,100
20,382,900	19,741,800
<u>\$ 21,176,913</u>	<u>\$ 20,382,900</u>
\$ 1,471,900	\$ 1,679,400
126,133	142,607
(1,166,300)	(1,252,300)
(4,636)	(3,507)
427,097	566,200
2,061,700	1,495,500
<u>\$ 2,488,797</u>	<u>\$ 2,061,700</u>
\$ 16,975,800	\$ 16,616,200
9%	8%
14,324,268	12,937,600
206.11%	231.24%

Central Fire District of Santa Cruz County
Required Supplementary Information
For the year ended June 30, 2022

3. OTHER POST EMPLOYMENT BENEFITS (OPEB), Continued

B. Schedule of Contributions - Last 10 Fiscal Years*

Fiscal Year Ended June 30	2022	2021**	2020**
Actuarially Determined Contribution (ADC)	\$ 2,118,365	\$ 2,255,909	\$ 2,164,491
Contributions in relation to the ADC	(2,255,738)	(2,075,977)	(1,813,686)
Contribution deficiency (excess)	\$ (137,373)	\$ (50,392)	\$ 115,029
Covered-employee payroll	16,163,096	16,314,092	16,071,553
Contributions as a percentage of covered-employee payroll	14.00%	18.28%	16.55%

Notes to Schedule:

Methods and assumptions used to determine ADC:

Valuation date:	6/30/2021	6/30/2019	6/30/2019
Actuarial cost method:	Entry Age Normal	Entry Age Normal	Entry Age Normal
Asset valuation method:	Market Value	Market Value	Market Value
Amortization method:	Level % of Pay	Level % of Pay	Level % of Pay
Amortization period:	26 years	27 years	28 years
Discount rate:	6.75%	7.59%	7.59%
Amortization growth rate:	2.80%	2.75%	2.75%
Inflation:	2.50%	2.50%	2.50%

* 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.

** Prior year information has been consolidated due to merging of OPEB Plans.

2019**	2018**
\$ 1,717,700	\$ 1,760,000
(1,669,222)	(1,684,700)
<u>\$ 17,099</u>	<u>\$ 47,300</u>
15,129,789	14,324,268
17.31%	18.38%

6/30/2017 Entry Age Normal Market Value Level% of Pay	6/30/2017 Entry Age Normal Market Value Level % of Pay
29 years	30 years
7.28%	7.28%
2.00%	2.00%
3.00%	3.00%