

KENWOOD FIRE PROTECTION DISTRICT

Financial Statements
and
Independent Auditor's Report

JUNE 30, 2019



KENWOOD FIRE PROTECTION DISTRICT

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Blomberg & Griffin Accountancy Corporation
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Kenwood Fire Protection District
Kenwood, California

Report on the Financial Statements

We have audited the accompanying financial statements of Kenwood Fire Protection District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 and the *State Controller's Minimum Audit Requirements for California Special Districts*. 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 Kenwood Fire Protection District, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7, combine statement of revenue, expenditures, and changes in fund balance on page 32, schedule of CalPERS on page 33, and notes to required supplementary information on page 34 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.



Blomberg & Griffin A.C.
Stockton, CA
December 09, 2019

KENWOOD FIRE PROTECTION DISTRICT

Management's Discussion and Analysis

June 30, 2019

As management of the Kenwood Fire Protection District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with the District's basic financial statements and the accompanying notes to the financial statements.

Financial Highlights

- The assets of the District exceeded its liabilities at the fiscal years ending June 30, 2019 by \$5,230,487 (net position). At fiscal year ending June 30, 2019, the net position includes net investment in capital assets of \$1,883,654 and unrestricted of \$3,346,833.
- The District's total net position increased by \$617,116 at fiscal year ending June 30, 2019.
- At the end of fiscal year ending June 30, 2019, the District's general fund reported an ending fund balance of \$3,772,067 and decrease of \$164,629. The fund balance has \$2,373,401 assigned for capital improvements and \$1,398,666 is available for spending at the District's discretion (unassigned fund balance).
- At the end of the fiscal year June 30, 2019, unassigned fund balance for the general fund was \$3,772,067, or 113% of the total general fund expenditure of \$1,227,637.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements: The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

KENWOOD FIRE PROTECTION DISTRICT

Management's Discussion and Analysis

June 30, 2019

Overview of the Financial Statements (Continued)

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's funds are governmental funds.

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

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

The District uses governmental funds to account for its activities, which include fire protection services in the district boundaries. The District adopts an annual appropriated budget for its funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Notes to the Basic Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$5,230,487 at the end of fiscal year ending June 30, 2019.

The net position category labeled "Net investment in Capital Assets" reflects the District's investment in capital assets (net of depreciation) of \$1,883,654, (e.g., land, construction in progress, buildings and improvements, and equipment less accumulated depreciation). The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. At the end of the fiscal years ending June 30, 2019, the District's net investment in capital assets was \$1,883,654.

KENWOOD FIRE PROTECTION DISTRICT

Management's Discussion and Analysis

June 30, 2019

Overview of the Financial Statements (continued)

Government-Wide Financial Analysis (continued)

| | Net Position | | Increase (Decrease) | Percentage % Change |
|----------------------------------|---------------------|---------------------|------------------------|------------------------|
| | 2019 | 2018 | | |
| Current and Other Assets | \$ 3,795,554 | \$ 3,956,047 | \$ (160,493) | -4.23% |
| Capital Assets, Net Depreciation | 1,883,654 | 1,910,321 | (26,667) | -1.42% |
| Deferred Changes | 94,747 | - | 94,747 | 100.00% |
| Total Assets | <u>5,773,955</u> | <u>5,866,368</u> | <u>(92,413)</u> | <u>-1.58%</u> |
| Current Liabilities | 23,487 | 19,351 | 4,136 | 21.37% |
| Non-Current Liabilities | <u>519,981</u> | <u>1,233,646</u> | <u>(713,665)</u> | <u>-57.85%</u> |
| Total Liabilities | <u>543,468</u> | <u>1,252,997</u> | <u>(709,529)</u> | <u>-56.63%</u> |
| Net Position | | | | |
| Net Investment in Capital Assets | 1,883,654 | 1,910,321 | (26,667) | -1.40% |
| Unrestricted (Deficit) | <u>3,346,833</u> | <u>2,703,050</u> | <u>643,783</u> | <u>23.82%</u> |
| Total Net Position | <u>\$ 5,230,487</u> | <u>\$ 4,613,371</u> | <u>\$ 617,116</u> | <u>13.38%</u> |

At June 30, 2019, the balance of unrestricted net position is \$3,346,833 and net investment in capital asset balance is \$1,883,654.

Governmental Activities: Governmental activities increased the District's net position by \$617,116 at fiscal years ending June 30, 2019.

KENWOOD FIRE PROTECTION DISTRICT

Management's Discussion and Analysis

June 30, 2019

Overview of the Financial Statements (continued)

Government-Wide Financial Analysis (continued)

| | Changes in Net Position | | | |
|--------------------------------------|-------------------------|---------------------|--------------------------------|--------------------------------|
| | June 30, | | | |
| | <u>2019</u> | <u>2018</u> | <u>Increase (Decrease)</u> | <u>Percentage % Change</u> |
| Revenues: | | | | |
| Program Revenue: | | | | |
| Public Safety - Fire Protection | \$ 29,485 | \$ 134,395 | \$ (104,910) | -78.06% |
| General Revenues: | | | | |
| Property Taxes | 958,678 | 892,193 | 66,485 | 7.45% |
| Investment Earnings | 67,844 | 36,734 | 31,110 | 84.69% |
| Special Item | | | | |
| Donations & Reimbursement | 341,661 | 7,609 | 334,052 | 4390.22% |
| Miscellaneous Income | 340 | 57 | 283 | -1111% |
| Total Revenues | <u>1,398,008</u> | <u>1,070,988</u> | <u>327,020</u> | <u>30.53%</u> |
| Expenses: | | | | |
| Program Expenses: | | | | |
| Public Safety - Fire Protection | <u>780,892</u> | <u>814,841</u> | <u>(33,949)</u> | <u>-4.35%</u> |
| Change in Net Position | 617,116 | 256,147 | 360,969 | 58.49% |
| Net Position - Beginning of The Year | <u>4,613,371</u> | <u>4,357,224</u> | <u>256,147</u> | <u>5.55%</u> |
| Net Position - End of The Year | <u>\$ 5,230,487</u> | <u>\$ 4,613,371</u> | <u>\$ 617,116</u> | <u>13.38%</u> |

Financial Analysis of the Government's Funds

The District uses fund accounting to ensure and demonstrate compliance with legal and governmental accounting requirements.

Governmental Funds: The focus of the District's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. Unassigned fund balance may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year. The District uses and reports one governmental fund, the General Fund.

The general fund is the chief operating fund of the District. As of June 30, 2019, the District's general fund reported ending fund balance of \$3,772,067, a decrease of \$164,627. This entire amount constitutes unassigned fund balance, which is available for spending at the government's discretion.

As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 113% Of total general fund expenditures at fiscal years ending June 30.

KENWOOD FIRE PROTECTION DISTRICT

Management's Discussion and Analysis

June 30, 2019

General Fund Budgetary Highlights

As June 30, 2019, actual revenue exceeded budget by \$129,778, while actual expenditures exceeded budget by \$117,073. Overall, there was an excess of positive \$12,705 before transfers.

Capital Assets: The District's investment in capital assets, as of June 30, 2019 amounts to \$1,883,654 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and equipment. The total decrease in the District's investment in capital assets for the fiscal years ended June 30, 2019 was \$26,667, and is explained by the following events:

| | <u>2019</u> | <u>2018</u> |
|----------------------------|-------------|-------------|
| Depreciation expense | (97,534) | (97,070) |
| Purchase of capital assets | 70,867 | 15,877 |

Additional information on the District's capital assets can be found in Note VI.

Economic Factors and Next Year's Budgets and Rates

- Property tax revenue is expected to remain relatively stable.
- The District expects increased capital expenditures for station repairs and improvements.

All of these factors were considered in preparing the District's budget for the fiscal year ending June 30, 2020.

Request for Additional Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District, P.O. Box 249, Kenwood, California 95452, or call (707)833-2042.

Daren Bellach
Fire Chief of Kenwood Fire Protection District

KENWOOD FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

| | 2019 |
|--|---------------------|
| Assets | |
| Cash and Investments | \$ 3,700,286 |
| Taxes and Interest Receivable | 95,268 |
| Capital assets: | |
| Land | 23,087 |
| Building and Improvements | 855,315 |
| Fire Apparatus | 1,851,213 |
| Other Equipment | 461,926 |
| Accumulated Depreciation | (1,307,887) |
| Total Capital Assets, net of accumulated depreciation | 1,883,654 |
| Sources of Deferred Outflows - Note XII | |
| Pension Contributions | 94,747 |
| Total Assets and Deferred Outflows of Resources | 5,773,955 |
| Liabilities | |
| Accounts Payable | 7,195 |
| Payroll Payable | 16,292 |
| Non-Current Liabilities: | |
| Compensated Absences | 74,037 |
| Net OPEB Obligation | 212,284 |
| Net Pension Liability - Note XII | 227,420 |
| Total Non-Current Liabilities | 513,741 |
| Sources of Deferred Inflows - Note XII | |
| Pension Deferred Credits | 6,240 |
| Total Liabilities | 543,468 |
| Net Position | |
| Net Investment in Capital Assets | 1,883,654 |
| Unrestricted | 3,346,833 |
| Total Net Position | \$ 5,230,487 |

The notes to the financial statements are an integral part of this statement

KENWOOD FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
JUNE 30, 2019

| Governmental Activities | <u>2019</u> |
|---|----------------------------|
| Program Expenses | |
| Public safety - fire protection | |
| Salaries and employee benefits | \$ 529,576 |
| Materials and Services | 153,782 |
| Depreciation | <u>97,534</u> |
| | |
| Total Program Expenses | <u>780,892</u> |
| | |
| Program Revenues | |
| Charges for services | <u>29,485</u> |
| | |
| Total Program Revenues | <u>29,485</u> |
| | |
| Net Program Revenues (Expenses) | <u>(751,407)</u> |
| | |
| General Revenues | |
| Property taxes | 958,678 |
| Investment earnings | 67,844 |
| Reimbursement | 6,661 |
| Donations | 335,000 |
| Miscellaneous Income | <u>340</u> |
| | |
| Total General Revenues | <u>1,368,523</u> |
| | |
| Change in Net Position | 617,116 |
| | |
| Net Position - Beginning of Year | <u>4,613,371</u> |
| | |
| Net position - End of Year | <u><u>\$ 5,230,487</u></u> |

The notes to the financial statements are an integral part of this statement

KENWOOD FIRE PROTECTION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2019

| ASSETS | General Fund | Capital Projects Fund | Total Governmental Funds |
|---|---------------------|--------------------------------------|---|
| | <hr/> | <hr/> | <hr/> |
| Cash in County Treasury | \$ - | \$ 2,360,290 | \$ 2,360,290 |
| Cash in Commercial Banks | 1,339,996 | - | 1,339,996 |
| Taxes Receivable | 77,484 | - | 77,484 |
| Interest Receivable | 4,673 | 13,111 | 17,784 |
| | <hr/> | <hr/> | <hr/> |
| Total Assets | \$ 1,422,153 | \$ 2,373,401 | \$ 3,795,554 |
| | <hr/> | <hr/> | <hr/> |
| LIABILITIES AND FUNDS BALANCE: | | | |
| Liabilities: | | | |
| Accounts Payable | \$ 7,195 | \$ - | \$ 7,195 |
| Payroll Payable | 16,292 | - | 16,292 |
| | <hr/> | <hr/> | <hr/> |
| Total liabilities | 23,487 | - | 23,487 |
| | <hr/> | <hr/> | <hr/> |
| Fund balance: | | | |
| Assigned for Capital Improvements | - | 2,373,401 | 2,373,401 |
| Unassigned | 1,398,666 | - | 1,398,666 |
| | <hr/> | <hr/> | <hr/> |
| Total Fund Balance | 1,398,666 | 2,373,401 | 3,772,067 |
| | <hr/> | <hr/> | <hr/> |
| Total Liabilities and Fund Balance | \$ 1,422,153 | \$ 2,373,401 | \$ 3,795,554 |
| | <hr/> | <hr/> | <hr/> |

The notes to the financial statements are an integral part of this statement

KENWOOD FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
JUNE 30, 2019

| REVENUES | General Fund | Capital Projects Fund | Total Governmental Funds |
|--|---------------------|----------------------------------|---|
| Property Taxes | \$ 958,678 | \$ - | \$ 958,678 |
| Intergovernmental | 29,485 | - | 29,485 |
| Investment Earnings | 1,201 | 66,643 | 67,844 |
| Reimbursement | 6,661 | - | 6,661 |
| Miscellaneous Income | 340 | - | 340 |
| Donations | - | 335,000 | 335,000 |
| Total Revenue | <u>996,365</u> | <u>401,643</u> | <u>1,398,008</u> |
| EXPENDITURES | | | |
| Salaries and Employee Benefits | 604,502 | - | 604,502 |
| Materials and Services | 153,782 | - | 153,782 |
| Capital Outlay | 70,867 | - | 70,867 |
| Contract Payable | 398,486 | 335,000 | 733,486 |
| Total Expenditures | <u>1,227,637</u> | <u>335,000</u> | <u>1,562,637</u> |
| Excess of Revenues over Expenditures Before Transfers | (231,272) | 66,643 | (164,629) |
| Other Financing Sources (uses) | | | |
| Transfer in | 525,000 | 100,000 | 625,000 |
| Transfer Out | (100,000) | (525,000) | (625,000) |
| Total Other Sources | <u>425,000</u> | <u>(425,000)</u> | <u>-</u> |
| Net Change in Fund Balances | 193,728 | (358,357) | (164,629) |
| Fund Balance, Beginning of The Year | <u>1,204,938</u> | <u>2,731,758</u> | <u>3,936,696</u> |
| Fund Balance, End of Year | <u>\$ 1,398,666</u> | <u>\$ 2,373,401</u> | <u>\$ 3,772,067</u> |

The notes to the financial statements are an integral part of this statement

KENWOOD FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
June 30, 2019

| | 2019 |
|---|---------------------|
| Total Fund Balances - Governmental Fund | \$ 3,772,067 |
| Amount reported for governmental activities in the statement of net position are different because : | |
| Capital assets used in the operation of governmental funds are not financial resources and, therefore, are not reported in the general fund. These assets consist of: | |
| Capital Assets: | |
| Land | 23,087 |
| Building and Improvements | 855,315 |
| Fire Apparatus | 1,851,213 |
| Other Equipment | 461,926 |
| Less: Accumulated Depreciation | (1,307,887) |
| Deferred Pension Credits | 94,747 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the general fund. These consist of: | |
| Compensated Absences | (74,037) |
| Net OPEB Obligation | (212,284) |
| Net Pension Liability | (227,420) |
| Deferred Pension Charges and Credits | (6,240) |
| Net Position of Governmental Activities | \$ 5,230,487 |

The notes to the financial statements are an integral part of this statement

KENWOOD FIRE PROTECTION DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGETS AND ACTUAL

JUNE 30, 2019

| | 2019 |
|---|---------------------|
| NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUND TYPE | \$ (164,629) |
| Amount reported for governmental activities in the statement of activities are different because : | |
| <p>Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as a depreciation expense. Differences are as follows:</p> | |
| Capital assets purchases capitalized | 70,867 |
| Current Year Depreciation Expense | (97,534) |
| <p>The statement of activities reports payment on long term debt a reduction of the liability, while the governmental funds reports the payment as an expenditures. The difference is:</p> | |
| | 733,486 |
| <p>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, as follows:</p> | |
| Compensated Absences | (17,249) |
| OPEB Adjustment | 3,668 |
| Pension Expense - GASB 68 Adjustment | 88,507 |
| Change in Net Position of Governmental Activities | \$ 617,116 |

The notes to the financial statements are an integral part of this statement.

KENWOOD FIRE PROTECTION DISTRICT

Notes to the Financial Statements

June 30, 2019

Note I. Summary of Significant Accounting Policies

A. Organization

The Kenwood Fire Protection District (the District) was formed by resolution in May 21, 1945 by the Board of Supervisors of the County of Sonoma as a Fire Protection District under and pursuant to provisions of the Health and Safety Code of the State of California. The purpose of the District is to provide fire protection, emergency medical and related services to the unincorporated township known as Kenwood. The District serves taxpayers and residents in a special unincorporated area of the County of Sonoma, the boundaries of which are set by resolution by the Board of Supervisors. The District's governmental powers are exercised through the Board of Directors.

B. Significant Accounting Policies

The District financial statements are prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

1. Government-wide Financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

KENWOOD FIRE PROTECTION DISTRICT

Notes to the Financial Statements

June 30, 2019

Note I. Summary of Significant Accounting Policies (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts recorded as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. General revenues include all taxes.

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

2. Governmental Fund Financial Statement

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for its governmental funds. An accompanying schedule is presented to reconcile and explain the difference in Net Position as presented in these statements to the Net Position presented in the Government-wide financial statements. The District's General Fund is its only major governmental fund.

Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenue and expenditures.

The District reports the following major governmental fun:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the government, except those required to be accounted for in another fund.

Capital Fund: The Capital Projects Fund accounts for financial resources to be used for capital expenditures or for the acquisition or construction of capital facilities, improvements, and/or equipment. Most of the capital outlays are financed via annual transfer from the General Fund plus interest earnings.

3. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expense are recognized in the account and reported in the financial statements. It relates to the timing of the measurement made regardless of the measurement focus applied.

KENWOOD FIRE PROTECTION DISTRICT

Notes to the Financial Statements

June 30, 2019

Note I. Summary of Significant Accounting Policies (Continued)

4. Accrual

The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the time of the cash flows.

5. Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e. both measurable and available. "Available" means collective within the current period or within 60 days after year-end. The Board recognizes 360 days for grant reimbursement and charges and services. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that payments for general obligation long-term liabilities are recognized when due.

6. Cash and cash equivalents

The District has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with its commercial bank (Exchange Bank).

7. Prepaid Items

Payments to vendors that benefit future accounting periods are classified as a prepaid item until charged to expenditures in the period benefited.

8. Capital Assets

Capital assets, which include land, buildings and improvements, and equipment, are reported in the applicable governmental activity's columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000, and an estimated useful life in excess of two (2) years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Buildings and improvements, fire apparatus and equipment of the primary government, is depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|---------------------------|--------------|
| Building and Improvements | 30-50 |
| Fire Apparatus | 20 |
| Truck/Automobile | 5 |
| Operating Equipment | 10-15 |

KENWOOD FIRE PROTECTION DISTRICT

Notes to the Financial Statements

June 30, 2019

Note I. Summary of Significant Accounting Policies (Continued)

9. Net Position

Net position is classified into three components – 1) net invested in capital assets, net of related debt (if any) 2) restricted, and 3) unrestricted. These classifications are defined as follows:

- Invested in capital assets net of related debt (if any) – This component of net position groups all capital assets, including infrastructure, into one component of net position, net of accumulated depreciation and reduced by outstanding debt related to the acquisition, construction or improvement of these assets.
- Restricted net position (if any) — This component consists of external constraints or restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments or restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position — This component is the net position of the entity not restricted for any project or other purpose.

10. Fund Balance

In the fund financial statements, governmental funds report fund balance using the classifications listed in GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions. Initial distinction is made in reporting fund balance information identifying amounts that are considered non-spendable, such as fund balance associated with inventories. Spendable fund balance for the governmental fund consists of the following classifications:

- *Restricted Fund Balance* - the portion of fund balance that can only be spent for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed Fund Balance* - the portion of fund balance whose use is subject to formal action of the government's highest level decision making authority. These commitments remain binding unless changed or removed by formal action of the Board as the formal authority that imposed the constraint. The underlying action that imposed, modified, or removed the limitation would need to occur no later than the close of the reporting period.
- *Assigned* - the portion of fund balance that is intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.
- *Unassigned* – the residual amount of all general fund spendable resources not contained in the other classifications.

KENWOOD FIRE PROTECTION DISTRICT

Notes to the Financial Statements

June 30, 2019

Note I. Summary of Significant Accounting Policies (Continued)

11. Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the report's amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

12. Encumbrances

Encumbrances represent commitment related to unperformed contracts for good or services. Encumbrances outstanding at year-end are reported as assigned fund balance and do not constitute expenditures or liabilities.

13. Vacation and Sick Leave

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the government funds only if they have matured, for example, as a result of employee resignations and retirements.

Note II. Stewardship, Compliance, and Accountability

A. Budgetary Information

The budget of the District is a detailed annual operating plan that identifies estimated cost (appropriations) and results in relating to estimated revenues. The budget includes (1) Services and activities to be provided during the fiscal year, (2) the estimated revenue available to finance the operating plan, and (3) the estimated spending requirement of the operating plan. The budget represents a process through which policy decisions are made, implemented and controlled. State law prohibits expanding governmental funds for which there is no legal appropriation except under court order, for an emergency as defined by statute, or as otherwise provided by law. Annual appropriations that have not been encumbered lapse at year-end. The following procedures establish the budgetary data reflected in the financial statements.

B. Original Adopted Budget

On or before June 30, the Fire Chief prepares and submits to the Board a recommended budget. On or before September 30, the Board formally approves the recommended budget. The Board conducts hearings to obtain public comments on the recommended annual budget.

KENWOOD FIRE PROTECTION DISTRICT

Notes to the Financial Statements

June 30, 2019

Note II. Stewardship, Compliance, and Accountability (continued)

C. Budgetary Information (continued)

1. Final Amended Budget

The legal level of control for appropriations is exercise at the chief's level within the fund level. Appropriations at this level may only be adjusted during the year with the approval of the Board. The Fire Chief may adjust at this discretion below that level. Such adjustments by the Board and the Fire Chief are reflected in the revised budgetary data present in the financial statements. Budgetary data is presented in the accompanying fund financial statements for the General Fund, since the operations of these funds are budgeted annually.

Note III. Cash and Investments

A. Investment in the Sonoma County Treasurer's Investment Pool

The District's cash is pooled with the Sonoma County Treasurer, who acts as a disbursing agent for the District. The fair value of the District's investment in this pool is reported in the accompanying financial statement at the amounts based upon the District's pro-rata share of the fair value provided by the Treasury Pool for the entire Treasury Pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on accounting records maintained by the Treasury Pool, which are recorded on an amortized cost basis. Funds are generally available and disbursed to the District upon collection and allocation to the District account. Interest earned on investments pooled with the County is allocated quarterly to the appropriate fund based on its respective average daily balance for that quarter. The Treasury Oversight Committee has regulatory oversight for all monies deposited into the Treasury Pool.

As of June 30, 2019, the District's share of the change in fair value of investments was not material.

B. Investments Guidelines

The District's pooled cash and investments are invested pursuant to investment policy guidelines established by the County Treasurer and approved by the Board of Supervisors. The objectives of the policy are, in order of priority: safety of capital, liquidity, and maximum rate of return. The policy addresses the soundness of financial institutions in which the County will deposit funds, types of investment instruments as permitted by the California Government Code 53601, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity.

A copy of the Treasury Pool investment policy is available upon request from the Sonoma County Treasurer at 585 Fiscal Drive, Suite 100, Santa Rosa, California, 95403-2871.

KENWOOD FIRE PROTECTION DISTRICT

Notes to the Financial Statements

June 30, 2019

Note III. Cash and Investments (continued)

C. Investments by District in Commercial Bank

The District pools cash from all sources and all funds so that it can be invested consistent with safety and liquidity, while funds can make expenditures at any time. The District's investments are carried at fair value, as required by generally accepted accounting principles. The District adjusts the carrying value of its investments to reflect fair value at each fiscal year end, and it includes the effect of these adjustments' income for that fiscal year.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, one of the ways that the Treasury Pool manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations.

As of June 30, 2019, approximately 48 percent of the securities in the Treasury Pool had maturities of one year or less. Of the remainder, only 52 percent had a maturity of more than one year.

E. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Treasury Pool does not have a rating provided by a nationally recognized statistical rating organization.

F. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Treasury Pool 's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits and securities lending transactions.

KENWOOD FIRE PROTECTION DISTRICT

Notes to the Financial Statements

June 30, 2019

Note III. Cash and Investments (continued)

F. Custodial Credit Risk (continued)

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

The California Government Code limits the total of all securities lending transactions to 20% of the fair value of the investment portfolio.

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as the Treasury Pool).

G. Concentration of Credit Risk

The investment policy of the County contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. For a listing of investments in any one issuer (other than U.S. Treasury securities, mutual funds, or external investment pools) that represent 5% or more of total County investments, refer to the June 30, 2018 Sonoma County Comprehensive Annual Financial Report (the last one available).

H. Cash on Hand and in Banks

Cash Investments not included in pooled cash is as follows:

| | <u>2019</u> | <u>2018</u> |
|-------------------------|---------------------|---------------------|
| Cash in County Treasury | \$ 2,360,299 | \$ 2,731,758 |
| Cash in Commercial Bank | <u>1,339,996</u> | <u>1,164,876</u> |
| Total | <u>\$ 3,700,295</u> | <u>\$ 3,896,634</u> |

Bank accounts are subject to FDIC insurance for amounts up to \$250,000.

KENWOOD FIRE PROTECTION DISTRICT

Notes to the Financial Statements

June 30, 2019

Note IV. Property Taxes

The County of Sonoma is responsible for assessing, collecting, and distributing property taxes in accordance with state law. Liens on real property are established on January 1 for the ensuing fiscal year. The property tax is levied as of July 1 on all taxable property located in County of Sonoma. Secured property taxes are due in two installments, on November 1 and February 1, and are delinquent after December 10 and April 10, respectively.

Additionally, supplemental property taxes are levied on a pro rata basis when changes in assessed valuation occur due to sales transactions or the completion of construction.

Since the passage of California's Proposition 13, beginning with fiscal year 1978/1979, general property taxes are based either on a flat 1% rate applied to the 1975/1976 full value or on 1% of the sales price of the property on sales transactions and construction after the 1975/1976 valuation. Taxable values on properties (exclusive of increases related to sales and construction) can rise at a maximum of 2% per year.

On June 29, 1993, the Board of Supervisors adopted the "Teeter" Alternate Method of Property Tax Allocation. This method allocates property taxes based on the total property tax billed. At year-end the County advances cash to each taxing jurisdiction equal to its current year delinquent property taxes. In exchange, the County receives the penalties and interest on delinquent taxes when collected. The penalties and interest are used to pay the interest cost of borrowing cash used for the advances.

Property tax receivable at June 30, 2019 is: \$77,484

Note V. Interest Receivable

Interest in pooled cash account from the period 1st, through June 30, 2019.

Interest receivable at June 30, 2019 is: \$4,673

KENWOOD FIRE PROTECTION DISTRICT

Notes to the Financial Statements

June 30, 2019

Note VI. Capital Asset Activity

Capital asset activity for the year ended June 30, 2019 was as follows:

| | Beginning Balance 7/1/2018 | Additions | Reclassifications Retirements | Ending Balance 6/30/2019 |
|---|---|--------------------|--|---|
| Capital Assets, not Being Depreciated: | | | | |
| Land | \$ 23,087 | \$ - | \$ - | \$ 23,087 |
| Fire apparatus in progress | 733,483 | - | - | 733,483 |
| Total Capital Assets, not Being Depreciated | 756,570 | - | - | 756,570 |
| Capital Assets, Being Depreciated: | | | | |
| Buildings and Improvements | 855,315 | - | - | 855,315 |
| Fire apparatus and vehicles | 1,117,727 | - | - | 1,117,727 |
| Equipment | 391,059 | 70,867 | - | 461,926 |
| Total Capital Assets, Being Depreciated, Net | 2,364,101 | 70,867 | - | 2,434,968 |
| Less Accumulated Depreciation | (1,210,353) | (97,534) | - | (1,307,887) |
| Total Capital Assets, Being Depreciated, Net | 1,153,748 | (26,667) | - | 1,127,081 |
| Governmental Activities, Capital Assets, Net | \$ 1,910,318 | \$ (26,667) | \$ - | \$ 1,883,651 |

Depreciation expense was charged to functions/programs of the District as follows:

| Governmental Activities: | 2019 | 2018 |
|---|------------------|------------------|
| Public Safety - Fire Protection/Ambulance | \$ 97,534 | \$ 97,070 |
| Total Depreciation Expense - governmental Activities | \$ 97,534 | \$ 97,070 |

KENWOOD FIRE PROTECTION DISTRICT

Notes to the Basic Financial Statements

June 30, 2019 and 2018

Note VII. Long-Term Debt

Changes in long-term debt

Long-term liability activity for the year ended June 30, 2019 was as follows:

| | <u>Beginning Balance 7/1/2018</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance 6/30/2019</u> | <u>Current Portion</u> |
|------------------------------------|---|------------------|-------------------|---|----------------------------|
| Compensated Absences | \$ 56,788 | \$ 17,249 | \$ - | \$ 74,037 | \$ - |
| Net OPEB | 215,952 | - | 3,668 | 212,284 | - |
| Net Pension Liability (GASB 68) | 227,420 | - | - | 227,420 | - |
| Total Long-Term Liabilities | <u>\$ 500,160</u> | <u>\$ 17,249</u> | <u>\$ 3,668</u> | <u>\$ 513,741</u> | <u>\$ -</u> |

Note VIII. Insurance

The District is exposed to various risks of loss related to torts, loss or damage to assets, injuries to employees, errors and omissions, for the District carries commercial insurance or is self-insured up to a certain limit. During the year, the District maintained five types of insurance: General liability, public official's errors and omissions, professional automobile, special events, and host and liquor liability. The District obtains its insurance coverage as a member of the Fire Agencies Insurance Risk Authority (FAIRA).

The District is self-insured for potential liabilities arising from worker's compensation claims. The District obtains its insurance coverage as a member of the Fire Agency Self-Insurance System (FASIS).

As a member of a public entity risk pool, the District is responsible for appointing an employee as a liaison between the District and the system, implementing all policies of the system, promptly paying all contributions, and cooperating with the system and any insurer of the system. The system is responsible for providing insurance coverage as agreed upon, assisting the District with implementation, providing claims adjusting and defense of any civil action brought against an officer of the system.

KENWOOD FIRE PROTECTION DISTRICT

Notes to the Basic Financial Statements

June 30, 2019 and 2018

Note IX. District Employees Retirement Plan (Defined Benefit Pension Plan)

A. Plan Description

The District contributes to the California Public Employees Retirement System (CalPERS), an agency multiple-employer public retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. Copies of CalPERS annual financial report may be obtained from their Executive Office – 400 Q Street, Sacramento, CA 95814.

Defined Benefit Pension Plan - (Safety Plan)

The District provides eligible employee's pension plan benefits through the Kenwood Fire Protection District – Safety.

Plan Description, Benefits Provided and Employees Covered

The plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees; Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2018 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2018 actuarial valuation report. This report is a publically available valuation report that can be obtained at CalPERS' website under Forms and Publications.

Funding Policy

Participants are not required to contribute a percentage of their annual covered salary. The District pays both the employee rate (8.936%) and the employer rate (16.704) for a combined rate of 25.640% for Fiscal Year 18-19 of annual covered payroll for safety employees. The amount contributed is paid as required by the actuarially determined rate. The contribution requirement for plan members and the District are established and may be amended by CalPERS.

Funded Status and Funding Progress of the Plan

Safety Plan – 2% at 50

The CalPERS Public Agency Cost-Sharing Multiple Employer Defined Benefit Pension Plan for KPMG, date June 30, 2018 provided a pooled report and AAL to the District as 75.15% funded. For the Valuation report, there is two-year lag between the valuation date and the state of the contribution fiscal year. See five-year trending information below regarding the plan's accrued liability, share of pool's market value of assets, plan's share of unfunded liability, funded ratio, and annual covered payroll.

KENWOOD FIRE PROTECTION DISTRICT

Notes to the Basic Financial Statements

June 30, 2019 and 2018

Note IX. District Employees Retirement Plan (Defined Benefit Pension Plan) (continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2018 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2017 total pension liability. Both the June 30, 2017 total pension liability and the June 30, 2018 total pension liability were based on the following actuarial methods and assumptions.

| | |
|----------------------------------|---|
| Actuarial Cost Method | Entry Age Normal in accordance with the requirements of GASB Statement No. 68 |
| Actuarial Assumptions | |
| Discount Rate | 7.65% (2015) , 7.65% (2016), 7.15% (2017), 7.15% (2018) |
| Inflation | 2.75% (2017), 2.50% (2018) |
| Salary Increases | Varies by Entry Age and Service |
| Mortality Rate Table | Derived using CalPERS' Membership Data for all Funds |
| Post Retirement Benefit Increase | Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter. |

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely results 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 is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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

| <u>Asset Class</u> | <u>New Strategic Allocation</u> | <u>Real Return Years 1 - 10</u> | <u>Real Return Years 11 +</u> |
|---------------------|---------------------------------|---------------------------------|-------------------------------|
| Global Equity | 50.0% | 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 | 4.92 |
| Liquidity | 1.00 | 0.00 | 0.92 |

KENWOOD FIRE PROTECTION DISTRICT

Notes to the Basic Financial Statements

June 30, 2019 and 2018

Note IX. District Employees Retirement Plan (Defined Benefit Pension Plan) (continued)

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

| | <u>Discount Rate</u> <u>- 1% (6.15%)</u> | <u>Current</u> <u>Discount</u> <u>Rate (7.15%)</u> | <u>Discount Rate</u> <u>+ 1% (8.15%)</u> |
|---|---|--|---|
| Plan's Net Pension Liability/(Asset) - Safety | \$ 353,566 | \$ 227,420 | \$ 124,066 |

Pension Expense, Deferred Outflows and Deferred Inflows

For the fiscal year ended June 30, 2019 pension expense recognized is as follows:

| | <u>2019</u> |
|---|-------------------|
| Service Costs | \$ 16,945 |
| Interest on TPL | 57,807 |
| Changes of Benefit Terms | - |
| Changes of Assumptions | 8,658 |
| Difference between Expected & Actual Experience | 1,445 |
| Net Plan to Plan Resource Movement | 38 |
| Contributions- Employer | 107,019 |
| Contributions- Employee | - |
| Net Investment Income | (1,848) |
| Administrative Expenses | 908 |
| Projected Earnings on PPI | (41,613) |
| Other Miscellaneous Expense | <u>1,724</u> |
| Total Pension Expense (Income) | <u>\$ 151,083</u> |

KENWOOD FIRE PROTECTION DISTRICT

Notes to the Basic Financial Statements

June 30, 2019 and 2018

Note IX. District Employees Retirement Plan (Defined Benefit Pension Plan) (continued)

As of June 30, 2019, the Kenwood Fire Protection District reports other amounts for the Plan as deferred outflows and deferred inflows of resources related to pensions as follows:

| | <u>2019 Deferred Outflows of Resources</u> | <u>2019 Deferred Inflows of Resources</u> |
|--|--|---|
| Difference between Expected and Actual Experience | \$ 4,886 | \$ 19 |
| Changes of Assumptions | 22,314 | 3,011 |
| Difference between Projected and Actual Investment Earnings | 1,540 | - |
| Proportionate Share of Contribution | 437 | 2,373 |
| Changes in Employer's Proportion Pension Contributions made Subsequent to Measurement Date | 8,954 | 838 |
| | <u>56,615</u> | <u> </u> |
| Total | <u>\$ 94,746</u> | <u>\$ 6,241</u> |

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

| <u>Measurement Period Ended June 30,</u> | <u>June 30, 2019 Deferred Outflows/(Inflows) of Resources</u> |
|--|---|
| 2020 | \$ 38,178 |
| 2021 | 31,325 |
| 2022 | 12,491 |
| 2023 | 6,512 |
| 2024 | - |
| Thereafter | <u> </u> |
| Total | <u>\$ 88,506</u> |

KENWOOD FIRE PROTECTION DISTRICT

Notes to the Basic Financial Statements

June 30, 2019 and 2018

Note X. Post-Employment Benefits Obligation

A. Plan Description

The Kenwood Fire Protection District defined benefits Postemployment Healthcare Plan provides medical benefits to eligible retired Districts employees and their beneficiaries. The authority to amend the plant rests with the District's Board of Directors. The District is affiliated with the California Employer's Retiree Benefits Trust (CERBT), an agent plan consisting of an aggregation of single-employer plans for the purpose of prefunding postemployment benefits. CalPERS issues a publicly available financial report that includes financial statements and required supplemental information for CERBT. Copies of CERBT's annual financial report may be obtained by writing the plan: California PERS, CERBT, (OBEP), P.O. Box 942709, Sacramento, CA 94229-2709.

Funding Policy

The District contributed on a pre-fund basis up until FY16-17 and paid the Annual Required contribution for Fiscal Year 17-18. The District provides continuation of medical coverage to its retiring employees. The District's required contribution rate is based on the annual required contribution (ARC), an annual that is actuarially determined in accordance with the parameters of GASB Statement No. 75. The ARC represents a level of funding that, if paid on an ongoing basis, is projecting to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the District over a period not to exceed twenty years.

Annual OPEB Cost and Net OPEB Obligation

The District reported on a pre-fund basis for the fiscal year ended June 30, 2019.

| | <u>2019</u> |
|---|-------------------|
| Annual required contribution | \$ 3,927 |
| Interest on net OPEB obligation | (45,364) |
| Adjustment to the ARC | - |
| Annual OPEB cost (expense) | <u>(41,437)</u> |
| Expected payments on behalf of retirees | 31,727 |
| Estimated current year's implicit subsidy | <u>6,042</u> |
| Change in Net OPEB Obligation | <u>(3,668)</u> |
| Net OPEB obligation, Beginning of fiscal year | <u>215,952</u> |
| Net OPEB obligation, End of fiscal year | <u>\$ 212,284</u> |

KENWOOD FIRE PROTECTION DISTRICT

Notes to the Basic Financial Statements

June 30, 2019 and 2018

Note X. Post-Employment Benefits Obligation (continued)

Funding Status and Funding Progress of the OPEB Plan

The District hire Bickmore Risk Services and Consulting (BRS) to conduct a 3rd actuarial report as of July 1, 2017 to determine the actuarial valuation of OPEB liabilities as of July 1, 2017 and forward for two years. Based on the Bickmore's Actuarial report, Kenwood Fire Protection District contributed \$41,696 in 2019 to a single employer CAL PERS trust account.

The Actuarial Valuation process includes an explicit and implicit rate subsidy. The explicit subsidy exists when the employer contributes directly toward retiree healthcare premiums. The implicit subsidy exists when the premiums charged for retiree coverage are lower than the expected retiree claims for that coverage, valued by the District under GASB 45. Reasons for the significant change in the actuarial valuation, include, but are not limited to the following. A significant change in the number of covered or eligible plan members, or a significant increase in future medial premium rates. The net result as of June 30, 2018, results in an AAL of \$212,284.

Actuarial Assumptions and Methods

Projection of benefits for financial reporting purposes are based on the substantive plan and includes the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce short term volatility in actuarial accrued liabilities and the actuarial value of assets consistent with the long-term perspective of the calculations.

A summary of the principal assumptions and methods used by BRS to determine the District's annual required contributions to the Postemployment Healthcare Plan is as follows:

| | |
|-------------------------|-------------------------------------|
| Valuation Date | June 30, 2017 |
| Actuarial Cost Method | 1 year amortization of initial UAAL |
| Amortization Method | Level dollar of payroll |
| Entry Age Method | |
| Asset Valuation Method | market value of assets |
| Discount Rate | 6.73% for prefunding basis |
| Project Salary Increase | 3.2 |

KENWOOD FIRE PROTECTION DISTRICT

Notes to the Basic Financial Statements

June 30, 2019 and 2018

Note X. Post-Employment Benefits Obligation (continued)

Required Supplementary Information

Schedule of Funding Progress

| <u>Actuarial Valuation Date</u> | <u>Market Value of Assets</u> | <u>Annual Accrued Liability</u> | <u>Unfunded Actuarial Accrued Liability</u> | <u>Funded Ratio</u> | <u>Covered Payroll</u> | <u>UAAL as Percentage of Covered Payroll</u> |
|---|---------------------------------------|---|---|-------------------------|----------------------------|--|
| 6/30/2013 | \$ - | \$ 609,863 | \$ 609,863 | 0% | \$ 104,652 | 583% |
| 6/30/2014 | 591,641 | 429,079 | (162,562) | 138% | 108,053 | -150% |
| 6/30/2015 | 602,181 | 552,521 | (49,660) | 109% | 119,494 | -42% |
| 6/30/2016 | 679,202 | 657,930 | (21,272) | 103% | 119,494 | -18% |
| 6/30/2017 | 727,968 | 947,545 | 219,577 | 77% | 177,473 | 124% |
| 6/30/2018 | 784,744 | 997,028 | 212,284 | 79% | 183,241 | 116% |

Five Year History of Amounts Funded

OPEB Cost Contributed

| | | | | |
|-----------|------------|------------|------|-------------|
| 6/30/2014 | \$ 441,723 | \$ 576,088 | 130% | \$ (99,486) |
| 6/30/2015 | 7,901 | 18,378 | 233% | (109,963) |
| 6/30/2016 | 34,220 | 80,980 | 237% | (156,723) |
| 6/30/2017 | 43,006 | 27,184 | 63% | 219,577 |
| 6/30/2018 | 41,078 | 41,078 | 100% | 215,952 |
| 6/30/2019 | 41,696 | 41,696 | 100% | \$ 212,284 |

Note XI. Subsequent Events

Management has evaluated subsequent events through December 09, 2019, the date these financial statements were available for release.

KENWOOD FIRE PROTECTION DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES, BUDGET AND ACTUAL-GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| Revenues | Budgeted Amounts | | Actual Amounts | Variance with Final Budget-Positive (Negative) |
|--|-------------------------|------------------|---------------------------|---|
| | Original | Final | | |
| Property taxes | \$ 810,470 | \$ 850,564 | \$ 958,678 | \$ 108,114 |
| Intergovernmental | 5,739 | 5,739 | 29,485 | 23,746 |
| Investment earnings | 7,000 | 7,000 | 1,201 | (5,799) |
| Reimbursement | - | - | 6,661 | 6,661 |
| Miscellaneous Income | 3,284 | 3,284 | 340 | (2,944) |
| Total Revenues | 826,493 | 866,587 | 996,365 | 129,778 |
| Expenditures | | | | |
| Salaries and employee benefits | 634,530 | 756,734 | 604,502 | 152,232 |
| Materials and Services | 189,830 | 189,830 | 153,782 | 36,048 |
| Capital Outlay | 41,000 | 164,000 | 70,867 | 93,133 |
| Contract payable | - | - | 398,486 | (398,486) |
| Total Expenditures | 865,360 | 1,110,564 | 1,227,637 | (117,073) |
| Excess (Deficiency) of Revenues Over Expenditures | (38,867) | (243,977) | (231,272) | 12,705 |
| Other financing sources (uses) | | | | |
| Transfer in | - | 123,000 | 525,000 | |
| Transfer out | (215,000) | (215,000) | (100,000) | |
| Total other sources | (215,000) | (92,000) | 425,000 | |
| Fund Balance - Beginning of Year | | | 1,204,938 | |
| Fund Balance - End of Year | | | \$ 1,398,666 | |

The notes to the financial statements are an integral part of this statement

KENWOOD FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION- SAFETY PLAN
JUNE 30, 2019

Funding History

The funding history belows shows the plan's actuarial accrued liability, share of pool's market value of assets, share of the pool's unfunded liability, funded ration, and annual covered payroll.

| Valuation Date | Accrued Liability (AL) | Share of Pool's Market Value of Assets (MVA) | Plan's Share of Pool's Unfunded Liability | Funded Ratio | Annual Covered Payroll |
|-----------------------|-------------------------------|---|--|---------------------|-------------------------------|
| 6/30/2011 | \$ 601,171 | \$ 473,887 | \$ 127,284 | 78.83% | \$ 129,633 |
| 6/30/2012 | 606,864 | 453,378 | 153,486 | 74.71% | 58,987 |
| 6/30/2013 | 648,476 | 511,292 | 137,184 | 78.85% | 62,991 |
| 6/30/2014 | 719,499 | 592,627 | 126,872 | 82.37% | 64,112 |
| 6/30/2015 | 792,686 | 626,166 | 166,520 | 78.99% | 114,621 |
| 6/30/2016 | 837,146 | 613,327 | 223,819 | 73.26% | 87,745 |
| 6/30/2017 | 915,057 | 687,637 | 227,420 | 75.15% | 110,250 |

KENWOOD FIRE PROTECTION DISTRICT

Notes to Required Supplementary Information

June 30, 2019

NOTE 1 - BUDGETARY INFORMATION

Annual budgets are adopted on a non-GAAP basis for all governmental funds. All annual appropriations lapse at fiscal year-end.

Before May 31, the proposed budget is presented to the board of directors for review. The board holds public hearings and final budget must be prepared and adopted no later than September 30.

The appropriated budget is prepared by character and subject. Transfers of appropriations between characters require the approval of the board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the character level. The board made several supplemental budgetary appropriations throughout the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be appropriated and honored during the subsequent year. The District had no encumbrances outstanding at June 30, 2019.