

**KELSEYVILLE FIRE  
PROTECTION DISTRICT,  
CALIFORNIA**

**FINANCIAL STATEMENTS  
TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED  
JUNE 30, 2021**

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**KELSEYVILLE FIRE PROTECTION DISTRICT**  
**Annual Financial Report**  
**For the Year Ended June 30, 2021**

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## **INTRODUCTORY SECTION**

- **List of Officials**

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**KELSEYVILLE FIRE PROTECTION DISTRICT**

**List of Officials**

**For the Year Ended June 30, 2021**

**Board of Directors**

Mario Villalobos	Chairperson
Michele Rohner	Vice-Chairperson
Beau – Jean Maddox	Member
Paul Lauenroth	Member
Steve Brookes	Member

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## **FINANCIAL SECTION**

- **Independent Auditor's Report**
- **Basic Financial Statements**
- **Supplementary Information**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Kelseyville Fire Protection District  
Kelseyville, California

**Report on the Financial Statements**

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1C; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

**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 standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the Board of Directors  
Kelseyville Fire Protection District  
Kelseyville, California

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and each major fund of the District as of June 30, 2021, and the respective changes in modified cash basis financial position, thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1C.

## **Basis of Accounting**

We draw attention to Note 1C of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the District's basic financial statements. The introductory section, District Pension Plan information and budgetary comparison information, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

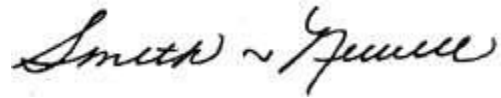
The District Pension Plan information and budgetary comparison information as listed in the table of contents is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole, on the basis of accounting described in Note 1C.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

To the Board of Directors  
Kelseyville Fire Protection District  
Kelseyville, California

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated February 1, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.



Smith & Newell CPAs  
Yuba City, California  
February 1, 2022

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## **Basic Financial Statements**

- **Government-Wide Financial Statements**

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**KELSEYVILLE FIRE PROTECTION DISTRICT**  
**Modified Cash Basis Statement of Net Position**  
**June 30, 2021**

	<u><b>Total Governmental Activities</b></u>
<b>ASSETS</b>	
Cash and investments	\$ 3,010,242
Capital assets:	
Non-depreciable	156,285
Depreciable, net	<u>2,928,135</u>
Total capital assets	<u>3,084,420</u>
<b>Total Assets</b>	<u>6,094,662</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred pension adjustments	<u>947,670</u>
<b>Total Deferred Outflows of Resources</b>	<u>947,670</u>
<b>LIABILITIES</b>	
Long-term liabilities:	
Due within one year	295,934
Due in more than one year	722,856
Net pension liability	<u>4,172,299</u>
<b>Total Liabilities</b>	<u>5,191,089</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred pension adjustments	<u>58,815</u>
<b>Total Deferred Inflows of Resources</b>	<u>58,815</u>
<b>NET POSITION</b>	
Net investment in capital assets	2,319,408
Restricted for capital improvement	210,256
Unrestricted	<u>(737,236)</u>
<b>Total Net Position</b>	<u><u>\$ 1,792,428</u></u>

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

**KELSEYVILLE FIRE PROTECTION DISTRICT**  
**Modified Cash Basis Statement of Activities**  
**For the Year Ended June 30, 2021**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Total Governmental Activities</u>
Governmental activities:					
Public protection	\$ 3,878,806	\$ 2,434,372	\$ 395,226	\$ 127,439	\$ (921,769)
Interest on long-term debt	38,950	-	-	-	(38,950)
<b>Total Governmental Activities</b>	<u>3,917,756</u>	<u>2,434,372</u>	<u>395,226</u>	<u>127,439</u>	<u>(960,719)</u>
<b>Total</b>	<u>\$ 3,917,756</u>	<u>\$ 2,434,372</u>	<u>\$ 395,226</u>	<u>\$ 127,439</u>	<u>(960,719)</u>
<b>General revenues:</b>					
Taxes:					
Property taxes					1,624,622
Interest and investment earnings					11,209
Miscellaneous					45,332
					<u>1,681,163</u>
					<b>Change in Net Position</b>
					720,444
					<u>1,071,984</u>
					<b>Net Position - Beginning</b>
					<u>\$ 1,792,428</u>
					<b>Net Position - Ending</b>

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

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## **Basic Financial Statements**

- **Fund Financial Statements**

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**KELSEYVILLE FIRE PROTECTION DISTRICT**  
**Modified Cash Basis Balance Sheet**  
**Governmental Funds**  
**June 30, 2021**

	<b>General</b>	<b>Mitigation Fees</b>	<b>Totals</b>
<b>ASSETS</b>			
Cash and investments	\$ 2,799,986	\$ 210,256	\$ 3,010,242
<b>Total Assets</b>	\$ 2,799,986	\$ 210,256	\$ 3,010,242
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
<b>Total Liabilities</b>	-	-	-
<b>FUND BALANCES</b>			
Restricted	-	210,256	210,256
Assigned	1,742,066	-	1,742,066
Unassigned	1,057,920	-	1,057,920
<b>Total Fund Balances</b>	2,799,986	210,256	3,010,242
<b>Total Liabilities and Fund Balances</b>	\$ 2,799,986	\$ 210,256	\$ 3,010,242

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

**KELSEYVILLE FIRE PROTECTION DISTRICT**  
**Reconciliation of the Governmental Funds Modified Cash Basis**  
**Balance Sheet to the Government-Wide Modified Cash Basis**  
**Statement of Net Position - Governmental Activities**  
**June 30, 2021**

<b>Total Fund Balance - Total Governmental Funds</b>	<b>\$ 3,010,242</b>
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 the governmental funds balance sheet.	3,084,420
Deferred outflows of resources related to pension are not reported in the governmental funds.	947,670
Deferred inflows of resources related to pension are not reported in the governmental funds.	(58,815)
Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Capital leases	(757,759)
Compensated absences	(261,031)
Net pension liability	(4,172,299)
<b>Net Position of Governmental Activities</b>	<b>\$ 1,792,428</b>

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

**KELSEYVILLE FIRE PROTECTION DISTRICT**  
**Modified Cash Basis Statement of Revenues,**  
**Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2021**

	<b>General</b>	<b>Mitigation Fees</b>	<b>Totals</b>
<b>REVENUES</b>			
Taxes	\$ 1,624,622	\$ -	\$ 1,624,622
Licenses and permits	15,876	-	15,876
Use of money and property	10,530	679	11,209
Intergovernmental revenues	522,665	-	522,665
Charges for services	2,336,792	81,704	2,418,496
Other revenues	57,514	-	57,514
<b>Total Revenues</b>	<b>4,567,999</b>	<b>82,383</b>	<b>4,650,382</b>
<b>EXPENDITURES</b>			
Current public protection:			
Salaries and benefits	2,610,204	-	2,610,204
Services and supplies	845,288	-	845,288
Debt service:			
Principal	329,836	-	329,836
Interest and other charges	38,950	-	38,950
Capital outlay	348,123	-	348,123
<b>Total Expenditures</b>	<b>4,172,401</b>	<b>-</b>	<b>4,172,401</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>395,598</b>	<b>82,383</b>	<b>477,981</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Debt proceeds	114,000	-	114,000
<b>Total Other Financing Sources (Uses)</b>	<b>114,000</b>	<b>-</b>	<b>114,000</b>
<b>Net Change in Fund Balances</b>	<b>509,598</b>	<b>82,383</b>	<b>591,981</b>
<b>Fund Balances - Beginning</b>	<b>2,290,388</b>	<b>127,873</b>	<b>2,418,261</b>
<b>Fund Balances - Ending</b>	<b>\$ 2,799,986</b>	<b>\$ 210,256</b>	<b>\$ 3,010,242</b>

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

**KELSEYVILLE FIRE PROTECTION DISTRICT**  
**Reconciliation of the Modified Cash Basis Statement of**  
**Revenues, Expenditures and Changes in Fund Balances of**  
**Governmental Funds to the Government-Wide Modified Cash**  
**Basis Statement of Activities - Governmental Activities**  
**For the Year Ended June 30, 2021**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 591,981</b>
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Expenditures for capital outlay	348,123
Less current year depreciation	(172,049)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal. This is the net cost of the capital assets disposed. There were no significant proceeds from the sale of capital assets.	
	(12,182)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	
Principal retirements	329,836
Proceeds from the issuance of debt	(114,000)
Certain changes in deferred outflows and deferred inflows of resources reported in the Statement of Activities relate to long-term liabilities and are not reported in the governmental funds.	
Change in deferred outflows of resources related to pension	31,794
Change in deferred inflows of resources related to pension	47,225
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 the governmental funds.	
Change in compensated absences	(21,038)
Change in net pension liability	(309,246)
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 720,444</b>

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



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## **Basic Financial Statements**

- **Notes to Modified Cash Basis Financial Statements**

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**KELSEYVILLE FIRE PROTECTION DISTRICT**  
**Notes to Modified Cash Basis Financial Statements**  
**For the Year Ended June 30, 2021**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Kelseyville Fire Protection District was organized pursuant to Section 14001-14314 of the California Health and Safety Code. On March 17, 1959, the Board of Supervisors of the County of Lake passed a resolution consolidating the Kelseyville and Big Valley Fire Protection Districts. The District provides fire protection services to the Kelseyville and Clearlake Riviera areas of Lake County.

**Component Units**

Generally accepted accounting principles require government financial statements to include the primary government and its component units. Component units of a governmental entity are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading. The primary government is considered to be financially accountable if it appoints a majority of an organization's governing body and is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government.

Based on the application of the criteria set forth by the Governmental Accounting Standards Board, management has determined that there are no component units of the District.

**Joint Agencies**

The District is a participant in Fire District's Association of California - Fire Agencies Self Insurance System (FDAC-FASIS), the purpose of which is to provide workers' compensation benefits to each member agency including claims administration and program administration. FDAC-FASIS is composed of approximately 200 members and is governed by a board of directors appointed by the members. Complete financial information can be obtained from the Association office at 700 R Street, Sacramento, CA 95811. The District is not financially accountable for this organization and therefore it is not a component unit under Statement Nos. 14, 39 and 61 of the Governmental Accounting Standards Board.

**B. Basis of Presentation**

**Government-Wide Financial Statements**

The Statement of Net Position and Statement of Activities display information on all of the activities of the District. These statements include the financial activities of the overall District. Eliminations have been made to minimize the double counting of internal activities. These statements report the governmental activities of the District, which are normally supported by taxes, intergovernmental revenues, and charges for services. The District had no business-type activities at June 30, 2021.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods and services offered by the program, 2) operating grants and contributions, and 3) capital grants and contributions. Taxes and other items not properly included among program revenues are presented instead as general revenues.

**KELSEYVILLE FIRE PROTECTION DISTRICT**  
**Notes to Modified Cash Basis Financial Statements**  
**For the Year Ended June 30, 2021**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Presentation (Continued)**

**Fund Financial Statements**

Fund financial statements of the District are organized into two 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, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures. The funds of the District are organized into the governmental category. The emphasis is placed on major funds within the governmental category.

The District reports the following major governmental funds:

- The General fund is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the District.
- The Mitigation Fees fund is a special revenue fund used to account for revenues and expenditures related to mitigation fees. Funding comes primarily from mitigation fees collected and interest earnings.

**C. Basis of Accounting and Measurement Focus**

The government-wide financial statements are reported using the economic resources measurement focus and the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. This basis of presentation differs from accounting principles generally accepted in the United States of America (GAAP) in that certain revenues are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred. Such variances are presumed to be material. However, similar to financial statements prepared in accordance with GAAP, these financial statements reflect the capitalized cost of equipment and related depreciation, and long-term debt.

Governmental funds are reported using the current financial resources measurement focus, within the limitations of the modified cash basis of accounting. In the governmental funds general capital asset acquisitions are reported as expenditures and proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

**D. Non-Current Governmental Assets/Liabilities**

Non-current governmental assets and liabilities, such as capital assets and long-term liabilities, are reported in the governmental activities column in the government-wide Statement of Net Position.

**E. Investments**

The District pools all cash and investments, other than cash on hand and cash in checking accounts, with the County of Lake. The Lake County Treasury is an external investment pool for the District and the District is considered an involuntary participant. The District's share in this pool is displayed in the accompanying financial statements as cash and investments.

**KELSEYVILLE FIRE PROTECTION DISTRICT**  
**Notes to Modified Cash Basis Financial Statements**  
**For the Year Ended June 30, 2021**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Investments (Continued)**

Participant's equity in the investment pool is determined by the dollar amount of participant deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on an amortized cost basis. Interest payments, accrued interest, accreted discounts, amortized premiums and realized gains and losses, net of administrative fees, are apportioned to pool participants every quarter. This method differs from the fair value method used to value investments in these financial statements as unrealized gains and losses are not apportioned to pool participants.

**F. Inventory**

Inventories are recorded as expenditures at the time inventory is purchased rather than when consumed. Records are not maintained of inventory and supplies on hand, although these amounts are not considered material.

**G. Capital Assets**

Capital assets, which include property, plant and equipment, are defined by the District as assets with a cost of more than \$5,000. Capital assets are recorded at historical or estimated historical cost if actual historical cost is unavailable. Contributed capital assets are recorded at their acquisition value at the date of donation.

Capital assets used in operations are depreciated or amortized using the straight-line method over the assets' estimated useful lives in the government-wide financial statements. The range of estimated useful lives by type of asset is as follows:

<u>Depreciable Asset</u>	<u>Estimated Lives</u>
Equipment	5 to 20 years
Buildings and Improvements	10 to 50 years

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

**H. Property Tax**

Lake County is responsible for the collection and allocation of property taxes. Under California law, property taxes are assessed and collected by the County of Lake up to 1 percent of the full cash value of taxable property, plus other increases approved by the voters and distributed in accordance with statutory formulas.

The valuation/lien date for all taxes is January 1. Secured property tax is due in two installments, the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. Unsecured property tax is due on March 1, and becomes delinquent if unpaid on August 31.

**KELSEYVILLE FIRE PROTECTION DISTRICT**  
**Notes to Modified Cash Basis Financial Statements**  
**For the Year Ended June 30, 2021**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. Property Tax (Continued)**

The County uses the alternative method of property tax apportionment known as the “Teeter Plan”. Under this method of property tax apportionment, the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties.

**I. Interfund Transactions**

Interfund transactions are reflected as either loans, services provided or used, reimbursements or transfers.

Loans reported as receivables and payables are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans) as appropriate and are subject to elimination upon consolidation. Advances between funds, as reported in the fund financial statements, are offset by a non-spendable fund balance account in applicable governmental funds to indicate that they are not in spendable form.

Services provided or used, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. These services provide information on the net cost of each government function and therefore are not eliminated in the process of preparing the government-wide statement of activities.

Reimbursements occur when the funds responsible for particular expenditures or expenses repay the funds that initially paid for them. Such reimbursements are reflected as expenditures or expenses in the reimbursing fund and reductions to expenditures or expenses in the reimbursed fund.

All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide presentation.

**J. Compensated Absences**

The District has adopted the requirements for recording compensated absences as outlined in GASB Statement No. 16. The District’s policy regarding compensated absences is to permit employees to accumulate earned but unused vacation and sick leave. In the government-wide financial statements the accrued compensated absences is recorded as an expense and related liability, with the current portion estimated based on historical trends. In the governmental fund financial statements, the expenditures and liabilities related to those obligations are recognized only when they mature. The District includes its share of payroll taxes payable on behalf of the employees in the accrual for compensated absences.

**K. Pension**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pension, and pension expense, information about the fiduciary net position of the District’s California Public Employees’ Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plans’ fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**KELSEYVILLE FIRE PROTECTION DISTRICT**  
**Notes to Modified Cash Basis Financial Statements**  
**For the Year Ended June 30, 2021**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. Pension (Continued)**

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:

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

**L. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The District has one item that qualifies for reporting in this category. This item relates to the outflows from changes in the net pension liability and is reportable on the Statement of Net Position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. This item relates to the inflows from changes in the net pension liability and is reportable on the Statement of Net Position.

**M. Estimates**

The preparation of basic financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**N. Implementation of Governmental Accounting Standards Board (GASB) Statements**

The following Governmental Accounting Standards Board (GASB) Statements have been implemented, if applicable, in the current financial statements.

**Statement No. 84**, "Fiduciary Activities." The requirements of this statement are effective for periods beginning after December 15, 2019. The District does not have any fiduciary activities to report for the year ended June 30, 2021.

**Statement No. 90**, "Majority Equity Interest." In September 2018, the GASB issued Statement No. 90, an amendment of GASB Statements No. 14 and No. 61. The requirements of this statement will take effect for financial statement starting with the fiscal year that ends June 30, 2021. The District does not have any majority equity interests to report for the year ended June 30, 2021.

**KELSEYVILLE FIRE PROTECTION DISTRICT**  
**Notes to Modified Cash Basis Financial Statements**  
**For the Year Ended June 30, 2021**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**O. Future Accounting Pronouncements**

The following GASB Statements will be implemented in future financial statements:

- Statement No. 87 “Leases” The requirements of this statement are effective for periods beginning after June 15, 2021. (FY 21/22)
- Statement No. 89 “Accounting for Interest Cost Incurred Before the End of a Construction Period”. The requirements of this statement are effective for periods beginning after December 15, 2020. (FY 21/22)
- Statement No. 91 “Conduit Debt Obligations” The requirements of this statement are effective for periods beginning after December 15, 2021. (FY 22/23)
- Statement No. 92 “Omnibus 2020” The requirements of this statement are effective for periods beginning after June 15, 2021. (FY 21/22)
- Statement No. 93 “Replacement of Interbank Offered Rates” The requirements of this statement are effective for periods beginning after June 15, 2021. (FY 21/22)
- Statement No. 94 “Public-Private and Public-Public Partnerships and Availability Payment Arrangements” The requirements of this statement are effective for periods beginning after June 15, 2022. (FY 22/23)
- Statement No. 96 “Subscription-Based Information Technology Arrangements” The requirements of this statement are effective for periods beginning after June 15, 2022. (FY 22/23)
- Statement No. 97 “Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans” The requirements of this statement are effective for periods beginning after June 15, 2021. (FY 21/22)

**NOTE 2: CASH AND INVESTMENTS**

**A. Financial Statement Presentation**

As of June 30, 2021, the District’s cash and investments consisted of the following:

Cash:	
Cash on hand	\$ 100
Deposits (less outstanding checks)	<u>5,200</u>
Total Cash	<u>5,300</u>
Investments:	
Lake County Treasurer’s Pool	<u>3,004,942</u>
Total Investments	<u>3,004,942</u>
Total Cash and Investments	<u>\$ 3,010,242</u>



**KELSEYVILLE FIRE PROTECTION DISTRICT**  
**Notes to Modified Cash Basis Financial Statements**  
**For the Year Ended June 30, 2021**

**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

**B. Cash**

At year end, the carrying amount of the District's cash deposits (including amounts in checking accounts) was \$5,200 and the bank balance was \$151,041. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. In addition, the District had cash on hand of \$100.

Custodial Credit Risk - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The District complies with the requirements of the California Government Code. Under this code, deposits of more than \$250,000 must be collateralized at 105 percent to 150 percent of the value of the deposit to guarantee the safety of the public funds.

**C. Investments**

The District has a formal investment policy. At June 30, 2021, all investments of the District were in the County of Lake investment pool. Under the provisions of the County's investment policy and the California Government Code, the County may invest or deposit in the following:

- Bankers' Acceptances
- Commercial Paper
- Local Agency Investment Fund (LAIF)
- Capital Asset Management Program
- Mutual Funds
- Medium-Term Corporate Notes
- Negotiable Certificates of Deposit
- Repurchase Agreements
- Securities of the Federal Government or its Agencies
- State of California Obligations
- Local Agency Bonds
- U.S. Treasury Obligations
- Obligations of California Local Agencies
- Money Market
- U.S. Corporate Bonds
- Non-U.S. Corporate Bonds
- Certificates of Deposit

Fair Value of Investments - The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs

The District's position in external investment pools is in itself regarded as a type of investment and looking through to the underlying investments of the pool is not appropriate. Therefore, the District's investments in external investment pools are not recognized in the three-tiered fair value hierarchy described above.

**KELSEYVILLE FIRE PROTECTION DISTRICT**  
**Notes to Modified Cash Basis Financial Statements**  
**For the Year Ended June 30, 2021**

**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

**C. Investments (Continued)**

At June 30, 2021, the District had the following recurring fair value measurements:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by Fair Value Level				
None	\$ -	\$ -	\$ -	\$ -
Total Investments Measured at Fair Value	-	<u>-</u>	<u>-</u>	<u>-</u>
Investments in External Investment Pool				
Lake County Treasurer's Pool	<u>3,004,942</u>			
Total Investments	<u>\$ 3,004,942</u>			

**Interest Rate Risk** - Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. To limit exposure to fair value losses resulting from increases in interest rates, the County's investment policy limits investment maturities to a term appropriate to the need for funds so as to permit the County to meet all projected obligations.

**Credit Risk** - 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 County's investment policy sets specific parameters by the type of investment to be met at the time of purchase. As of June 30, 2021, the District's investments were all held with the County of Lake investment pool which is not rated by a nationally recognized statistical rating organization.

**Custodial Credit Risk** - Custodial credit risk for investments is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or collateral securities that are in the possession of an outside party. Custodial credit risk does not apply to a local government's indirect investments in securities through the use of mutual funds or government investment pools.

**Concentration of Credit Risk** - Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. State law and the investment policy of the County contain limitations on the amount that can be invested in any one issuer. All investments of the District are in the Lake County investment pool which contains a diversification of investments.

**KELSEYVILLE FIRE PROTECTION DISTRICT**  
**Notes to Modified Cash Basis Financial Statements**  
**For the Year Ended June 30, 2021**

**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

**D. Investments in External Pool**

The Lake County Pooled Investment Fund is a pooled investment fund program governed by the County which monitors and reviews the management of public funds maintained in the investment pool in accordance with the County investment policy and the California Government Code. The Board of Supervisors review and approve the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the Board of Supervisors every month. The report covers the type of investments in the pool, maturity dates, par value, actual cost and fair value. Investments in the Lake County Pooled Investment fund are regarded as highly liquid as deposits and withdrawals can be made at any time without penalty. The Pool does not impose a maximum investment limit. Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. The County of Lake's financial statements may be obtained by contacting the County of Lake Auditor-Controller's office at 255 North Forbes Street, Lakeport, CA 95453.

**NOTE 3: CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2021, was as follows:

	Balance <u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2021</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 156,285	\$ -	\$ -	\$ 156,285
Total Capital Assets, Not Being Depreciated	<u>156,285</u>	<u>-</u>	<u>-</u>	<u>156,285</u>
Capital Assets, Being Depreciated:				
Buildings and improvements	2,350,789	9,297	-	2,360,086
Equipment	<u>2,627,723</u>	<u>338,826</u>	<u>( 86,562)</u>	<u>2,879,987</u>
Total Capital Assets, Being Depreciated	<u>4,978,512</u>	<u>348,123</u>	<u>( 86,562)</u>	<u>5,240,073</u>
Less Accumulated Depreciation For:				
Buildings and improvements	( 716,394)	( 47,531)	-	( 763,925)
Equipment	<u>( 1,497,875)</u>	<u>( 124,518)</u>	<u>74,380</u>	<u>( 1,548,013)</u>
Total Accumulated Depreciation	<u>( 2,214,269)</u>	<u>( 172,049)</u>	<u>74,380</u>	<u>( 2,311,938)</u>
Total Capital Assets, Being Depreciated, Net	<u>2,764,243</u>	<u>176,074</u>	<u>( 12,182)</u>	<u>2,928,135</u>
Total Capital Assets, Net	<u>\$ 2,920,528</u>	<u>\$ 176,074</u>	<u>(\$ 12,182)</u>	<u>\$ 3,084,420</u>

**Depreciation**

Depreciation expense was charged to governmental functions as follows:

Public Protection	\$ <u>172,049</u>
Total Depreciation Expense	\$ <u>172,049</u>

**KELSEYVILLE FIRE PROTECTION DISTRICT**  
**Notes to Modified Cash Basis Financial Statements**  
**For the Year Ended June 30, 2021**

**NOTE 4: LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2021:

<u>Type of Indebtedness</u>	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2021</u>	<u>Amounts Due Within One Year</u>
Capital leases	\$ 973,595	\$ 114,000	(\$ 329,836)	\$ 757,759	\$ 162,310
Compensated absences	239,993	126,909	( 105,871)	261,031	133,624
Total	<u>\$ 1,213,588</u>	<u>\$ 240,909</u>	<u>(\$ 435,707)</u>	<u>\$ 1,018,790</u>	<u>\$ 295,934</u>

**NOTE 5: LEASES**

**Operating Leases**

Rental expenses incurred under operating leases are not considered material.

**Capital Leases**

The District has entered into certain capital lease agreements under which the related buildings and equipment will become the property of the District when all terms of the lease agreements are met.

	<u>Stated Interest Rate</u>	<u>Present Value of Remaining Payments at June 30, 2021</u>
Governmental activities	2.85% – 4.15%	\$ 757,759
Total		<u>\$ 757,759</u>

Buildings and equipment and related accumulated depreciation under capital leases are as follows:

	<u>Governmental Activities</u>
Buildings	\$ 2,231,189
Equipment	129,465
Less: accumulated depreciation	( 669,357)
Net Value	<u>\$ 1,691,297</u>

As of June 30, 2021, capital lease annual amortization is as follows:

<u>Year Ended June 30</u>	<u>Governmental Activities</u>
2022	\$ 187,895
2023	187,895
2024	187,895
2025	187,748
2026	<u>81,413</u>
Total Requirements	832,846
Less Interest	( 75,087)
Present Value of Remaining Payments	<u>\$ 757,759</u>

**KELSEYVILLE FIRE PROTECTION DISTRICT**  
**Notes to Modified Cash Basis Financial Statements**  
**For the Year Ended June 30, 2021**

**NOTE 6: NET POSITION**

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- **Net investment in capital assets** - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- **Restricted net position** - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. These principally include restrictions for capital projects, debt service requirements and other special revenue fund purposes.
- **Unrestricted net position** - all other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

**Net Position Flow Assumption**

When a government funds outlays for a particular purpose from both restricted and unrestricted resources, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted net position are available, it is considered that restricted resources are used first, followed by the unrestricted resources.

**NOTE 7: FUND BALANCES**

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 the specific purposes for which amounts in the funds can be spent. As of June 30, 2021, fund balance for governmental funds is made up of the following:

- **Non-spendable fund balance** - amounts that cannot be spent because they are either (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 and prepaid amounts.
- **Restricted fund balance** - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed fund balance** - amounts that can only be used for the specific purposes determined by formal action of the District’s highest level of decision-making authority. The Board of Directors is the highest level of decision making authority for the District that can, by Board action, commit fund balance. Once adopted, the limitation imposed remains in place until a similar action is taken to remove or revise the limitation. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

**KELSEYVILLE FIRE PROTECTION DISTRICT**  
**Notes to Modified Cash Basis Financial Statements**  
**For the Year Ended June 30, 2021**

**NOTE 7: FUND BALANCES (CONTINUED)**

- **Assigned fund balance** - amounts that are constrained by the District’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making authority, or by a body or an official designated for that purpose.
- **Unassigned fund balance** - the residual classification for the District’s General fund that includes all amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The fund balances for all governmental funds as of June 30, 2021, were distributed as follows:

	<u>General</u>	<u>Mitigation Fees</u>	<u>Total</u>
<b>Restricted for:</b>			
Capital projects	\$ -	\$ 210,256	\$ 210,256
Subtotal	<u>-</u>	<u>210,256</u>	<u>210,256</u>
<b>Assigned to:</b>			
General reserve	27,728	-	27,728
Equipment	486,132	-	486,132
Building	205,643	-	205,643
Medical insurance	460,389	-	460,389
Medical services and equipment	<u>562,174</u>	<u>-</u>	<u>562,174</u>
Subtotal	<u>1,742,066</u>	<u>-</u>	<u>1,742,066</u>
<b>Unassigned</b>	<u>1,057,920</u>	<u>-</u>	<u>1,057,920</u>
Total	<u>\$ 2,799,986</u>	<u>\$ 210,256</u>	<u>\$ 3,010,242</u>

**Fund Balance Flow Assumption**

When a government funds outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance), a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted fund balance are available, it is considered that restricted fund balance is depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**Fund Balance Policy**

The Board of Directors adopted the Kelseyville Fire Protection District’s Fund Balance Policy for Financial Statement Reporting in 2013. The policy establishes procedures for reporting fund balance classifications, establishes prudent reserve requirements and establishes a hierarchy of fund balance expenditures.

**KELSEYVILLE FIRE PROTECTION DISTRICT**  
**Notes to Modified Cash Basis Financial Statements**  
**For the Year Ended June 30, 2021**

**NOTE 8: PENSION PLAN**

**A. General Information about the Pension Plan**

All qualified permanent and probationary employees are eligible to participate in the District’s Safety and Miscellaneous (all other) Employee Pension Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS). 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.

Effective January 1, 2013, the District added retirement tiers for both Miscellaneous and Safety Benefit Tiers for new employees as required under the Public Employee Pension Reform Act (PEPRA). Classic employees are generally defined as employees who have been a member of any public retirement system who have had less than six months since a break in service. Applicable new hires to the District defined as classic employees as determined by CalPERS will be subject to the appropriate non-PEPRA benefit tier (i.e., Safety or Miscellaneous). New non-classic employees hired on or after January 1, 2013 will be subject to new, lower pension formulas, caps on pensionable income levels and new definitions of pensionable income. In addition, new non-classic employees will be required to contribute half of the total normal cost of the pension benefit unless impaired by an existing Memorandum of Understanding. The cumulative effect of these PEPRA changes will ultimately reduce the District’s retirement costs.

**Summary of Rate Tiers and Eligible Participants**

Open for New Enrollment	
Miscellaneous PEPRA	Miscellaneous members hired on or after January 1, 2013
Safety PEPRA	Safety members hired on or after January 1, 2013
Closed to New Enrollment	
Miscellaneous	Miscellaneous members hired before January 1, 2013
Safety	Safety members hired before January 1, 2013

**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 50 (age 52 for Miscellaneous Plan members if membership date is on or after January 1, 2013) with statutorily reduced benefits. Retirement benefits are paid monthly for life. 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 the plan are applied as specified by the Public Employees’ Retirement Law.

Each Rate Tier’s specific provisions and benefits in effect at June 30, 2021, are summarized as follows:

	<u>Benefit Formula</u>	<u>Retirement Age</u>	<u>Monthly Benefits as a % of Eligible Compensation</u>
Miscellaneous	2.0% @ 60	50-55	1.092% to 2.418%
Miscellaneous PEPRA	2.0% @ 62	52-62	1.000% to 2.500%
Safety	2.0% @ 50	50	2.000% to 2.700%
Safety PEPRA	2.7% @ 57	50-57	2.000% to 2.700%

**KELSEYVILLE FIRE PROTECTION DISTRICT**  
**Notes to Modified Cash Basis Financial Statements**  
**For the Year Ended June 30, 2021**

**NOTE 8: PENSION PLAN (CONTINUED)**

**A. General Information about the Pension Plan (Continued)**

**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 annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for all Plans 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.

	<u>Employer Contribution Rates</u>	<u>Employee Contribution Rates</u>	<u>Employer Paid Member Contribution Rates</u>
Miscellaneous	8.794%	7.000%	0.000%
Miscellaneous PEPRA	7.752%	6.750%	0.000%
Safety	19.825%	9.000%	0.000%
Safety PEPRA	13.884%	12.750%	0.000%

For the year ended June 30, 2021, the contributions recognized as part of pension expense were as follows:

	<u>Contributions-Employer</u>	<u>Contributions-Employee (Paid by Employer)</u>
Miscellaneous	\$ 20,878	\$ -
Safety	437,567	-

**B. Pension Liability, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension**

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2020, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2020 and 2021 was as follows:

	<u>Proportion June 30, 2020</u>	<u>Proportion June 30, 2021</u>	<u>Change - Increase (Decrease)</u>
Miscellaneous	-0.00053%	-0.00012%	0.00041%
Safety	0.06222%	0.06270%	0.00048%



**KELSEYVILLE FIRE PROTECTION DISTRICT**  
**Notes to Modified Cash Basis Financial Statements**  
**For the Year Ended June 30, 2021**

**NOTE 8: PENSION PLAN (CONTINUED)**

**B. Pension Liability, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension (Continued)**

As of June 30, 2021, the District reported a net pension liability for its proportionate share of the net pension liability as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	(\$ 4,923)
Safety	<u>4,177,222</u>
Total Net Pension Liability	<u>\$ 4,172,299</u>

For the year ended June 30, 2021, the District recognized pension expense of \$712,805. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 482,578	\$ -
Change of assumptions	-	( 13,879)
Difference between expected and actual experience	323,669	-
Difference between projected and actual earnings on pension plan investments	90,642	-
Differences between District contributions and proportionate share of contributions.	737	( 39,807)
Adjustments due to differences in proportions	<u>50,044</u>	<u>( 5,129)</u>
Total	<u>\$ 947,670</u>	<u>(\$ 58,815)</u>

\$482,578 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 fiscal year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

<u>Fiscal Year Ended June 30</u>		
2022		\$ 100,542
2023		153,930
2024		106,385
2025		45,420
Thereafter		<u>-</u>
Total		<u>\$ 406,277</u>

**KELSEYVILLE FIRE PROTECTION DISTRICT**  
**Notes to Modified Cash Basis Financial Statements**  
**For the Year Ended June 30, 2021**

**NOTE 8: PENSION PLAN (CONTINUED)**

**B. Pension Liability, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension (Continued)**

**Actuarial Assumptions**

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

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Investment Rate of Return	7.15%
Inflation	2.50%
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 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90 percent 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 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Long-Term Expected Rate of Return**

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

**KELSEYVILLE FIRE PROTECTION DISTRICT**  
**Notes to Modified Cash Basis Financial Statements**  
**For the Year Ended June 30, 2021**

**NOTE 8: PENSION PLAN (CONTINUED)**

**B. Pension Liability, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension (Continued)**

**Long-Term Expected Rate of Return (Continued)**

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 (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below 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.

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 – 10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	<u>1.0%</u>	0.00%	-0.92%
Total	<u>100.0%</u>		

(a) An expected inflation of 2.00% used for this period

(b) An expected inflation of 2.92% used for this period

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

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

	<u>1% Decrease 6.15%</u>	<u>Discount Rate 7.15%</u>	<u>1% Increase 8.15%</u>
Miscellaneous	\$ 72,878	(\$ 4,923)	(\$ 69,208)
Safety	5,996,305	4,177,222	2,684,493

**Pension Plan Fiduciary Net Position**

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

**KELSEYVILLE FIRE PROTECTION DISTRICT**  
**Notes to Modified Cash Basis Financial Statements**  
**For the Year Ended June 30, 2021**

**NOTE 9: RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has joined together with other fire districts in the state to participate in Fire District's Association of California - Fire Association Self Insurance System. This joint venture is a public entity risk pool which serves as a common risk management and insurance program for workers compensation coverage for member fire districts. The District pays an annual premium to the joint venture for its insurance coverage. The agreement with the joint venture provides that they will be self-sustaining through member premiums and will reinsure through commercial companies for excess coverage.

The District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 10: OTHER INFORMATION**

**A. Commitments and Contingencies**

There are potential claims and legal actions pending against the District for which no provisions have been made in the financial statements. In the opinion of the District management and legal counsel, liabilities arising from these claims and legal actions, if any, either will not be material or cannot be estimated at this time.

Management has evaluated events subsequent to June 30, 2021 through February 1, 2022, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

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## **Supplementary Information**

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**KELSEYVILLE FIRE PROTECTION DISTRICT**  
**Supplementary Information**  
**District Pension Plan**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**For the Year Ended June 30, 2021**  
**Last 10 Years\***

<b>Measurement Date</b>	<b>2013/2014</b>	<b>2014/2015</b>	<b>2015/2016</b>	<b>2016/2017</b>
<b>Miscellaneous</b>				
Proportion of the net pension liability	-0.00164%	-0.00203%	-0.00097%	-0.00063%
Proportionate share of the net pension liability	\$ (40,635)	\$ (55,797)	\$ (33,554)	\$ (24,633)
Covered payroll	315,605	349,004	377,541	321,806
Proportionate share of the net pension liability as a percentage of covered payroll	-12.88%	-15.99%	-8.89%	-7.65%
Plan fiduciary net position as a percentage of the total pension liability	116.88%	119.93%	110.55%	106.08%
<b>Safety</b>				
Proportion of the net pension liability	0.06484%	0.06369%	0.06221%	0.06084%
Proportionate share of the net pension liability	\$ 2,431,960	\$ 2,624,163	\$ 3,222,108	\$ 3,635,306
Covered payroll	867,863	969,313	954,835	996,117
Proportionate share of the net pension liability as a percentage of covered payroll	280.22%	270.72%	337.45%	364.95%
Plan fiduciary net position as a percentage of the total pension liability	74.36%	73.25%	69.33%	69.08%

\* The District implemented GASB 68 for the fiscal year June 30, 2015, therefore only seven years are shown.



<u>2017/2018</u>	<u>2018/2019</u>	<u>2019/2020</u>
-0.00089%	-0.00053%	-0.00012%
\$ (33,365)	\$ (21,242)	\$ (4,923)
343,792	324,591	264,651
-9.70%	-6.54%	-1.86%
106.79%	103.73%	100.84%
0.06218%	0.06222%	0.06270%
\$ 3,648,439	\$ 3,884,295	\$ 4,177,222
969,682	891,466	914,639
376.25%	435.72%	456.71%
69.91%	70.08%	68.81%

**KELSEYVILLE FIRE PROTECTION DISTRICT**  
**Supplementary Information**  
**District Pension Plan**  
**Schedule of Contributions**  
**For the Year Ended June 30, 2021**  
**Last 10 Years\***

<b>Fiscal Year</b>	<u>2014/2015</u>	<u>2015/2016</u>	<u>2016/2017</u>	<u>2017/2018</u>
<b>Miscellaneous</b>				
Contractually required contributions (actuarially determined)	\$ 22,536	\$ 24,461	\$ 23,171	\$ 23,381
Contributions in relation to the actuarially determined contributions	<u>(22,536)</u>	<u>(24,461)</u>	<u>(23,214)</u>	<u>(23,496)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (43)</u>	<u>\$ (115)</u>
Covered payroll	\$ 349,004	\$ 377,541	\$ 321,806	\$ 343,792
Contributions as a percentage of covered payroll	6.46%	6.48%	7.20%	6.80%
<b>Safety</b>				
Contractually required contributions (actuarially determined)	\$ 187,811	\$ 145,112	\$ 156,093	\$ 153,611
Contributions in relation to the actuarially determined contributions	<u>(187,811)</u>	<u>(299,456)</u>	<u>(329,733)</u>	<u>(354,093)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (154,344)</u>	<u>\$ (173,640)</u>	<u>\$ (200,482)</u>
Covered payroll	\$ 969,313	\$ 954,835	\$ 996,117	\$ 969,682
Contributions as a percentage of covered payroll	19.38%	15.20%	15.67%	15.84%

\* The District implemented GASB 68 for the fiscal year June 30, 2015, therefore only seven years are shown.

<u>2018/2019</u>	<u>2019/2020</u>	<u>2020/2021</u>
\$ 22,860	\$ 19,253	\$ 18,388
<u>(23,149)</u>	<u>(20,878)</u>	<u>(20,197)</u>
<u>\$ (289)</u>	<u>\$ (1,625)</u>	<u>\$ (1,809)</u>
\$ 324,591 7.04%	\$ 264,651 7.27%	\$ 228,211 8.06%
\$ 149,996	\$ 157,896	\$ 149,843
<u>(387,997)</u>	<u>(437,567)</u>	<u>(462,381)</u>
<u>\$ (238,001)</u>	<u>\$ (279,671)</u>	<u>\$ (312,538)</u>
\$ 891,466 16.83%	\$ 914,639 17.26%	\$ 812,483 18.44%

**KELSEYVILLE FIRE PROTECTION DISTRICT**  
**Supplementary Information**  
**District Pension Plan**  
**Notes to District Pension Plan**  
**For the Year Ended June 30, 2021**

**NOTE 1: SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

**Summary of Changes of Benefits or Assumptions**

Benefit Changes: None

Changes of Assumption: None

**NOTE 2: SCHEDULE OF CONTRIBUTIONS**

Methods and assumptions used to determine the contribution rates were as follows:

Valuation Date	June 30, 2018
Actuarial cost method	Individual Entry Age Normal
Amortization method	Level Percentage of Payroll and Direct Rate Smoothing
Remaining Amortization Period	Differs by employer rate plan but no more than 30 years
Asset valuation method	Fair value
Discount Rate	7.00%
Payroll Growth	2.75%
Inflation	2.50%
Salary increases	Varies based on entry age and service
Investment rate of return	7.00%

**KELSEYVILLE FIRE PROTECTION DISTRICT**  
**Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Taxes	\$ 1,555,450	\$ 1,555,450	\$ 1,624,622	\$ 69,172
Licenses and permits	9,500	9,500	15,876	6,376
Use of money and property	15,000	15,000	10,530	(4,470)
Intergovernmental revenues	14,975	14,975	522,665	507,690
Charges for services	1,782,000	1,782,000	2,336,792	554,792
Other revenues	10,000	10,000	57,514	47,514
<b>Total Revenues</b>	<u>3,386,925</u>	<u>3,386,925</u>	<u>4,567,999</u>	<u>1,181,074</u>
<b>EXPENDITURES</b>				
Current public protection:				
Salaries and benefits	3,118,558	3,118,558	2,610,204	508,354
Services and supplies	640,640	979,380	845,288	134,092
Debt service	219,876	368,787	368,786	1
Capital outlay	80,703	253,415	348,123	(94,708)
<b>Total Expenditures</b>	<u>4,059,777</u>	<u>4,720,140</u>	<u>4,172,401</u>	<u>547,739</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(672,852)</u>	<u>(1,333,215)</u>	<u>395,598</u>	<u>1,728,813</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Debt proceeds	-	-	114,000	114,000
Transfers in	40,000	40,000	-	(40,000)
<b>Total Other Financing Sources (Uses)</b>	<u>40,000</u>	<u>40,000</u>	<u>114,000</u>	<u>74,000</u>
<b>Net Change in Fund Balances</b>	<u>(632,852)</u>	<u>(1,293,215)</u>	<u>509,598</u>	<u>1,802,813</u>
<b>Fund Balances - Beginning</b>	<u>2,290,388</u>	<u>2,290,388</u>	<u>2,290,388</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ 1,657,536</u>	<u>\$ 997,173</u>	<u>\$ 2,799,986</u>	<u>\$ 1,802,813</u>

The Kelseyville Fire Protection District budgets for debt service principal and interest expenditures as one item. For purposes of the budgetary comparison schedule, the debt service principal and interest expenditures have been combined.

**KELSEYVILLE FIRE PROTECTION DISTRICT**  
**Supplementary Information**  
**Budgetary Comparison Schedule**  
**Mitigation Fees - Major Special Revenue Fund**  
**For the Year Ended June 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Use of money and property	\$ -	\$ -	\$ 679	\$ 679
Charges for services	40,000	40,000	81,704	41,704
<b>Total Revenues</b>	<u>40,000</u>	<u>40,000</u>	<u>82,383</u>	<u>42,383</u>
<b>EXPENDITURES</b>				
Current public protection: Salaries and benefits	-	-	-	-
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>40,000</u>	<u>40,000</u>	<u>82,383</u>	<u>42,383</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(40,000)	(40,000)	-	40,000
<b>Total Other Financing Sources (Uses)</b>	<u>(40,000)</u>	<u>(40,000)</u>	<u>-</u>	<u>40,000</u>
<b>Net Change in Fund Balances</b>	-	-	82,383	82,383
<b>Fund Balances - Beginning</b>	<u>127,873</u>	<u>127,873</u>	<u>127,873</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ 127,873</u>	<u>\$ 127,873</u>	<u>\$ 210,256</u>	<u>\$ 82,383</u>

**KELSEYVILLE FIRE PROTECTION DISTRICT**  
**Supplementary Information**  
**Note to Budgetary Comparison Schedules**  
**For the Year Ended June 30, 2021**

**NOTE 1: BUDGETARY BASIS OF ACCOUNTING**

Formal budgetary integration is employed as a management control device during the year. The District presents a comparison of annual budget to actual results for the General fund and major special revenue fund. The amounts reported on the budgetary basis are generally on the basis of accounting described in Note 1C.

The following procedures are performed by the District in establishing the budgetary data reflected in the financial statements:

- (1) The Fire Chief submits to the Board of Directors a recommended budget for the fiscal year commencing the following July 1. The budget includes recommended expenditures and the means of financing them.
- (2) The Board of Directors reviews the recommended budget at regularly scheduled meetings, which are open to the public. The Board also conducts a public hearing on the recommended budget to obtain comments from interested persons.
- (3) Prior to July 1, the budget is adopted through the passage of a resolution.
- (4) From the effective date of the budget, the amounts stated therein, as recommended expenditures become appropriations to the District. The Board may amend the budget by motion during the fiscal year.

The District does not use encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.

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**OTHER REPORT**

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

To the Board of Directors  
Kelseyville Fire Protection District  
Kelseyville, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities and each major fund of Kelseyville Fire Protection District, California (District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 1, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

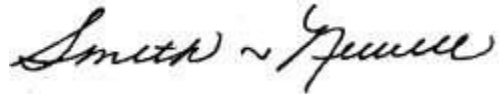
To the Board of Directors  
Kelseyville Fire Protection District  
Kelseyville, California

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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



Smith & Newell CPAs  
Yuba City, California  
February 1, 2022