

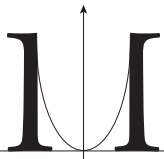


TIBURON FIRE PROTECTION DISTRICT

**FINANCIAL STATEMENTS
AND
REPORT OF INDEPENDENT AUDITORS
YEAR ENDED JUNE 30, 2018**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Tiburon Fire Protection District

We have audited the accompanying financial statements of the Tiburon Fire Protection District (District) as of and for the year ended June 30, 2018, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, 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.

Maher Accountancy

December 5, 2018

TIBURON FIRE PROTECTION DISTRICT

1679 Tiburon Boulevard, Tiburon, CA 94920

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. Please read it along with the District's financial statements, which begin on page 7.

FINANCIAL HIGHLIGHTS

The District's net position decreased by \$1,872,000 during 2018. Total revenues increased by \$302,000.

Included in the required supplemental information section is a budgetary comparison schedule. That schedule indicates that our revenues were \$73,000 less than budgeted and expenditures were \$419,000 less than what was budgeted. Variance details are listed on the budgetary comparison schedule.

USING THIS ANNUAL REPORT

The statement of net position and the statement of activities provide information about the activities of the District as a whole and present a long-term view of the District's finances (they include capital assets and long-term liabilities). The fund financial statements present a short-term view of the District's activities (they include only current assets expected to be collected in the very near future and liabilities expected to be paid in the very near future).

THE DISTRICT AS A WHOLE

One important question asked about the District's finances is, "Is the District better or worse off as a result of the year's activities?" The information in the government-wide financial statements helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting (and reports depreciation on capital assets), which is similar to the basis of accounting used by most private-sector companies.

The change in net position (the difference between total assets and total liabilities) over time is one indicator of whether the District's financial health is improving or deteriorating. However, one must consider other nonfinancial factors in assessing the District's health, such as changes in the economy, changes in the District's tax base and assessed valuations to assess the overall health of the District.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in the District's net position (in thousands) were as follows:

	<u>6/30/2018</u>	<u>6/30/2017</u>	Increase (decrease)
Current assets	\$ 6,722	\$ 6,340	\$ 382
Other noncurrent assets	1,020	2,266	(1,246)
Net capital assets	<u>4,612</u>	<u>4,032</u>	580
Total assets	<u>12,354</u>	<u>12,638</u>	<u>(284)</u>
Deferred outflows of resources	3,773	2,011	1,762
Current liabilities	736	676	60
Noncurrent liabilities	<u>10,369</u>	<u>7,028</u>	<u>3,341</u>
Total liabilities	<u>11,105</u>	<u>7,704</u>	<u>3,401</u>
Deferred inflows of resources	6,057	1,687	4,370
Net position:			
Net investment in capital assets	4,374	4,032	342
Unrestricted (deficit)	<u>(5,354)</u>	<u>1,225</u>	<u>(6,579)</u>
Total net position	<u>\$ (980)</u>	<u>\$ 5,257</u>	<u>\$ (6,237)</u>

The increase in current assets is primarily a result of normal changes in working capital. The main reason for the decrease in noncurrent assets is the implementation of GASB 75, where the over-funded OPEB obligation was eliminated and a net OPEB liability was recognized. Additionally, an increased pension liability accounted helped to increase noncurrent liabilities and deferred outflows of resources. Fire truck acquisitions is the main reason for the increase in net capital assets.

Changes in the District's revenues (in thousands) were as follows:

	<u>6/30/2018</u>	<u>6/30/2017</u>	Increase (decrease)
General revenues:			
Property taxes	\$ 5,931	\$ 5,642	\$ 289
Operating grants and contributions	35	26	9
Use of money and property	<u>99</u>	<u>349</u>	<u>(250)</u>
Total general revenues	<u>6,065</u>	<u>6,017</u>	<u>48</u>
Program revenues:			
Charges for services	2,061	2,008	53
Southern Marin Emergency			
Medical Paramedic System	435	219	216
Miscellaneous	<u>11</u>	<u>26</u>	<u>(15)</u>
Total program revenues	<u>2,507</u>	<u>2,253</u>	<u>254</u>
Total revenue	<u>\$ 8,572</u>	<u>\$ 8,270</u>	<u>\$ 302</u>

Property tax revenue increased approximately 5 percent, which corresponds to a similar increase in assessed property values within the District. Use of money and property decreased as a result of our sales of a fireboat and firetruck in 2016-17 that did not recur in 2017-18. Charges for services changed due to increased assistance with out-of-district fires. The audited financial statements for SMEMPS reported higher revenue than the prior year, and therefore our share as indicated above increased also.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in the District's expenses and net position (in thousands) were as follows:

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>Increase (decrease)</u>
Public safety-fire protection:			
Personnel	\$ 9,442	\$ 7,309	\$ 2,133
Material and services	676	682	(6)
Contributions	-	-	0
Depreciation	307	333	(26)
Loss on disposition of assets	11	132	(121)
Interest	6	1	5
Total expenses	<u>10,442</u>	<u>8,457</u>	<u>1,984</u>
Less program revenues	<u>2,507</u>	<u>2,253</u>	<u>254</u>
Net expenses	7,935	6,204	1,730
General revenues	<u>6,065</u>	<u>6,017</u>	<u>48</u>
Change in net position	(1,870)	(187)	(1,682)
Beginning net position - restated	<u>893</u>	<u>5,444</u>	<u>(4,551)</u>
Ending net position	<u>\$ (977)</u>	<u>\$ 5,257</u>	<u>\$ (6,233)</u>

Expenses that comprise the personnel category include base salaries, overtime, and benefits. Pension and health insurance costs accounted for the largest change in the personnel category.

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the District's general fund.

The fund financial statements provide a short-term view of the District's operations. They are reported using an accounting basis called modified accrual which reports cash and other short-term assets and liabilities (receivables and payables) that will soon be converted to cash or will soon be paid with cash.

As shown on the Statement of Revenue, Expenditures and Changes in Fund Balance, the fund balance of the general fund increased by \$419,000. Following the statement is a reconciliation between the fund balance increase and the change in net position. Fund balance increased during the year due to various changes in revenues and expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Depreciation is a systematic approach to allocate the cost of capital assets over their estimated useful lives. The District's policies regarding depreciation are disclosed in Note 1 and a summary of changes in capital assets is reported in Note 3.

In fiscal year 2017-18, we made a \$250,000 deposit to acquire a new Pierce Type 1 pumper that will cost \$631,000. We acquired the pumper utilizing a leasing arrangement with the amount financed at approximately \$381,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC OUTLOOK

Property tax revenue remains the District's most stable revenue source. The assessed value of property within the District increased 5% in 2018. More modest increases are anticipated over the next several years.

Recent adjustments to CalPERS actuarial policies continue to increase required pension costs. In addition, implementation of GASB 75 has affected the way postemployment benefits liabilities are measured actuarially, most notably with the "implicit rate subsidy", which affectively increases the District's unfunded liability as recognized in public agency financial statements. However, the District continues to accelerate towards fully funded retirement benefits with contributions beyond what is required, resulting in significant savings in interest costs. While this goal will impact the District's net position over time, adequate resources will be maintained for long range capital needs.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds under its stewardship.

Please address any questions about this report or requests for additional financial information to the address on our letterhead.

Respectfully submitted,

Richard Pearce

Richard Pearce, Fire Chief

Basic Financial Statements

**TIBURON FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2018**

ASSETS

Current assets:	
Cash and cash equivalents	\$ 6,340,706
Receivables:	
Accounts receivable	206,429
Interest	29,350
Property taxes	130,697
Prepaid expenses	<u>14,784</u>
Total current assets	6,721,966
Noncurrent assets:	
Prepaid expenses	55,000
Over-funded OPEB obligation	
Equity interest in Southern Marin Emergency Medical Paramedic System	1,019,956
Land and construction-in-progress	1,087,219
Depreciable capital assets, net	<u>3,524,927</u>
Total noncurrent assets	<u>5,687,102</u>
Total assets	<u>12,409,068</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension related	3,767,107
OPEB related	<u>6,026</u>
Total deferred outflows of resources	3,773,133

LIABILITIES

Current liabilities:	
Accounts payable and accrued expenses	218,289
Unearned revenue	224,843
Capital lease obligation	52,000
Accrued sick and vacation leave	<u>240,430</u>
Total current liabilities	735,562
Noncurrent liabilities:	
Capital lease obligation	185,824
Accrued sick and vacation leave	281,603
Net pension liability	7,496,308
Net OPEB liability	<u>2,405,702</u>
Total noncurrent liabilities	<u>10,369,437</u>
Total liabilities	<u>11,104,999</u>

DEFERRED INFLOWS OF RESOURCES

Pension related	5,905,037
OPEB related	<u>151,667</u>
Total deferred outflows of resources	6,056,704

NET POSITION

Net investment in capital assets	4,374,322
Unrestricted (deficit)	<u>(5,353,824)</u>
Total net position	<u>\$ (979,502)</u>

The accompanying notes are an integral part of these financial statements.

**TIBURON FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

EXPENSES

Personnel	\$ 9,442,435
Material and services	676,232
Depreciation	307,341
Loss on disposition of capital assets	11,227
Interest on debt	6,458
	10,443,693
Total expenses	10,443,693

PROGRAM REVENUES

Charges for services	2,061,314
Change in net position-Southern Marin Emergency Medical Paramedic System	434,957
Reimbursements and miscellaneous	10,533
	2,506,804
Total program revenues	2,506,804
Net program expense	7,936,889

GENERAL REVENUES

Property taxes	5,930,502
Intergovernmental-state	34,537
Use of money and property	99,483
	6,064,522
Total general revenues	6,064,522
Increase (decrease) in net position	(1,872,367)

NET POSITION

Beginning of year-restated	892,865
End of year	\$ (979,502)

**TIBURON FIRE PROTECTION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
AS OF JUNE 30, 2018**

ASSETS

Cash and cash equivalents	\$ 6,340,706
Receivables:	
Accounts receivable	206,429
Interest	29,350
Property taxes	130,697
Prepaid items	69,784
Total assets	\$ 6,776,966

LIABILITIES

Accounts payable and accrued expenses	\$ 218,289
Unearned revenue	224,843
Total liabilities	443,132

DEFERRED INFLOWS OF RESOURCES

Deferred property taxes	96,000
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FUND BALANCE

Nonspendable	69,784
Assigned	3,753,835
Unassigned	2,414,215
Total fund balance	6,237,834
Total liabilities, deferred inflows of resources, and fund balance	\$ 6,776,966

**TIBURON FIRE PROTECTION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
AS OF JUNE 30, 2018
(Continued)**

Reconciliation of governmental fund balance to net position of governmental activities:

Total governmental fund balance	\$ 6,237,834
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Property taxes receivable that are not available to pay current period expenditures and therefore are considered deferred inflows on the balance sheet	96,000
Capital assets used in the government activities are not financial resources and therefore are not reported in the funds	4,612,146
Some assets (liabilities) are not due and receivable (payable) in the current period and therefore are not reported as fund assets (liabilities)	
Investment in S MEMPS joint venture	1,019,956
Capital lease obligation	(237,824)
Accrued sick and vacation leave liability	(522,033)
Net pension liability and related deferred outflows and inflows of resources	(9,634,238)
Net OPEB liability and related deferred outflows and inflows of resources	<u>(2,551,343)</u>
Net position of governmental activities	<u><u>\$ (979,502)</u></u>

**TIBURON FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2018**

REVENUES

Property taxes	\$ 5,928,502
Intergovernmental	594,275
Use of money and property	99,483
Charges for services	1,501,576
Distributions from Southern Marin Emergency Medical Paramedic System	123,655
Reimbursements and miscellaneous	<u>10,533</u>
Total revenues	8,258,024

EXPENDITURES

Current:	
Salaries and benefits	6,495,379
Material and services	684,570
Capital outlay	745,906
Debt service:	
Principal	288,038
Interest	<u>6,458</u>
Total expenditures	<u>8,220,351</u>
Excess (deficiency) of revenues over expenditures	37,673

OTHER FINANCING SOURCES (USES)

Issuance of debt from capital lease transaction	<u>381,365</u>
Net change in fund balance	419,038

FUND BALANCE

Beginning of year	<u>5,818,796</u>
End of year	<u><u>\$ 6,237,834</u></u>

**TIBURON FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-GOVERNMENTAL FUND
AS OF JUNE 30, 2018
(Continued)**

**Reconciliation of the change in fund balance-total governmental funds
to the change in net position of governmental activities:**

Net change in fund balance	\$ 419,038
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures, however, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital asset purchases capitalized	754,244
Depreciation expense	(307,341)
Revenues in the statement of activities that do not provide current resources are not reported as revenue in the fund financial statements	
Property taxes	2,000
Increase in equity interest Southern Marin Emergency Medical Paramedic System	311,302
Loss from capital asset dispositions	(11,227)
Debt principal transactions reported in the government fund statement of revenue, expenditures and changes in fund balance are not considered an operating activity in the statement of activities (but only as changes in liabilities)	
Issuance of debt from capital lease transactions	(381,365)
Payments to reduce capital lease obligations	288,038
Expenditures reported in the modified accrual basis statement of revenues, expenditures and changes in fund balance are recognized in the period incurred if they are to be paid from current financial resources. Expenses reported in accrual basis statement of activities are recognized when incurred, regardless of the timing of the payment:	
Vacation and sick leave benefits	(13,671)
Other post-employment benefits	255,907
Pension plan benefits	(3,189,292)
Change in net position	<u>\$ (1,872,367)</u>

The accompanying notes are an integral part of these financial statements.

**TIBURON FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Tiburon Fire Protection District (the District) is a separate governmental unit established July 7, 1941, as a special district of the State of California. The purpose of the District is to provide fire protection, emergency medical and related services to Tiburon and the surrounding area. A five-person Board of Directors elected by the citizens governs the District. The District's legal authority and responsibilities are contained in the State of California Health and Safety Code under the "Fire Protection District Law of 1987."

Introduction

The District's financial statements are prepared in accordance 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.).

The District presents its financial statements using the reporting model for special purpose governments engaged in a single government program. This model allows the government-wide and fund financial statements to be combined using a columnar format that displays reconciling items on the face of the financial statements rather than in separate schedules.

Basic Financial Statements

Government-Wide Statements

The government-wide financial statements include all of the activities of the District. The District has no component units (other governments under the District's oversight or control). The statement of net position and the statement of activities display information about the reporting government as a whole. They display the District's activities on a full accrual accounting basis and economic resource measurement focus.

The statement of net position includes long-term assets as well as long-term debt and other obligations. The District's net position is reported in two parts: (1) net investment in capital assets and (2) unrestricted net position.

**TIBURON FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide Statements (continued)

The activities of the District are supported primarily by general government revenues (property taxes and intergovernmental revenues). The statement of activities presents gross expenses (including depreciation) and deducts related program revenues to indicate the net cost of operations. Program revenues include (a) fees and charges paid by recipients for services such as plan reviews and CPR classes and (b) miscellaneous income.

The government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

Fund Financial Statements

The financial transactions of the government are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, assigned or unassigned resources, fund balance, revenues and expenditures.

The District uses the following fund types:

Governmental funds are focused on the determination of financial position and changes in financial positions (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District:

General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Basis of Accounting

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

**TIBURON FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued):

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 incurred. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied.

Modified accrual

Governmental funds financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property taxes and charges for services are accrued when their receipt occurs within 60 days of the end of the fiscal year. Expenditures are generally recognized when the related liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims, and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from the issuance of general long-term debt and capital leases are reported as other financing sources.

Financial Statement Amounts

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 fiscal agent (LAIF).

**TIBURON FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Statement Amounts (continued)

Capital assets

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

- Buildings and improvements 40 years
- Equipment 4 - 20 years
- Hydrants 50 years

Compensated absences

The District accrues accumulated unpaid vacation and sick leave when earned (or estimated to be earned) by the employee.

In accordance with an agreement with the Tiburon Employees' Association, the District is obligated to provide the following compensated absence benefits:

Sick leave Shift employees of the District earn sick leave at 12 hours per month (one-half shift) and may accumulate up to 1,440 hours. Day employees earn 8 hours per month and may accumulate up to 1,040 hours. Each January, the District pays each employee his or her hourly base rate times 75% of unused sick leave hours exceeding 1,440 hours (1,040 hours for day employees). If an employee requests, the District will contribute 100% of all unused sick leave hours exceeding the maximum into an established deferred compensation plan. Upon retirement, if the employee has 20-years of service or is over age 50, the District will pay 50% of all unused sick leave hours in two installments: 25% at retirement and 25% one year later.

Vacations Shift personnel earn vacation shifts at a rate of 10 to 16 shifts per year, depending on length of service. Day employees earn vacation time off of 120 to 224 hours per year, depending on length of service. Vacations may be accumulated and carried forward from year to year subject to a maximum two years' allowance. Excess accumulations for management personnel, due to schedules and workloads, may take place with the approval of the Fire Chief and the Board of Directors.

**TIBURON FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Statement Amounts (continued)

Compensated absences (continued)

Compensatory time-off Day employees may accumulate compensatory time instead of extra duty pay, computed at the rate of one and one-half times the number of compensable hours worked. Accumulated compensatory time is limited to employee's normal hours worked per week as stated in the Association's and Management Group's memoranda of understanding. Time in excess of this amount is paid at the one and one half times employee's regular rate of pay.

Property taxes

The County of Marin levies taxes and places liens on real property as of January 1 on behalf of the District. Secured property taxes are due the following November 1 and March 1 and become delinquent April 10 and December 10, for the first and second installments, respectively. Unsecured property taxes are levied throughout the year.

As provided by the California Revenue and Taxation Code, the County of Marin advances the District its share of the annual gross levy of secured property taxes and special assessments. In consideration, the District gives the County of Marin its rights to penalties and interest on delinquent property tax receivables and actual proceeds collected.

When deemed necessary, special fire tax charges are assessed by the District Board of Directors before September 1 and adopted by resolution. These special tax charges are incorporated on property tax bills and therefore are attached as an enforceable lien on real property located within the District. The last special fire tax occurred during 2005-06.

Fund balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Governmental accounting principles provide that fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned. The Fire Chief is authorized as the designee to assign amounts to a specific purpose. The District's policy is that committed and assigned fund balances are considered to have been spent first before unassigned fund balances are spent.

Nonspendable – This component includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

**TIBURON FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Statement Amounts (continued)

Fund balance (continued)

Restricted – This component consists of amounts that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislations. The District does not have a restricted fund balance.

Committed – This component consists of amounts that can only be used for specific purposes under constraints imposed by formal action of the District’s highest level of decision-making authority which includes ordinances and resolutions. Those committed amounts cannot be used for any other purpose unless the District removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed previously to commit those amounts. The District does not have any resources that meet this component of fund balance.

Assigned – This component consists of amounts that are constrained by the District’s intent to be used for specific purposes but are neither restricted nor committed. The authority for assigning fund balance is expressed by the Board of Directors, Fire Chief or their designee as established in the District’s fund balance policy.

Unassigned – This classification represents amounts that have not been restricted, committed or assigned to specific purposes within the general fund.

Deferred outflows and inflows of resources

In addition to assets, the statement of net position (balance sheet) reports a separate section for deferred outflows and inflow of resources. This separate financial statement element represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position reports a separate section for deferred inflow of resources. This separate financial statement element represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time.

**TIBURON FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Statement Amounts (continued)

Other Postemployment Benefits Other Than Pensions (OPEB)

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

Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurement and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The investments in an external investment pool are not subject to reporting within the hierarchy.

**TIBURON FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Statement Amounts (continued)

Use of Estimates

The basic financial statements have been prepared in conformity to generally accepted accounting principles and therefore include amounts based on informed estimates and judgments of management. Actual results could differ from those estimates.

New Accounting Pronouncement

Management adopted the provisions of Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement replaces the requirements of GASB statements No. 45 on accounting and financial reporting by employers for postemployment benefits. See Note 14 for the restatement of beginning net position.

2. CASH AND CASH EQUIVALENTS

The District maintains most of its cash in the California Local Agency Investment Fund (LAIF), managed by the State Treasurer, for the purpose of increasing interest earnings through pooled investment activities. This fund is not registered with the Securities and Exchange Commission as an investment company but is required to invest according to the California State Code. Participants in the pool include voluntary and involuntary participants, such as special districts and school districts for which there are legal provisions regarding their investments. The Local Investment Advisory Board (LIAB) has oversight responsibility for LAIF. LIAB consists of five members as designated by State Statute.

On June 30, 2018, the District's pooled investment position in LAIF was \$6,076,827, which approximates fair value and is the same value of pooled shares. Fair value is based on information provided by the State for the Local Agency Investment Fund.

The LAIF pooled investments are not subject to reporting within the hierarchy as described in GASB Statement No. 72, *Fair Value Measurement and Application*.

**TIBURON FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

2. CASH AND CASH EQUIVALENTS (continued)

INTEREST RATE RISK

As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits the District's investment portfolio to maturities prescribed in Sections 53600 through 53609 of the California Government Code., which states that the District shall act with care, skill, prudence and diligence pursuant to the general economic conditions and anticipated needs of the agency. The District shall prioritize the safeguarding of principal and acquire only investments that are legal investments in the State of California. At June 30, 2018, the LAIF interest rate was 1.90%.

CREDIT RISK

State law limits investments in various securities to a certain level of risk ratings issued by nationally recognized statistical rating organizations. It is the District's policy to comply with State law regarding security ratings. The State Investment Pool was unrated.

CONCENTRATION OF CREDIT RISK

Credit risk is the risk of loss attributed to the concentration of the District's investment in a single issuer.

Following is a summary of the concentration of credit risk by investment type of LAIF as a percentage of fair value at June 30, 201.

Investments in Investment Pool	Percent of Portfolio
U.S. Treasury Bills/Strips	17%
U.S. Treasury Bonds/Notes	30%
Agency Discount Notes	14%
Certificates of Deposits	18%
Other	21%
	100%

**TIBURON FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

2. CASH AND CASH EQUIVALENTS (continued)

CUSTODIAL CREDIT RISK

For deposits, custodial risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy for deposits is that they be insured by the FDIC. The District maintains cash in bank accounts, which at times may exceed federally insured limits. Bank accounts are guaranteed by the FDIC up to \$250,000. The District has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District would not be able to recover the value of the investment or collateral securities that are in possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the District's name, and held by the counterparty. The District's investment securities are not exposed to custodial credit risk because all securities are held by the District's custodial bank in the District's name.

BALANCES

Cash and cash equivalents consist of the following:

Cash with LAIF	\$ 6,076,827
Cash in banks	<u>263,879</u>
Total	<u><u>\$ 6,340,706</u></u>

**TIBURON FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

	<u>Balance</u> <u>6/30/2017</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfers</u>	<u>Balance</u> <u>6/30/2018</u>
Nondepreciable capital assets:					
Land	\$ 47,000				\$ 47,000
Apparatus and building improvements in manufacturing process	258,391	\$ 784,154		\$ (2,326)	1,040,219
Totals at historical cost	<u>\$ 305,391</u>	<u>\$ 784,154</u>	<u>\$ -</u>	<u>\$ (2,326)</u>	<u>\$ 1,087,219</u>
Depreciable capital assets:					
Building and improvements	\$ 3,691,158	\$ 26,086			\$ 3,717,244
Fire apparatus	2,672,129				2,672,129
Siren Notification Alerting Peninsula (SNAP)	27,009				27,009
Hydrants	247,489				247,489
Equipment	549,334	66,876	\$ 22,340		593,870
Office equipment	<u>91,427</u>	<u>21,625</u>	<u>15,987</u>	<u>\$ 2,326</u>	<u>99,391</u>
Totals at historical cost	7,278,546	114,587	38,327	2,326	7,357,132
Less accumulated depreciation:					
Building and improvements	2,060,197	97,988			2,158,185
Fire apparatus	1,000,063	152,181			1,152,244
Siren Notification Alerting Peninsula (SNAP)	6,806	1,448			8,254
Hydrants	148,291	4,338			152,629
Equipment	278,937	40,964	11,517		308,384
Office equipment	<u>57,670</u>	<u>10,422</u>	<u>15,583</u>		<u>52,509</u>
Total accumulated depreciation	<u>3,551,964</u>	<u>307,341</u>	<u>27,100</u>	<u>-</u>	<u>3,832,205</u>
Depreciable capital assets-net	<u>\$ 3,726,582</u>	<u>\$ (192,754)</u>	<u>\$ 11,227</u>	<u>\$ 2,326</u>	<u>\$ 3,524,927</u>

**TIBURON FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

4. CAPITAL LEASE OBLIGATION

In March 2018, the District entered into a capital lease arrangement with PNC Equipment Finance, LLC to acquire a Pierce 2018 Type 1 pumper.

Following is a summary of the District's capital leases:

	<u>2018 Pierce Type 1 Pumper</u>
Date of lease	March 2018
Annual payment year 1	\$ 202,000
Annual payment years 2 and 3	\$ 98,579
Number of payments	3
Effective interest rate	4.20%
Cost of equipment	631,365
Accumulated amortization as of June 30, 2018	0

The following is a schedule of changes in capital lease obligations during the year:

	<u>2018 Pierce Type 1 Pumper</u>
Balance as of June 30, 2017	\$ -
Increases during the year	381,365
Decreases during the year	<u>(143,541)</u>
Balance as of June 30, 2018	<u>\$ 237,824</u>

**TIBURON FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

5. ACCRUED SICK LEAVE AND VACATION LEAVE

Accrued sick leave and vacation leave are not due and payable in the current period and therefore, are not considered liabilities of the general fund in the fund financial statements. The government-wide statement of net position records the liability, segregating the amount expected to be paid within one year as a current liability.

	Sick Leave	Vacation Leave
Balance as of June 30, 2017	\$ 213,140	\$ 295,222
Increases during the year	89,071	242,520
Decreases during the year	<u>(115,449)</u>	<u>(202,471)</u>
Balance as of June 30, 2018	186,762	335,271
Less amount due within 1 year	<u>(71,529)</u>	<u>(168,901)</u>
Amount due after 1 year	<u><u>\$ 115,233</u></u>	<u><u>\$ 166,370</u></u>

6. FUND BALANCE

The District's fund balance is reported in classifications as described in Note 1.

The following amounts are classified as nonspendable:

Prepaid items	<u><u>\$ 69,784</u></u>
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The following are assigned and committed fund balances as of the balance sheet date:

	<u>Assigned</u>
Apparatus replacement reserve	\$ 1,678,827
PERS retirement reserve	948,468
PERS retiree medical trust unfunded liability	384,441
Equipment replacement reserve	253,870
Management information systems replacement	52,881
Fire facilities and building reserve	297,699
Leasehold improvements	4,265
Accrued compensated absences	<u>133,384</u>
Total assigned fund balances	<u><u>\$ 3,753,835</u></u>

**TIBURON FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

7. DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. This plan, available to all District employees, permits employees to defer a portion of their current salary until future years. Additionally, the District contributed approximately \$137,000 to the employees' accounts during 2017-18.

The laws governing deferred compensation plan assets to be held in a trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the District's property, are not managed by the District and are not subject to claims by general creditors of the District, they have been excluded from these financial statements.

8. PENSION PLAN

GENERAL INFORMATION ABOUT THE PLAN

PLAN DESCRIPTION

The District contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. CalPERS' issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at CalPERS' website under Forms and Publications.

BENEFITS PROVIDED

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions and all other requirements are established by state statute. Following is a summary of the Plan's major benefits:

	Safety Plan	PEPRA Safety Plan	Miscellaneous Plan	PEPRA Miscellaneous Plan
Benefit: Percent of compensation per year of service	3.00%	2.70%	2.70%	2.00%
Retirement age	55	57	55	62
Final average compensation period	One year	Three years	One year	Three years
Sick leave credit	Yes	Yes	Yes	Yes
Non-industrial disability	Standard	Standard	Standard	Standard
Industrial disability	Yes	Yes	No	No
COLA increase limit	2%	2%	2%	2%

**TIBURON FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

8. PENSION PLAN (continued)

CONTRIBUTIONS

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either Safety or Miscellaneous risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. During fiscal year 2017-18, the District contributed approximately \$757,000 employer annual required contributions and voluntary payments of \$815,000 towards its unfunded accrued liability. For fiscal 2017-18, the required contributions as a percent of covered compensation were:

	Safety	Miscellaneous
Classic employees: employee rate	8.982%	7.951%
Classic employees: employer rate	17.875%	11.675%
PEPRA employees: employee rate	12.000%	6.250%
PEPRA employees: employer rate	11.990%	6.533%

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

The District's proportionate share of the total CalPERS net pension liability at June 30, 2017, was:

Safety Plan	\$ 7,335,955
Miscellaneous Plan	160,353
Net pension liability	7,496,308

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an accounting valuation report as of that date. The accounting valuation report relies on liabilities and related validation work performed by the CalPERS Actuarial Office as part of the June 30, 2016, annual funding valuation. The June 30, 2016, liabilities, which were rolled forward to June 30, 2017, and used for the accounting valuation, are based on actuarial assumptions adopted by the CalPERS Board of Administration. 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 agencies, actuarially determined. On June 30, 2017, the District's proportion was 0.1228% (a .0054% decrease from June 30, 2016) for the Safety Plan and 0.00407% (an increase of 0.00037% from June 30, 2016) for the Miscellaneous Plan.

**TIBURON FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

8. PENSION PLAN (continued)

The District recognized pension expense of approximately \$4,757,000 on the Statement of Activities.

On June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 1,709,631	\$ 131,124
Differences between expected and actual experience in the measurement of the total pension liability	112,228	39,793
Net Difference between projected and actual earnings on pension plan investments	373,521	
Differences between employer's contributions and proportionate share of contributions		402,231
Changes in the employer's proportion and differences between the employer's contributions		5,331,889
Pension contributions made subsequent to measurement date	<u>1,571,727</u>	
Total	<u><u>\$ 3,767,107</u></u>	<u><u>\$ 5,905,037</u></u>

**TIBURON FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

8. PENSION PLAN (continued)

District contributions made after the June 30, 2017 pension measurement date of \$1,571,727 are reported as deferred outflows of resources related to pensions and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	Miscellaneous	Safety	Total
2019	\$ (360,858)	\$ (4,260,521)	\$ (4,621,380)
2020	(8,414)	673,413	664,999
2021	15,730	449,734	465,464
2022	(12,474)	(206,267)	(218,741)
2023	-	-	-
Thereafter	-	-	-
	<u>\$ (366,016)</u>	<u>\$ (3,343,641)</u>	<u>\$ (3,709,657)</u>

**TIBURON FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

8. PENSION PLAN (continued)

ACTUARIAL ASSUMPTIONS

The total pension liability was determined by rolling forward the June 30, 2016, total pension liability determined in the June 30, 2016, actuarial accounting valuation. The June 30, 2017, total pension liability was 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	7.15%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.15% net of pension plan investment and administrative expenses; includes inflation
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

* The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study issued in December 2017. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

CHANGE IN ASSUMPTIONS

In 2016-17, the financial reporting discount rate for the PERF C was lowered from 7.65% to 7.15%.

**TIBURON FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

8. PENSION PLAN (continued)

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

Asset class	Target allocation	Real return years 1-10	Real return years 11+
Global equity	47.00%	4.90%	5.38%
Fixed income	19.00%	0.80%	2.27%
Inflation assets	6.00%	0.60%	1.39%
Private equity	12.00%	6.60%	6.63%
Real estate	11.00%	2.80%	5.21%
Infrastructure and forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
	<u>100.00%</u>		

Years 1-10 utilize expected inflation of 2.5%

Years 11 + utilize expected inflation of 3.0%

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 assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of currently active and inactive employees. Therefore, the long-term expected rate of return for pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**TIBURON FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

8. PENSION PLAN (continued)

SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

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

	Discount rate -1% (6.15%)	Current discount rate (7.15%)	Discount rate +1% (8.15%)
Employer's net pension liability-safety	\$ 12,676,969	\$ 7,335,955	\$ 2,969,943
Employer's net pension liability-miscellaneous	466,574	160,353	(93,264)
Total employer net pension liability	<u>\$ 13,143,543</u>	<u>\$ 7,496,308</u>	<u>\$ 2,876,679</u>

PENSION PLAN FIDUCIARY NET POSITION

Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan financial statements.

PAYABLES TO THE PENSION PLAN

Included in accounts payable and accrued expenses reported on the statement of net position and balance sheet is approximately \$66,000 owed to CalPERS for June 2018 employer pension contributions.

**TIBURON FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

9. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

PLAN DESCRIPTION

The District's defined benefit post-employment healthcare plan, the Tiburon Fire Protection District Retiree Health Plan (the Plan), provides medical insurance benefits to eligible retired District employees and their beneficiaries. The Plan is affiliated with California Employers' Retiree Benefit Trust (CERBT) Fund, an agent multiple-employer post-employment healthcare plan administered by CalPERS. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for CERBT that can be obtained at <https://www.calpers.ca.gov/docs/forms-publications/gasb-75-schedule-changes-fiduciary-net-position-2017.pdf>

BENEFITS PROVIDED

Eligibility to retiree health benefits requires retirement from the District on or after age 50 with at least five years of CalPERS service.

Eligible employees who were hired before March 1, 2005 receive 100% of medical premium coverage. Spouse and dependent coverage is available.

Eligible employees who were hired after March 1, 2005, receive a vested share of the medical premium. Vesting starts at 50% for 10 years of service and increases 5% per additional year of service to a maximum of 100% with 20 years of service. Retirees with 5-10 years of service receive the Public Employees' Medical and Hospital Care Act (PEMHCA) minimum.

EMPLOYEES COVERED BY BENEFIT TERMS

At June 30, 2017 (census date), membership consisted of the following:

Active employees	26
Inactive employees, spouses, or beneficiaries currently receiving benefit payments	37
Inactive employees entitled to but not yet receiving benefit payments	-
Total	<u>63</u>

**TIBURON FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

CONTRIBUTIONS

The District makes contributions based on an actuarially determined rate.

For the year ended June 30, 2018, the District's expected contribution rate was 23.07% of covered payroll. Employees pay the difference between the benefit that they receive and the monthly premium.

NET OPEB LIABILITY

The District's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017, and rolled forward to June 30, 2018.

ACTUARIAL ASSUMPTIONS

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation:	2.50%
Salary increases:	2.75%. Additional merit-based increases based on CalPERS merit salary increase tables.
Investment rate of return:	7.28%
Healthcare cost trend rates:	7.00% in the first year, trending down to 3.84% over 59 years.
Mortality rates	Based on CalPERS tables.

The actuarial assumptions used in the June 30, 2018 valuation were based on CalPERS tables revised March 7, 2014.

**TIBURON FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

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

Asset class	Target allocation	Long-term expected real rate of return	Long-term expected real rate of return (with the effect of inflation)
Public equity	57%	4.82%	7.57%
Fixed income	27%	1.47%	4.22%
TIPS	5%	1.29%	4.04%
Commodities	3%	0.84%	3.59%
REITS	8%	3.76%	6.51%
Total	<u>100%</u>		

The expected long-term rate of return is provided by CalPERS' Strategic Asset Allocation Overview in August 2014-strategy 1.

DISCOUNT RATE

The discount rate used to measure the total OPEB liability is 7.28%. This is the expected long-term rate of return on District assets using *Investment Strategy 1* within the California Employers' Retiree Benefit Trust (CERBT). The projection of cash flows used to determine the discount rate assumed that the District contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position is projected to cover all future OPEB payments. Therefore, the discount rate was set equal to the long-term expected rate of return.

The discount rate has changed since the prior measurement date from 7.00% to 7.28%.

**TIBURON FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

CHANGES IN THE NET OPEB LIABILITY

	Increases (decreases)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB liability
Balances at June 30, 2017	\$ 5,932,189	\$ 3,124,938	\$ 2,807,251
Changes for the year:			
Service cost	205,375		205,375
Interest on the total OPEB liability	411,764		411,764
Change in benefit terms	-		-
Differences between expected and actual experience	6,968		6,968
Changes in assumptions or other inputs	(158,458)		(158,458)
Contributions:			
Employer - District's contribution		539,954	(539,954)
Employer - Implicit subsidy		76,161	(76,161)
Employee		-	-
Net investment income		252,767	(252,767)
Benefit payments, including refunds of employee contributions	(234,954)	(234,954)	-
Implicit rate subsidy fulfilled	(76,161)	(76,161)	-
Administrative expenses		(1,684)	1,684
Net changes	<u>154,534</u>	<u>556,083</u>	<u>(401,549)</u>
Balances at June 30, 2018	<u>\$ 6,086,723</u>	<u>\$ 3,681,021</u>	<u>\$ 2,405,702</u>

Changes in assumptions or other inputs reflect a change in the payroll growth rate from 3.00% to 2.75% and healthcare trend rates.

**TIBURON FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

SENSITIVITY OF THE NET OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE

The net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (-1.99%) or one percentage point higher (1.00%) follows:

	1% decrease (6.28%)	Discount rate (7.28%)	1% increase (8.28%)
Net OPEB liability (asset)	\$ 1,447,885	\$ 2,405,702	\$ 2,893,037

SENSITIVITY OF THE NET OPEB LIABILITY TO CHANGES IN THE HEALTHCARE COST TREND RATES

	1% decrease 6.00% decreasing to 2.84%	Trend rate 7.00% decreasing to 3.84%	1% increase 8.00% decreasing to 4.84%
Net OPEB liability (asset)	\$ 2,786,339	\$ 2,405,702	\$ 1,526,224

OPEB EXPENSE AND DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES RELATED TO OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of approximately \$738,000. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 6,026	\$ -
Changes of assumptions		(137,045)
Net difference between projected and actual earnings on OPEB plan investments		(14,622)
Total	<u>\$ 6,026</u>	<u>\$ (151,667)</u>

**TIBURON FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

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

Year ending <u>June 30</u>	<u>Amount</u>
2019	\$ (24,127)
2020	(24,127)
2021	(24,127)
2022	(24,125)
2023	(20,471)
Thereafter	<u>(28,664)</u>
	<u><u>\$ (145,641)</u></u>

10. ARTICLE XIII OF THE STATE CONSTITUTION

The Constitution of the State of California allows local governments to increase appropriations annually by the rate of population increase and the rate of inflation (determined to be the lesser of the U.S. Consumer Price index or California per capita income). As provided by California Statute, the voters of the District voted by more than the two-thirds majority required, to increase the appropriations limit to the actual amount of taxes collected.

The District's appropriations were greater than the limitation as follows:

Appropriations limit as of June 30, 2017	\$ 5,017,013
Total annual appropriations subject to the limit as of June 30, 2018	<u>4,890,331</u>
Amount under (over) the appropriation limit	<u><u>\$ 126,682</u></u>

**TIBURON FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

11. 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; and natural disasters for which the District obtains insurance coverage.

Public entity risk pools are formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, those entities exercise full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each risk pool is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective risk pool, including the selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board. Obligations and liabilities of these risk pools are not the District's responsibility.

Fire Agencies Insurance Risk Authority

The District is insured for Comprehensive Liability coverage as a member of the Fire Agencies Insurance Risk Authority (the Authority). The Authority is a public agency risk pool created under a joint powers agreement between the numerous member fire agencies. The Authority manages one pool for all member agencies. Each member pays an annual premium to the system based on numerous factors including the number of personnel, and the types and values of assets held. Each member is insured for \$6,000,000 and may elect to purchase umbrella coverage up to an additional \$5,000,000. The Authority is not a component entity of the District for purposes of GASB Statement No. 14.

Fire Districts Association of California – Fire Association Self Insurance System

Effective September 1993, the District became self-insured for Workers' Compensation coverage as a member of the Fire Districts Association of California – Fire Association Self-Insurance System (the System). The System is a public agency risk pool created under a joint powers agreement between the numerous member fire agencies. The System manages one pool for all member agencies. Each member pays an annual premium to the system based on the number of personnel, an estimated dollar amount of payroll and an experience factor. At fiscal year-end, when actual payroll expenditures are available, an adjustment to the year's annual premium is made. The System reinsures through the Local Agency Excess Workers' Compensation Authority (LAWCX), a joint powers authority, for claims in excess of \$500,000 for each insured event. The System is not a component entity of the District for purposes of GASB Statement No. 14.

**TIBURON FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

11. RISK MANAGEMENT (continued)

The System is authorized under the agreement with its members to charge special assessments to its members.

12. JOINT VENTURES

Southern Marin Emergency Medical Paramedic System

The District participates in a joint powers agreement (JPA) through the Southern Marin Emergency Medical Paramedic System (S MEMPS). S MEMPS was formed to provide emergency medical paramedic care within southern Marin County. S MEMPS is governed by representatives from one city, two fire protection districts and the County. The City of Mill Valley maintains the accounting records for S MEMPS and serves as their fiscal agent. Obligations and liabilities of this JPA are not the District's responsibility. The District has an equity interest in the assets in this joint venture.

Each year S MEMPS makes distributions to members of available cash, as determined by the S MEMPS Board. The District's share of annual distributions is 19%. During fiscal 2017-18, the District received \$123,655 from S MEMPS as its share of the fiscal 2016-17 distribution. The District's share of the fiscal year 2017-18 S MEMPS distribution of \$167,235 was scheduled to be received after year-end.

The financial statements of S MEMPS are available at their office, which is located at 26 Corte Madera Avenue, Mill Valley, CA 94941. Condensed financial information for S MEMPS is presented below for the year ended June 30, 2018:

Total assets	\$ 5,610,204
Total liabilities	<u>1,122,212</u>
Net position	<u>\$ 4,487,992</u>
Total revenues	\$ 2,940,983
Total expenses	<u>1,834,933</u>
Increase in net position	<u>\$ 1,106,050</u>

**TIBURON FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

12. JOINT VENTURES (continued)

Marin Emergency Radio Authority

Additionally, the District entered into a JPA in February 1998, establishing the Marin Emergency Radio Authority (the Authority). The Authority is responsible for acquiring, construct, and improve a countywide emergency radio system. During the year ended June 30, 1999, the Authority issued Revenue Bonds to be used for the acquisition of the radio system. Of the \$27 million in Revenue Bonds, the District's share was 1.09%, or approximately \$294,000. Each year through August 2020, approximately \$23,000 annual debt services payments will be due to the Authority. Including interest and principal, it is anticipated the District's total obligation over 20 years will be approximately \$454,000. In addition to making payments toward debt service, the District pays the Authority for operations and maintenance of MERA.

The financial statements of the Authority are available at the Novato Fire Protection District, 95 Rowland Way, Novato, CA 94945. Condensed financial information for the Authority is presented below for the year ended June 30, 2018:

Total assets and deferred		
outflows of resources	\$	51,598,231
Total liabilities		42,951,510
Net position	\$	8,646,721
Total revenues	\$	8,357,594
Total expenses		3,586,633
Increase (decrease) in net position	\$	4,770,961

13. COMMITMENTS

The District has memoranda of understanding (MOU) with the Tiburon Professional Firefighters Association (the Association) and the Tiburon Fire Protection District Management Group (the Group) that provides various terms of employment through June 30, 2020.

14. RESTATEMENT OF NET POSITION

The District adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, the beginning net position in the statement of activities was restated to reduce net position by approximately \$4,364,000, to reflect the cumulative effect of applying this statement.

Required Supplemental Information

**TIBURON FIRE PROTECTION DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2018**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Property taxes current secured	\$ 5,787,322	\$ 5,876,816	\$ 5,928,502	\$ 51,686
Intergovernmental	293,074	658,518	594,275	(64,243)
Interest	30,611	47,546	76,673	29,127
Verizon cell site	22,809	22,809	22,810	1
Belvedere contract	1,590,441	1,575,013	1,482,707	(92,306)
SMEMPS	157,306	123,656	123,655	(1)
Fees	24,609	21,121	18,869	(2,252)
Reimbursements/miscellaneous	16,971	8,070	10,533	2,463
Total revenues	<u>7,923,143</u>	<u>8,333,549</u>	<u>8,258,024</u>	<u>(75,525)</u>
Transfers to (from) reserves	157,342	(2,862)	0	2,862
Total revenues and transfers from assigned resources	<u>8,080,485</u>	<u>8,330,687</u>	<u>8,258,024</u>	<u>(72,663)</u>

**TIBURON FIRE PROTECTION DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES				
Salaries and Benefits				
Base wages	\$ 2,447,131	\$ 2,387,345	\$ 2,361,409	\$ 25,936
Salary contingency	50,000	100,000	-	100,000
Trainee positions	368,580	277,192	274,790	2,402
Overtime	441,430	611,232	564,342	46,890
Other salary	430,494	378,954	395,631	(16,677)
PERS retirement	779,074	745,869	726,639	19,230
PERS retirement - UAL	814,563	814,563	814,572	(9)
CERBT Prefunding	200,100	305,000	305,000	-
Workers' compensation insurance	189,372	207,997	207,997	-
Deferred compensation	133,704	128,894	127,522	1,372
Health, dental, vision, life insurance	664,356	682,296	665,875	16,421
Taxes	48,354	49,281	51,602	(2,321)
Total salaries	<u>6,567,158</u>	<u>6,688,623</u>	<u>6,495,379</u>	<u>193,244</u>
Services and Supplies				
Utilities	28,100	31,324	30,532	792
Communications	157,419	149,630	143,633	5,997
Professional services	211,035	221,057	162,534	58,523
Fire prevention/Public Education	14,000	14,000	7,233	6,767
Insurance	19,949	19,949	19,949	-
Office maintenance	48,750	67,500	59,890	7,610
Station supplies & maintenance	89,500	110,000	71,402	38,598
Protective gear & uniforms	52,100	168,267	57,688	110,579
Training	50,000	52,000	36,257	15,743
Fuel and oil	24,000	24,000	21,963	2,037
Apparatus maintenance	43,000	60,500	45,971	14,529
Fireboat maintenance	33,000	28,000	14,251	13,749
Directors expense	15,911	15,757	13,267	2,490
Interest expense	-	-	6,458	(6,458)
Election	300	300	-	300
Total services and supplies	<u>787,064</u>	<u>962,284</u>	<u>691,028</u>	<u>271,256</u>
Capital Outlay				
Station equipment	274,500	80,745	60,888	19,857
Emergency response equipment	185,357	82,538	45,361	37,177
Apparatus	244,406	429,497	546,330	(116,833)
Miscellaneous capital	22,000	87,000	-	87,000
Total capital outlay	<u>726,263</u>	<u>679,780</u>	<u>652,579</u>	<u>27,201</u>
Total expenditures	<u>8,080,485</u>	<u>8,330,687</u>	<u>7,838,986</u>	<u>491,701</u>
Net surplus (deficit)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 419,038</u>	<u>\$ 419,038</u>

**TIBURON FIRE PROTECTION DISTRICT
SCHEDULES OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
CalPERS
YEAR ENDED JUNE 30, 2018**

Safety Plan	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
District's proportion of the net pension liability	0.1228%	0.1282%	0.1222%	0.0961%
Proportionate share of total pension liability	\$ 38,172,709	\$ 34,437,466	\$ 32,857,567	\$ 32,196,244
Proportionate share of fiduciary net position	<u>30,836,754</u>	<u>27,797,029</u>	<u>27,821,478</u>	<u>26,213,745</u>
Proportionate share of net pension liability	<u>\$ 7,335,955</u>	<u>\$ 6,640,437</u>	<u>\$ 5,036,089</u>	<u>\$ 5,982,499</u>
Plan fiduciary net position as a % of the total pension liability	80.7822%	80.7174%	84.6730%	81.4186%
Covered employee payroll	\$ 3,321,865	\$ 2,966,302	\$ 2,910,249	\$ 2,849,473
Net pension liability as a % of covered employee payroll	220.84%	223.86%	173.05%	209.95%
Miscellaneous Plan	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
District's proportion of the net pension liability	0.00407%	0.00370%	0.00710%	0.00536%
Proportionate share of total pension liability	\$ 2,226,300	\$ 2,068,900	\$ 1,982,911	\$ 1,964,457
Proportionate share of fiduciary net position	<u>2,065,947</u>	<u>1,941,102</u>	<u>1,786,950</u>	<u>1,631,064</u>
Proportionate share of net pension liability	<u>\$ 160,353</u>	<u>\$ 127,798</u>	<u>\$ 195,961</u>	<u>\$ 333,393</u>
Plan fiduciary net position as a % of the total pension liability	92.7973%	93.8229%	90.1175%	83.0287%
Covered employee payroll	\$ 199,553	\$ 187,169	\$ 156,956	\$ 150,450
Net pension liability as a % of covered employee payroll	80.36%	68.28%	124.85%	221.60%

The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**TIBURON FIRE PROTECTION DISTRICT
YEAR ENDED JUNE 30, 2018
SCHEDULE OF PLAN CONTRIBUTIONS FOR THE
DISTRICT'S PENSION PLAN**

Safety Plan

	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>
Actuarially required contribution	\$ 497,083	\$ 515,127	\$ 478,374	\$ 620,459
Contributions in relation to the actuarially determined contribution	<u>(497,083)</u>	<u>(515,127)</u>	<u>(478,374)</u>	<u>(620,459)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 3,268,985	\$ 3,321,865	\$ 2,966,302	\$ 2,910,249
Contributions as a percentage of covered-employee payroll	15.21%	15.51%	16.13%	21.32%

Miscellaneous Plan

	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>
Actuarially required contribution	\$ 21,704	\$ 20,211	\$ 17,926	\$ 24,463
Contributions in relation to the actuarially determined contribution	<u>(21,704)</u>	<u>(20,211)</u>	<u>(17,926)</u>	<u>(24,463)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 217,472	\$ 199,553	\$ 187,169	\$ 156,956
Contributions as a percentage of covered-employee payroll	9.98%	10.13%	9.58%	15.59%

The schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**TIBURON FIRE PROTECTION DISTRICT
YEAR ENDED JUNE 30, 2018
SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY
AND RELATED RATIOS**

	Measurement period 6/30/18	Measurement period 6/30/17
Total OPEB liability		
Service cost	\$ 205,376	\$ 199,394
Interest	411,764	390,385
Changes in benefit terms	-	-
Differences between expected and actual experience	6,968	-
Changes in assumptions	(158,458)	-
Benefit payments, including refunds of employee contributions	(234,954)	(198,454)
Implicit rate subsidy fulfilled	(76,161)	(71,179)
Net change in total OPEB liability	<u>154,535</u>	<u>320,146</u>
Total OPEB liability - beginning	5,932,188	5,612,042
Total OPEB liability - end (a)	<u><u>\$ 6,086,723</u></u>	<u><u>\$ 5,932,188</u></u>
 Plan fiduciary net position		
Net investment income	\$ 252,767	\$ 263,245
Contributions:		
Employer - district's contribution	539,954	727,702
Employer - implicit subsidy	76,161	71,179
Employee	-	-
Benefit payments, including refunds of employee contributions	(234,954)	(198,454)
Implicit rate subsidy fulfilled	(76,161)	(71,179)
Administrative expense	(1,684)	(1,276)
Other	-	-
Net change in Plan Fiduciary Net Position	<u>556,083</u>	<u>791,217</u>
Plan Fiduciary Net Position - beginning	3,124,938	2,333,721
Plan Fiduciary Net Position - end (b)	<u><u>\$ 3,681,021</u></u>	<u><u>\$ 3,124,938</u></u>
 Net OPEB liability - ending (a) - (b)	 <u><u>\$ 2,405,702</u></u>	 <u><u>\$ 2,807,250</u></u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 60.48%	 52.68%
Covered-employee payroll	2,670,803	2,599,322
Net OPEB liability as a percentage of covered-employee payroll	90.07%	108.00%

The schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**TIBURON FIRE PROTECTION DISTRICT
YEAR ENDED JUNE 30, 2018
SCHEDULE OF PLAN CONTRIBUTIONS FOR THE
DISTRICT'S OPEB PLAN**

	Measurement period 6/30/18	Measurement period 6/30/17
Actuarially Determined Contribution (ADC)	\$ 465,770	\$ 760,836
Contributions in relation to the ADC	<u>(616,115)</u>	<u>(798,881)</u>
Contribution deficiency (excess)	<u>\$ (150,345)</u>	<u>\$ (38,045)</u>
Covered employee payroll	2,670,803	2,599,322
Contributions as a % of covered-employee payroll	23.07%	30.73%
Contributions as a % of ADC	132.28%	105.00%

The schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**TIBURON FIRE PROTECTION DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2018**

1. BUDGETARY BASIS OF PRESENTATION

The budget included in these financial statements represents the original budget and amendments approved by the Board of Directors. The budgetary basis is the modified accrual basis of accounting.

Various reclassifications have been made to the actual amounts to conform to classifications included in the budget approved by the Board of Directors. The largest reclassification relates to lease payments that are classified as capital outlay for budgetary reporting purposes.

2. NET PENSION LIABILITY AND PLAN CONTRIBUTIONS

Changes in benefit terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2016, valuation date

The actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year 2016-17 were derived from the June 30, 2014, valuation report.

Actuarial cost method	Entry age normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions	
Discount rate	7.15%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.15% net of pension plan investment and administrative expenses; includes inflation
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

* The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

**TIBURON FIRE PROTECTION DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2018**

3. POST EMPLOYMENT HEALTHCARE PLAN

Assumptions and methods

Actuarial cost method	Entry age normal, level percent of pay
Amortization method	Close period, level percent of pay
Amortization period	7 years
Inflation	2.50%
Assumed payroll growth	2.75%
Healthcare trend rates	7.00%, trending down to 3.84%
Rate of return on assets	7.28%
Mortality rate	CalPERS rates
Retirement rates	CalPERS rates