# TIBURON FIRE PROTECTION DISTRICT

## FINANCIAL STATEMENTS
**AND**
**REPORT OF INDEPENDENT AUDITORS**

## YEAR ENDED JUNE 30, 2019

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MAHER
ACCOUNTANCY

# 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, 2019, 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, 2019, 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.

**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 12, 2019
San Rafael, California

# 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, 2019. Please read it along with the District's financial statements, which begin on page 7.

### FINANCIAL HIGHLIGHTS

The District's net position increased by $6,107,000 during 2019. Total revenues increased by $5,000,000.

Included in the required supplemental information section is a budgetary comparison schedule. That schedule indicates that our revenues were $275,000 more than budgeted and expenditures were $62,000 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:

| | 6/30/2019 | 6/30/2018 | Increase (decrease) |
|---|---|---|---|
| Current assets | $ 6,960 | $ 6,722 | $ 238 |
| Other noncurrent assets | 1,454 | 1,020 | 434 |
| Net capital assets | 4,548 | 4,612 | (64) |
| Total assets | 12,962 | 12,354 | 608 |
| Deferred outflows of resources | 3,008 | 3,773 | (765) |
| Current liabilities | 687 | 736 | (49) |
| Noncurrent liabilities | 8,187 | 10,369 | (2,182) |
| Total liabilities | 8,874 | 11,105 | (2,231) |
| Deferred inflows of resources | 1,968 | 6,057 | (4,089) |
| Net position: | | | |
| Net investment in capital assets | 4,362 | 4,374 | (12) |
| Unrestricted (deficit) | 766 | (5,354) | 6,120 |
| Total net position | $ 5,128 | $ (980) | $ 6,108 |

The increase in current assets is primarily a result of normal changes in working capital. A reduction in the net OPEB liability is the main reason for the decrease in noncurrent liabilities. Additionally, a decreased pension liability accounted for the change in 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:

| | 6/30/2019 | 6/30/2018 | Increase (decrease) |
|---|---|---|---|
| General revenues: | | | |
| Property taxes | $ 6,313 | $ 5,931 | $ 382 |
| Operating grants and contributions | 50 | 35 | 15 |
| Use of money and property | 164 | 99 | 65 |
| Total general revenues | 6,527 | 6,065 | 462 |
| Program revenues: | | | |
| Charges for services | 2,114 | 2,061 | 53 |
| Pension actuarial adjustments in excess of expense | 4,318 | | 4,318 |
| Southern Marin Emergency Medical Paramedic System | 563 | 435 | 128 |
| Miscellaneous | 23 | 11 | 12 |
| Total program revenues | 7,018 | 2,507 | 4,511 |
| Total revenue | $ 13,545 | $ 8,572 | $ 4,973 |

Property tax revenue increased approximately 7 percent, which corresponds to a similar increase in assessed property values within the District. Year-over-year changes in interest income reflect higher average balances in interest-earning accounts and an increase in overall rates. The pension actuarial adjustments in excess of expense represents a change in the District's employer's proportion in calculating the net pension liability.

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

| | 6/30/2019 | 6/30/2018 | Increase (decrease) |
|---|---|---|---|
| Public safety-fire protection: | | | |
| Personnel | $ 6,366 | $ 9,442 | $ (3,076) |
| Material and services | 714 | 676 | 38 |
| Depreciation | 336 | 307 | 29 |
| Loss on disposition of assets | 23 | 11 | 12 |
| Interest | 0 | 6 | (6) |
| Total expenses | 7,439 | 10,442 | (3,005) |
| Less program revenues | 7,018 | 2,507 | 4,511 |
| Net expenses | 421 | 7,935 | (7,516) |
| General revenues | 6,527 | 6,065 | 462 |
| Change in net position | 6,106 | (1,870) | 7,978 |
| Beginning net position | (980) | 893 | (1,873) |
| Ending net position | $ 5,126 | $ (977) | $ 6,105 |

Expenses that comprise the personnel category include base salaries, overtime, and benefits. OPEB prefunding 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 $337,000. 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. Principal related to our loan amounted to $52,000.

## ECONOMIC OUTLOOK

Property tax revenue remains the District's most stable revenue source. The assessed value of property within the District increased 7% in 2019. 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, 2019

| | |
|---|---|
| **ASSETS** | |
| Current assets: | |
| Cash and cash equivalents | $ 6,665,000 |
| Receivables: | |
| Accounts receivable | 79,923 |
| Interest | 10,515 |
| Property taxes | 181,662 |
| Prepaid expenses | 22,665 |
| Total current assets | 6,959,765 |
| Noncurrent assets: | |
| Prepaid expenses | 38,095 |
| Equity interest in Southern Marin Emergency Medical Paramedic System | 1,415,568 |
| Land and construction-in-progress | 756,387 |
| Depreciable capital assets, net | 3,791,681 |
| Total noncurrent assets | 6,001,731 |
| Total assets | 12,961,496 |
| **DEFERRED OUTFLOWS OF RESOURCES** | |
| Pension related | 2,965,103 |
| OPEB related | 42,862 |
| Total deferred outflows of resources | 3,007,965 |
| **LIABILITIES** | |
| Current liabilities: | |
| Accounts payable and accrued expenses | 182,141 |
| Unearned revenue | 140,655 |
| Capital lease obligation | 91,072 |
| Accrued sick and vacation leave | 272,828 |
| Total current liabilities | 686,696 |
| Noncurrent liabilities: | |
| Capital lease obligation | 94,752 |
| Accrued sick and vacation leave | 290,845 |
| Net pension liability | 7,013,627 |
| Net OPEB liability | 787,744 |
| Total noncurrent liabilities | 8,186,968 |
| Total liabilities | 8,873,664 |
| **DEFERRED INFLOWS OF RESOURCES** | |
| Pension related | 1,267,334 |
| OPEB related | 700,481 |
| Total deferred outflows of resources | 1,967,815 |
| **NET POSITION** | |
| Net investment in capital assets | 4,362,244 |
| Unrestricted (deficit) | 765,738 |
| Total net position | $ 5,127,982 |

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

# TIBURON FIRE PROTECTION DISTRICT
## STATEMENT OF ACTIVITIES
## YEAR ENDED JUNE 30, 2019

| | |
|---|---|
| **EXPENSES** | |
| Personnel | $ 6,365,786 |
| Material and services | 713,597 |
| Depreciation | 335,801 |
| Loss on disposition of capital assets | 22,555 |
| Total expenses | 7,437,739 |
| **PROGRAM REVENUES** | |
| Charges for services | 2,114,455 |
| Pension actuarial adjustments in excess of expense | 4,318,380 |
| Change in net position-Southern Marin Emergency Medical Paramedic System | 562,844 |
| Reimbursements and miscellaneous | 22,641 |
| Total program revenues | 7,018,320 |
| Net program expense | 419,419 |
| **GENERAL REVENUES** | |
| Property taxes | 6,313,372 |
| Intergovernmental-state | 49,816 |
| Use of money and property | 163,715 |
| Total general revenues | 6,526,903 |
| Increase (decrease) in net position | 6,107,484 |
| **NET POSITION** | |
| Beginning of year | (979,502) |
| End of year | $ 5,127,982 |

**TIBURON FIRE PROTECTION DISTRICT**
**BALANCE SHEET**
**GOVERNMENTAL FUND**
**AS OF JUNE 30, 2019**

| | | |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ | 6,665,000 |
| Receivables: | | |
| Accounts receivable | | 79,923 |
| Interest | | 10,515 |
| Property taxes | | 181,662 |
| Prepaid items | | 60,760 |
| Total assets | $ | 6,997,860 |
| **LIABILITIES** | | |
| Accounts payable and accrued expenses | $ | 182,141 |
| Unearned revenue | | 140,655 |
| Total liabilities | | 322,796 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Deferred property taxes | | 100,000 |
| **FUND BALANCE** | | |
| Nonspendable | | 60,760 |
| Committed | | 3,823,367 |
| Assigned | | 457,895 |
| Unassigned | | 2,233,042 |
| Total fund balance | | 6,575,064 |
| Total liabilities, deferred inflows of resources, and fund balance | $ | 6,997,860 |

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

# TIBURON FIRE PROTECTION DISTRICT
# BALANCE SHEET
# GOVERNMENTAL FUND
# AS OF JUNE 30, 2019
# (Continued)

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

| | | |
|---|---|---|
| Total governmental fund balance | $ | 6,575,064 |
| Amounts reported for *governmental activities* 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 | | 100,000 |
| Capital assets used in the government activities are not financial resources and therefore are not reported in the funds | | 4,548,068 |
| Some assets (liabilities) are not due and receivable (payable) in the current period and therefore are not reported as fund assets (liabilities) | | |
| Investment in SMEMPS joint venture | | 1,415,568 |
| Capital lease obligation | | (185,824) |
| Accrued sick and vacation leave liability | | (563,673) |
| Net pension liability and related deferred outlows and inflows of resources | | (5,315,858) |
| Net OPEB liability and related deferred outlows and inflows of resources | | (1,445,363) |
| Net position of governmental activities | $ | 5,127,982 |

**TIBURON FIRE PROTECTION DISTRICT**
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**
**IN FUND BALANCE – GOVERNMENTAL FUND**
**FOR THE YEAR ENDED JUNE 30, 2019**

| | |
|---|---|
| **REVENUES** | |
| Property taxes | $ 6,309,372 |
| Intergovernmental | 524,877 |
| Use of money and property | 162,868 |
| Charges for services | 1,639,394 |
| Distributions from Southern Marin Emergency Medical Paramedic System | 167,232 |
| Reimbursements and miscellaneous | 22,641 |
| Total revenues | 8,826,384 |
| **EXPENDITURES** | |
| Current: | |
| Salaries and benefits | 7,430,126 |
| Material and services | 696,118 |
| Capital outlay | 311,757 |
| Debt service: | |
| Principal | 52,000 |
| Total expenditures | 8,490,001 |
| Excess (deficiency) of revenues over expenditures | 336,383 |
| **OTHER FINANCING SOURCES (USES)** | |
| Sale of equipment | 847 |
| Net change in fund balance | 337,230 |
| **FUND BALANCE** | |
| Beginning of year | 6,237,834 |
| End of year | $ 6,575,064 |

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

**TIBURON FIRE PROTECTION DISTRICT**
**STATEMENT OF REVENUES, EXPENDITURES AND**
**CHANGES IN FUND BALANCES-GOVERNMENTAL FUND**
**FOR THE YEAR ENDED JUNE 30, 2019**

**(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 | $ 337,230 |
| 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 | 294,278 |
| Depreciation expense | (335,801) |
| Revenues in the statement of activities that do not provide current resources are not reported as revenue in the fund financial statements | |
| Property taxes | 4,000 |
| Increase in equity interest Southern Marin Emergency Medical Paramedic System | 395,612 |
| Loss from capital asset dispositions | (22,555) |
| 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) | |
| Payments to reduce capital lease obligations | 52,000 |
| 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 | (41,640) |
| Other post-employment benefits | 1,105,980 |
| Pension plan benefits | 4,318,380 |
| Change in net position | $ 6,107,484 |

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

## 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.

## 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.

## 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.

## 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.

## 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.

## 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.

**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.

## 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.

## 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.

## 2. CASH AND CASH EQUIVALENTS

The District maintains most of its cash in the California Local Agency Investment Fund (LAIF) and California Asset Management Program (CAMP), managed by the State Treasurer, for the purpose of increasing interest earnings through pooled investment activities. These funds are 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 and CAMP. LIAB consists of four members as designated by State Statute.

On June 30, 2019, the District's pooled investment position in LAIF and CAMP was $1,002,539 and $5,441,781 accordingly, which approximates fair value and is the same value of pooled shares. Fair value is based on information provided by the State for LAIF and CAMP. The balances are available for withdrawal on demand and are based on accounting records maintained by LAIF and CAMP, which are recorded on an amortized cost basis. Liquidity fees are not charged.

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

## 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, 2019, the LAIF interest rate was 2.42% and CAMP was 2.48%

### 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 and CAMP as a percentage of fair value at June 30, 2019.

| | Percent of Portfolio |
|---|---|
| **LAIF Investments in Investment Pool** | |
| U.S. Treasury Bills/Strips | 20% |
| U.S. Treasury Bonds/Notes | 30% |
| Agency Discount Notes | 15% |
| Certificates of Deposts | 16% |
| Other | 19% |
| | 100% |

## 2. CASH AND CASH EQUIVALENTS (continued)

| | Percent of Portfolio |
|---|---|
| **CAMP Investments in Investment Pool** | |
| Government Agency and Instrumentality Obligations | 17% |
| Corporate Notes | 15% |
| Commercial paper | 19% |
| Certificates of Deposits | 27% |
| Repurchase Agreements | 17% |
| Other | 5% |
| | 100% |

### 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 CAMP | $ 5,441,781 |
| Cash with LAIF | 1,002,539 |
| Cash in banks | 220,680 |
| Total | $ 6,665,000 |

## 3. CAPITAL ASSETS

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

| | Balance 6/30/2018 | Additions | Dispositions | Transfers | Balance 6/30/2019 |
|---|---|---|---|---|---|
| Nondepreciable capital assets: | | | | | |
| Land | $ 47,000 | | | | $ 47,000 |
| Apparatus and building improvements in manufacturing process | 1,040,219 | $ 83,961 | $ - | $ (414,793) | 709,387 |
| Totals at historical cost | $ 1,087,219 | $ 83,961 | $ - | $ (414,793) | $ 756,387 |
| Depreciable capital assets: | | | | | |
| Building and improvements | $ 3,717,244 | | | | $ 3,717,244 |
| Fire apparatus | 2,672,129 | 56,633 | $ 10,647 | 414,793 | 3,132,908 |
| Siren Notification Alerting Peninsula (SNAP) | 27,009 | | | | 27,009 |
| Hydrants | 247,489 | | | | 247,489 |
| Equipment | 593,870 | 138,474 | $ 37,136 | | 695,208 |
| Office equipment | 99,391 | 15,211 | 35,894 | | 78,708 |
| Totals at historical cost | 7,357,132 | 210,318 | 83,677 | 414,793 | 7,898,566 |
| Less accumulated depreciation: | | | | | |
| Building and improvements | 2,158,185 | 99,129 | | | 2,257,314 |
| Fire apparatus | 1,152,244 | 163,198 | 10,647 | | 1,304,795 |
| Siren Notification Alerting Peninsula (SNAP) | 8,254 | 1,448 | | | 9,702 |
| Hydrants | 152,629 | 4,338 | | | 156,967 |
| Equipment | 308,384 | 53,879 | 22,992 | | 339,271 |
| Office equipment | 52,509 | 13,809 | 27,482 | | 38,836 |
| Total accumulated depreciation | 3,832,205 | 335,801 | 61,121 | - | 4,106,885 |
| Depreciable capital assets-net | $ 3,524,927 | $ (125,483) | $ 22,556 | $ 414,793 | $ 3,791,681 |

## 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:

| | 2018 Pierce Type 1 Pumper |
|---|---|
| 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, 2019 | 0 |

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

| | 2018 Pierce Type 1 Pumper |
|---|---|
| Balance as of June 30, 2018 | $ 237,824 |
| Increases during the year | - |
| Decreases during the year | (52,000) |
| Balance as of June 30, 2019 | $ 185,824 |

## 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, 2018 | $ 186,762 | $ 335,271 |
| Increases during the year | 126,315 | 243,483 |
| Decreases during the year | (103,016) | (225,142) |
| Balance as of June 30, 2019 | 210,061 | 353,612 |
| Less amount due within 1 year | (95,981) | (176,847) |
| Amount due after 1 year | $ 114,080 | $ 176,765 |

## 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 | $ 60,760 |

The following are committed and assigned fund balances as of the balance sheet date:

| | Committed | Assigned |
|---|---|---|
| Fire facilities and building reserve | $ 500,000 | $ - |
| Apparatus replacement reserve | 1,287,639 | |
| PERS retirement reserve | 1,087,728 | |
| PERS retiree medical trust unfunded liability | 948,000 | |
| Equipment replacement reserve | | 295,300 |
| Management information systems replacement | | 14,854 |
| Leasehold improvements | | 6,939 |
| Accrued compensated absences | | 140,802 |
| Total committed and assigned fund balances | $ 3,823,367 | $ 457,895 |

## 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 $146,000 to the employees' accounts during 2018-19.

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% |

## 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 2018-19, the District contributed approximately $799,000 toward the normal cost portion of employer annual required contributions and $723,000 toward its unfunded accrued liability. For fiscal 2018-19, the District was required to pay $393,000 toward the unfunded actuarial liability and the following percentages of covered compensation to provide for the normal cost (i.e., the amount earned during the year):

| | Safety | Miscellaneous |
|---|---|---|
| Classic employees: employee rate | 8.984% | 7.952% |
| Classic employees: employer rate | 18.677% | 12.212% |
| PEPRA employees: employee rate | 12.000% | 6.250% |
| PEPRA employees: employer rate | 12.141% | 6.842% |

### 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, 2018, was:

| | |
|---|---|
| Safety Plan | $ 6,951,599 |
| Miscellaneous Plan | 62,028 |
| Net pension liability | 7,013,627 |

## 8. PENSION PLAN (continued)

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation report as of that date. The actuarial valuation report relies on liabilities and related validation work performed by the CalPERS Actuarial Office as part of the June 30, 2017, annual funding valuation. The June 30, 2017, liabilities, which were rolled forward to June 30, 2018, and used for the actuarial 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, 2018, the District's proportion was .1185% (a .0043% decrease from June 30, 2017) for the Safety Plan and 0.00165% for the Miscellaneous Plan. Actuarial assumptions remained the same as in the previous valuation except that the expected rate of inflation decreased by 0.25%

The District recognized pension net credit of approximately $2,797,000 on the Statement of Activities.

On June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Changes of assumptions | $ 689,144 | $ 93,757 |
| Differences between expected and actual experience in the measurement of the total pension liability | 151,746 | 1,376 |
| Net Difference between projected and actual earnings on pension plan investments | 47,372 | |
| Differences between employer's contributions and proportionate share of contributions | | 750,568 |
| Changes in the employer's proportion and differences between the employer's contributions | 554,884 | 421,633 |
| Pension contributions made subsequent to measurement date | 1,521,957 | |
| Total | $ 2,965,103 | $ 1,267,334 |

## 8. PENSION PLAN (continued)

District contributions made after the June 30, 2018, pension measurement date of $1,521,957 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, 2020. 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 |
|---|---|---|---|
| 2020 | $ (58,032) | $ 281,284 | $ 223,252 |
| 2021 | (14,781) | 192,582 | 177,801 |
| 2022 | (3,034) | (173,498) | (176,532) |
| 2023 | (558) | (48,150) | (48,708) |
| 2024 | - | - | - |
| Thereafter | - | - | - |
| | $ (76,405) | $ 252,218 | $ 175,813 |

## 8. PENSION PLAN (continued)

### ACTUARIAL ASSUMPTIONS

The collective total pension liability for the June 30, 2018, measurement period was determined by an actuarial evaluation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. The collective total pension was based on the following assumptions:

| | |
|---|---|
| Actuarial cost method | Entry age normal in accordance with the requirements of GASB Statement No. 68 |
| Actuarial assumptions | |
| Discount rate | 7.15% |
| Inflation | 2.50% |
| 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 2.50% 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% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on Cal PERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

## 8. PENSION PLAN (continued)

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.

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 expected real rates of return by asset class are as follows:

| Asset class | Assumed asset allocation | Real return years 1-10 | Real return years 11+ |
|---|---|---|---|
| Global equity | 50.00% | 4.80% | 5.98% |
| Fixed income | 28.00% | 1.00% | 2.62% |
| Inflation assets | 0.00% | 0.77% | 1.81% |
| Private equity | 8.00% | 6.30% | 7.23% |
| Real estate | 13.00% | 3.75% | 4.93% |
| Liquidity | 1.00% | 0.00% | -0.92% |
| | 100.00% | | |

Years 1-10 utilize expected inflation of 2.00%
Years 11 + utilize expected inflation of 2.92%

## 8. PENSION PLAN (continued)

### 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, Plan’s fiduciary net position was projected to be available to pay 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.

### 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:

| | One Percent Decrease (6.15%) | Current discount rate (7.15%) | One Percent Increase (8.15%) |
|---|---|---|---|
| Employer's net pension liability-safety | $ 12,479,979 | $ 6,951,599 | $ 2,422,082 |
| Employer's net pension liability-miscellaneous | 367,745 | 62,028 | (190,337) |
| Total employer net pension liability | $ 12,847,724 | $ 7,013,627 | $ 2,231,745 |

### 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 $79,000 owed to CalPERS for June 2019 employer pension contributions.

## 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 information for CERBT that can be obtained at *https://www.calpers.ca.gov/docs/forms-publications/gasb-75-schedule-changes-fiduciary-net-position-2018.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, 2019 (census date), membership consisted of the following:

| | |
|---|---|
| Active employees | 33 |
| Inactive employees, spouses, or beneficiaries currently receiving benefit payments | 37 |
| Inactive employees entitled to but not yet receiving benefit payments | - |
| Total | 70 |

## 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

### CONTRIBUTIONS

The District make contributions based on an actuarially determined rate.

### NET OPEB LIABILITY

The District's net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018, and rolled forward to June 30, 2019.

### ACTUARIAL ASSUMPTIONS

The total OPEB liability in the June 30, 2019, 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: | 7.59% |
| Healthcare cost trend rates: | 6.50% in the first year, trending down to 4.73% over 57 years. |
| Mortality rates | Based on CalPERS tables. |

## 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 |
|---|---|---|
| Global equity | 59% | 5.98% |
| Fixed income | 25% | 2.62% |
| TIPS | 5% | 1.46% |
| Commodities | 3% | 2.87% |
| REITS | 8% | 5.00% |
| Total | 100% | |

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 7.59%. 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 7.59%.

## 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, 2018 | $ 6,086,723 | $ 3,681,021 | $ 2,405,702 |
| Changes for the year: | | | |
| Service cost | 198,667 | | 198,667 |
| Interest on the total OPEB liability | 414,097 | | 414,097 |
| Change in benefit terms | - | | - |
| Differences between expected and actual experience | (148,226) | | (148,226) |
| Changes in assumptions or other inputs | (514,604) | | (514,604) |
| Contributions: | | | |
| Employer - District's contribution | | 1,225,049 | (1,225,049) |
| Employer - Implicit subsidy | | 90,445 | (90,445) |
| Employee | | - | - |
| Net investment income | | 254,279 | (254,279) |
| Benefit payments, including refunds | | | - |
| of employee contributions | (243,049) | (243,049) | - |
| Implicit rate subsidy fulfilled | (90,445) | (90,445) | - |
| Administrative expenses | | (1,881) | 1,881 |
| Net changes | (383,560) | 1,234,398 | (1,617,958) |
| Balances at June 30, 2019 | $ 5,703,163 | $ 4,915,419 | $ 787,744 |

Changes in assumptions or other inputs reflect a change in the discount rate from 7.00% to 7.59% and healthcare trend rates.

## 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 (-6.59%) or one percentage point higher (8.59%) follows:

| | 1% decrease (6.59%) | Discount rate (7.59%) | 1% increase (8.59%) |
|---|---|---|---|
| Net OPEB liability (asset) | $ 1,474,032 | $ 787,744 | $ 215,350 |

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

| | 1% decrease 5.50% decreasing to 3.73% | Trend rate 6.50% decreasing to 4.73% | 1% increase 7.50% decreasing to 5.73% |
|---|---|---|---|
| Net OPEB liability (asset) | $ 152,688 | $ 787,744 | $ 1,561,089 |

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

For the year ended June 30, 2019, the District recognized OPEB expense of approximately $210,000. At June 30, 2019, 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 | $ 5,084 | $ (130,787) |
| Changes of assumptions | | (569,694) |
| Net difference between projected and actual earnings on OPEB plan investments | 37,778 | |
| Total | $ 42,862 | $ (700,481) |

## 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 June 30 | Amount |
|---|---|
| 2020 | $ (89,922) |
| 2021 | (89,922) |
| 2022 | (89,920) |
| 2023 | (86,266) |
| 2024 | (98,452) |
| Thereafter | (203,137) |
| | $ (657,619) |

## 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, 2018 | $ 5,213,620 |
| Total annual appropriations subject to the limit as of June 30, 2019 | 5,223,006 |
| Amount under (over) the appropriation limit | $ (9,386) |

## 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.

## 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 (SMEMPS). SMEMPS was formed to provide emergency medical paramedic care within southern Marin County. SMEMPS is governed by representatives from one city, two fire protection districts and the County. The City of Mill Valley maintains the accounting records for SMEMPS 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 SMEMPS makes distributions to members of available cash, as determined by the SMEMPS Board. The District's share of annual distributions is 19%. During fiscal 2018-19, the District received $167,232 from SMEMPS as its share of the fiscal 2017-18 distribution. The District's share of the fiscal year 2018-19 SMEMPS distribution of $285,000 was scheduled to be received after year-end.

The financial statements of SMEMPS are available at their office, which is located at 26 Corte Madera Avenue, Mill Valley, CA 94941. Condensed financial information for SMEMPS is presented below for the year ended June 30, 2019:

| | | |
|---|---|---|
| Total assets | $ | 7,747,363 |
| Total liabilities | | 1,797,037 |
| Net position | $ | 5,950,326 |
| | | |
| Total revenues | $ | 4,020,019 |
| Total expenses | | 2,557,685 |
| Increase in net position | $ | 1,462,334 |

## 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, 2019:

| | | |
|---|---|---|
| Total assets and deferred outflows of resources | $ | 54,649,186 |
| Total liabilities | | 40,601,171 |
| Net position | $ | 14,048,015 |
| Total revenues | $ | 8,832,796 |
| Total expenses | | 3,431,558 |
| Increase (decrease) in net position | $ | 5,401,238 |

## 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.

# Required Supplemental Information

**TIBURON FIRE PROTECTION DISTRICT**
**BUDGETARY COMPARISON SCHEDULE**
**GENERAL FUND**
**YEAR ENDED JUNE 30, 2019**

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Property taxes current secured | $ 6,125,741 | $ 6,128,411 | $ 6,309,372 | $ 180,961 |
| Intergovernmental | 525,596 | 495,264 | 524,877 | 29,613 |
| Interest | 77,469 | 82,839 | 139,374 | 56,535 |
| Verizon cell site | 23,494 | 23,494 | 23,494 | - |
| Belvedere contract | 1,622,788 | 1,622,788 | 1,622,788 | 0 |
| SMEMPS | 153,422 | 167,230 | 167,232 | 2 |
| Fees | 19,178 | 18,869 | 16,606 | (2,263) |
| Reimbursements/miscellaneous | 8,720 | 13,585 | 23,488 | 9,903 |
| Total revenues | 8,556,408 | 8,552,480 | 8,827,231 | 274,751 |

See accompanying notes to required supplementary information

**TIBURON FIRE PROTECTION DISTRICT**
**BUDGETARY COMPARISON SCHEDULE**
**GENERAL FUND**
**YEAR ENDED JUNE 30, 2019**

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|---|---|---|---|---|
| **EXPENDITURES** | | | | |
| **Salaries and Benefits** | | | | |
| Base wages | $ 2,556,255 | $ 2,462,012 | $ 2,440,658 | $ 21,354 |
| Salary contingency | 50,000 | - | - | - |
| Trainee positions | 452,349 | 445,600 | 447,221 | (1,621) |
| Overtime | 539,330 | 638,104 | 700,013 | (61,909) |
| Other salary | 356,926 | 327,185 | 321,294 | 5,891 |
| PERS retirement | 803,292 | 772,824 | 761,702 | 11,122 |
| PERS retirement - UAL | 722,894 | 722,894 | 722,894 | - |
| CERBT Prefunding | 195,000 | 195,000 | 982,000 | (787,000) |
| Workers' compensation insurance | 217,303 | 218,269 | 218,145 | 124 |
| Deferred compensation | 135,113 | 130,906 | 129,478 | 1,428 |
| Health, dental, vision, life insurance | 692,954 | 708,752 | 650,924 | 57,828 |
| Taxes | 50,340 | 49,503 | 55,797 | (6,294) |
| Total salaries | 6,771,756 | 6,671,049 | 7,430,126 | (759,077) |
| **Services and Supplies** | | | | |
| Utilities | 32,350 | 32,350 | 32,966 | (616) |
| Communications | 162,184 | 161,184 | 160,845 | 339 |
| Professional services | 235,481 | 249,040 | 194,585 | 54,455 |
| Fire prevention/Public Education | 14,000 | 14,000 | 7,477 | 6,523 |
| Insurance | 18,945 | 18,945 | 18,945 | - |
| Office maintenance | 73,700 | 79,200 | 48,567 | 30,633 |
| Station supplies & maintenance | 101,400 | 101,685 | 52,835 | 48,850 |
| Protective gear & uniforms | 64,700 | 56,875 | 49,507 | 7,368 |
| Training | 61,900 | 61,900 | 32,913 | 28,987 |
| Fuel and oil | 27,000 | 26,900 | 24,007 | 2,893 |
| Apparatus maintenance | 42,000 | 42,000 | 22,125 | 19,875 |
| Fireboat maintenance | 28,000 | 25,000 | 36,839 | (11,839) |
| Directors expense | 16,049 | 15,757 | 14,257 | 1,500 |
| Interest expense | - | - | - | 0 |
| Election | 300 | 300 | 250 | 50 |
| Total services and supplies | 878,009 | 885,136 | 696,118 | 189,018 |
| **Capital Outlay** | | | | |
| Station equipment | 557,000 | 493,000 | 52,999 | 440,001 |
| Emergency response equipment | 120,100 | 175,100 | 118,165 | 56,935 |
| Apparatus | 127,000 | 228,000 | 192,593 | 35,407 |
| Miscellaneous capital | 102,500 | 100,000 | - | 100,000 |
| Total capital outlay | 906,600 | 996,100 | 363,757 | 632,343 |
| Total expenditures | 8,556,365 | 8,552,285 | 8,490,001 | 62,284 |
| Net surplus (deficit) | $ 43 | $ 195 | $ 337,230 | $ 337,035 |

See accompanying notes to required supplementary information

**TIBURON FIRE PROTECTION DISTRICT**
**SCHEDULES OF THE DISTRICT'S PROPORTIONATE**
**SHARE OF THE NET PENSION LIABILITY**
**CalPERS**
**YEAR ENDED JUNE 30, 2019**

| **Safety Plan** | 6/30/2018 | 6/30/2017 | 6/30/2016 | 6/30/2015 | 6/30/2014 |
|---|---|---|---|---|---|
| District's proportion of the net pension liability | 0.1185% | 0.1228% | 0.1282% | 0.1222% | 0.0961% |
| Proportionate share of total pension liability | $ 40,102,452 | $ 38,172,709 | $ 34,437,466 | $ 32,857,567 | $ 32,196,244 |
| Proportionate share of fiduciary net position | 33,150,853 | 30,836,754 | 27,797,029 | 27,821,478 | 26,213,745 |
| Proportionate share of net pension liability | $ 6,951,599 | $ 7,335,955 | $ 6,640,437 | $ 5,036,089 | $ 5,982,499 |
| | | | | | |
| Plan fiduciary net position as a % of the total pension liability | 82.6654% | 80.7822% | 80.7174% | 84.6730% | 81.4186% |
| Covered employee payroll | $ 3,268,984 | $ 3,321,865 | $ 2,966,302 | $ 2,910,249 | $ 2,849,473 |
| Net pension liability as a % of covered employee payroll | 212.65% | 220.84% | 223.86% | 173.05% | 209.95% |

| **Miscellaneous Plan** | 6/30/2018 | 6/30/2017 | 6/30/2016 | 6/30/2015 | 6/30/2014 |
|---|---|---|---|---|---|
| District's proportion of the net pension liability | 0.00165% | 0.00407% | 0.00370% | 0.00710% | 0.00536% |
| Proportionate share of total pension liability | $ 2,260,036 | $ 2,226,300 | $ 2,068,900 | $ 1,982,911 | $ 1,964,457 |
| Proportionate share of fiduciary net position | 2,198,009 | 2,065,947 | 1,941,102 | 1,786,950 | 1,631,064 |
| Proportionate share of net pension liability | $ 62,027 | $ 160,353 | $ 127,798 | $ 195,961 | $ 333,393 |
| | | | | | |
| Plan fiduciary net position as a % of the total pension liability | 97.2555% | 92.7973% | 93.8229% | 90.1175% | 83.0287% |
| Covered employee payroll | $ 217,472 | $ 199,553 | $ 187,169 | $ 156,956 | $ 150,450 |
| Net pension liability as a % of covered employee payroll | 28.52% | 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, 2019**
**SCHEDULE OF PLAN CONTRIBUTIONS FOR THE**
**DISTRICT'S PENSION PLAN**

**Safety Plan**

| | 2018-19 | 2017-18 | 2016-17 | 2015-16 | 2014-15 | 2013-14 |
|---|---|---|---|---|---|---|
| Actuarially required contribution | $ 536,088 | $ 497,083 | $ 515,127 | $ 478,374 | $ 620,459 | $ 624,222 |
| Contributions in relation to the actuarially determined contribution | (536,088) | (497,083) | (515,127) | (478,374) | (620,459) | (624,222) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - |
| District's covered-employee payroll | $ 3,543,654 | $ 3,268,984 | $ 3,321,865 | $ 2,966,302 | $ 2,910,249 | $ 2,922,500 |
| Contributions as a percentage of covered-employee payroll | 15.13% | 15.21% | 15.51% | 16.13% | 21.32% | 21.36% |

**Miscellaneous Plan**

| | 2018-19 | 2017-18 | 2016-17 | 2015-16 | 2014-15 | 2013-14 |
|---|---|---|---|---|---|---|
| Actuarially required contribution | $ 23,322 | $ 21,704 | $ 20,211 | $ 17,926 | $ 24,463 | $ 23,558 |
| Contributions in relation to the actuarially determined contribution | (23,322) | (21,704) | (20,211) | (17,926) | (24,463) | (23,558) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - |
| District's covered-employee payroll | $ 224,114 | $ 217,472 | $ 199,553 | $ 187,169 | $ 156,956 | $ 150,450 |
| Contributions as a percentage of covered-employee payroll | 10.41% | 9.98% | 10.13% | 9.58% | 15.59% | 15.66% |

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, 2019
## SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS

| | Measurement period 6/30/19 | Measurement period 6/30/18 | Measurement period 6/30/17 |
|---|---|---|---|
| **Total OPEB liability** | | | |
| Service cost | $ 198,667 | $ 205,376 | $ 199,394 |
| Interest | 414,097 | 411,764 | 390,385 |
| Changes in benefit terms | - | - | - |
| Differences between expected and actual experience | (148,226) | 6,968 | - |
| Changes in assumptions | (514,604) | (158,458) | - |
| Benefit payments, including refunds of employee contributions | (243,049) | (234,954) | (198,454) |
| Implicit rate subsidy fulfilled | (90,445) | (76,161) | (71,179) |
| Net change in total OPEB liability | (383,560) | 154,535 | 320,146 |
| Total OPEB liability - beginning | 6,086,723 | 5,932,188 | 5,612,042 |
| Total OPEB liability - end (a) | $ 5,703,163 | $ 6,086,723 | $ 5,932,188 |
| **Plan fiduciary net position** | | | |
| Net investment income | $ 254,279 | $ 252,767 | $ 263,245 |
| Contributions: | | | |
| Employer - district's contribution | 1,225,049 | 539,954 | 727,702 |
| Employer - implicit subsidy | 90,445 | 76,161 | 71,179 |
| Employee | - | - | - |
| Benefit payments, including refunds of employee contributions | (243,049) | (234,954) | (198,454) |
| Implicit rate subsidy fulfilled | (90,445) | (76,161) | (71,179) |
| Administrative expense | (1,881) | (1,684) | (1,276) |
| Other | - | - | - |
| Net change in Plan Fiduciary Net Position | 1,234,398 | 556,083 | 791,217 |
| Plan Fiduciary Net Position - beginning | 3,681,021 | 3,124,938 | 2,333,721 |
| Plan Fiduciary Net Position - end (b) | $ 4,915,419 | $ 3,681,021 | $ 3,124,938 |
| **Net OPEB liability - ending (a) - (b)** | $ 787,744 | $ 2,405,702 | $ 2,807,250 |
| **Plan fiduciary net position as a percentage of the total OPEB liability** | 86.19% | 60.48% | 52.68% |
| **Covered-employee payroll** | 2,716,154 | 2,670,803 | 2,599,322 |
| **Net OPEB liability as a percentage of covered-employee payroll** | 29.00% | 90.07% | 108.00% |

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

See accompanying notes to required supplementary information

**TIBURON FIRE PROTECTION DISTRICT**
**YEAR ENDED JUNE 30, 2019**
**SCHEDULE OF PLAN CONTRIBUTIONS FOR THE DISTRICT'S OPEB PLAN**

| | Measurement period 6/30/19 | Measurement period 6/30/18 | Measurement period 6/30/17 |
|---|---|---|---|
| Actuarially Determined Contribution (ADC) | $ 437,135 | $ 465,770 | $ 760,836 |
| Contributions in relation to the ADC | (1,315,494) | (616,115) | (798,881) |
| Contribution deficiency (excess) | $ (878,359) | $ (150,345) | $ (38,045) |
| Covered employee payroll | 2,598,338 | 2,670,803 | 2,599,322 |
| Contributions as a % of covered-employee payroll | 50.63% | 23.07% | 30.73% |
| Contributions as a % of ADC | 300.94% | 132.28% | 105.00% |

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

See accompanying notes to required supplementary information

## 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, 2017, valuation date

The actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year 2017-18 were derived from the June 30, 2015, 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 | 2.50% |
| 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 2.50% 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% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on Cal PERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

## 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 | 20 years |
| Inflation | 2.50% |
| Assumed payroll growth | 2.75% |
| Healthcare trend rates | 6.50%, trending down to 4.73% |
| Rate of return on assets | 7.59% |
| Mortality rate | CalPERS rates |
| Retirement rates | CalPERS rates |