NEVADA COUNTY
CONSOLIDATED FIRE DISTRICT

ANNUAL FINANCIAL REPORT

With Independent Auditor's Report Thereon

June 30, 2020

NEVADA COUNTY CONSOLIDATED FIRE DISTRICT

ANNUAL FINANCIAL REPORT
June 30, 2020

TABLE OF CONTENTS

FECHTER
& COMPANY
Certified Public Accountants

Craig R. Fechter, CPA, MST

INDEPENDENT AUDITOR'S REPORT

Nevada County Consolidated Fire District
Nevada City, California 95959

We have audited the accompanying financial statements of Nevada County Consolidated Fire District as of and for the year-ended June 30, 2020, 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 of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 applicable to financial audits contained in Governmental Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nevada County Consolidated Fire District as of June 30, 2020, and the respective changes in financial position, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information and Budget vs. Actual comparison 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 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 principally of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with managements 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 assurances on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide an assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 13, 2020, on our consideration of the Nevada County Consolidated Fire District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Fechter & Company
Certified Public Accountants

Fechter & Company, CPAs

Sacramento, California
January 14, 2021

NEVADA COUNTY CONSOLIDATED FIRE DISTRICT

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020

As management of the Nevada County Consolidated Fire District ("the District"), our discussion and analysis of the financial performance of the District offers readers of these financial statements an overview of the District's financial activities for the year ended June 30, 2020, based on currently known facts, decisions, or conditions, as well as a comparative analysis of changes in the District's financial position between FY 2019-20 and FY 2018-19.

We encourage readers to consider the information presented here in conjunction with the District's financial statements.

Financial Highlights

- The assets of the District exceeded its liabilities by $3,101,786 (net position) at the close of fiscal year 2020. Unrestricted net position, which is normally used to meet the District's ongoing obligations to its creditors, was ($996,584) at June 30, 2020.

- The District's total net position decreased by $800,972. Revenues of $7,118,762 were lower than expenditures of $7,919,734 by $800,972.

- Short-term liabilities (accounts payable, interest, and accrued expenses) increased $27,993. The District's long-term liabilities increased $648,928 (new debt offset by lease payments and pension). Total liabilities for the District increased $676,921.

- At the close of the year ended June 30, 2020, the District's governmental funds reported a combined ending fund balance of $3,299,438, a decrease of $195,896 from the June 30, 2019 ending fund balance.

Using This Annual Report – Overview of the Financial Statements

This report consists of several basic financial statements. The Statement of Net Position and the Statement of Activities (Pages 12 and 13, respectively, the last column) provide information about the financial activities of the District and present a longer-term view of the District's finances. These statements provide information about the financial activities of the District in a manner similar to private sector companies.

The Governmental Fund Balance Sheet and the Governmental Fund Revenues, Expenditures and Change in Fund Balance (Pages 14 and 16, respectively) illustrate how the governmental type activities were financed in the short-term, as well as what funds remain for future spending. These financial statements also report the District's operations in more detail than government-wide statements by providing information about the District's individual funds.

Financial statement notes are an important part of the basic financial statements. They provide the readers additional information required by Generally Accepted Accounting Principles.

Government-wide Financial Statements

The financial statements for the District are on Pages 12 and 13. The reports provide readers with a broad overview of the District as a whole and about its activities for the current period. They include all assets and liabilities using the accrual basis of accounting. In this method, all the current year's revenues and expenses are considered regardless of when cash is paid or received.

The Statement of Net Position represents the difference between all the District's assets and liabilities and the Statement of Activities reports the changes in net position during the fiscal year. Examining net position is an effective way to measure the District's financial health or position. Increases and decreases in net position are a good indicator of whether the District's financial position is improving or deteriorating.

Condensed Schedule of Net Position

	2019-20	2018-19	Increase/ Decrease
Assets:			
Current & other	$ 3,625,188	$ 3,776,360	$ (151,172)
Capital assets	4,419,293	4,337,453	81,840
Total Assets	8,044,481	8,113,813	(69,332)
Deferred Outflows of Resources	1,980,080	2,027,723	(47,643)
Liabilities:			
Current	710,901	682,908	27,993
Long-term	5,682,655	5,033,727	648,928
Total Liabilities	6,393,556	5,716,635	676,921
Deferred Inflows of Resources	529,219	522,143	7,076
Net Position:			
Net investment in capital assets	3,874,003	3,816,948	57,055
Restricted	224,367	794,175	(569,808)
Unrestricted	(996,584)	(708,365)	(288,219)
Total Net Position	$ 3,101,786	$ 3,902,758	$ (800,972)

For the fiscal year 2019-20, net position was $3,101,786, a decrease of $800,971, or 21%. Total Net Position included $224,367 in restricted assets (development fees restricted for future capital purchases and post-employment pension trust) and a deficit of $996,584 in unrestricted net position.

Statement of Activities and Changes in Net Position

	2019-20	2018-19	Increase/ Decrease
Total Revenues	$ 7,118,762	$ 7,587,539	$ (468,777)
Total Expenses	(7,919,734)	(7,394,628)	(525,106)
Excess (Deficiency)	(800,972)	192,911	(993,883)
Beginning Net Position	3,902,758	3,709,846	192,912
Ending Net Position	$ 3,101,786	$ 3,902,757	$ (800,971)

Total Revenues for fiscal year 2019-20 were lower than the prior year, as were expenses. Fiscal year 2019-20 expenses exceeded revenues by $800,971, therefore decreased net position by the same.

A comparison of revenues for the year ended June 30, 2020 to the revenues for the year ended June 30, 2019 is as follows:

	2019-20	2018-19	Increase/ Decrease
Revenues			
General Revenues:			
Property taxes	$ 3,225,399	$ 3,075,335	$ 150,064
State taxes	377,597	372,747	4,850
Special assessments	2,972,053	2,882,221	89,832
Interest income	54,646	49,782	4,864
Gain/(loss) on disposal of assets	-	95,000	(95,000)
Other revenue	153,725	149,184	4,541
Subtotal	6,783,420	6,624,269	159,151
Program Revenues:			
Reimbursements	227,034	830,225	(603,191)
Mitigation fees	88,998	111,188	(22,190)
Operating grants	19,310	21,858	(2,548)
Total Revenue	$ 7,118,762	$ 7,587,540	$ (468,778)

Property tax revenues increased in FY 2019-20 due to the increase of property values. Special Assessments revenue increased as parcel assessments increased. Program revenues decreased mostly due to reduced strike team activity. A comparison of expenses for the year ended June 30, 2020 to the expenses for the year ended June 30, 2019 is as follows:

	2019-20	2018-19	Increase/ Decrease
Expenses			
Salaries, wages, and benefits	$ 6,454,011	$ 5,877,027	$ 576,984
Insurance	38,334	35,775	2,559
Supplies	46,844	61,218	(14,374)
Professional services	86,177	98,912	(12,735)
Tools	34,264	38,903	(4,639)
Maintenance	316,566	314,486	2,080
Communications	23,816	26,099	(2,283)
Utilities & fees	114,841	130,242	(15,401)
Special district expense	91,550	83,861	7,689
Prevention	29,329	36,291	(6,962)
Fire agency	111,377	97,807	13,570
Training	51,194	65,267	(14,073)
Uniforms and PPE	77,268	96,625	(19,357)
Miscellaneous	15,030	30,459	(15,429)
Loss on disposal of assets	-	-	-
Interest	12,700	18,777	(6,077)
Depreciation	416,432	382,879	33,553
Total Expenses	$ 7,919,734	$ 7,394,628	$ 525,106

Salaries, wages and benefits expense for FY 2019-20 were $576,984 more than FY 2018-19. Major components of the increases were:

- Salaries & wages increased. A new two-year Memorandum of Understanding (MOU) was negotiated with Local 3800 and went into effect July 1, 2019.
- Increased pension cost mostly due to an increase in Unfunded Accrued Liability (UAL).

Other expense categories increased or decreased as part of a normal ebb and flow between years.

Fund Financial Statements

The Fund Financial Statements are on pages 14 and 16 and provide information about the District's individual funds, not the District as a whole.

The District's services are reported in two governmental funds to help control and manage the financial activities for particular purposes: The Operating Fund and the Building and Equipment

Fund (Reserves) are combined in the General Fund, and the Capital Improvement Fund (AB1600 – Mitigation or Development Fees). These governmental funds focus on how money flows into and out of the District and are used to help control and manage the financial activities of the District's specific purposes, as well as show that the District is meeting its legal responsibilities. The governmental fund statements provide a short-term view of the District's general government operations and the basic services it provides.

Governmental fund information helps the financial statement reader determine whether there are more or fewer financial resources that can be spent in the near future. The relationship between governmental activities and governmental funds is described on page 15 and 17, Reconciliation of Government-Wide and Fund Financial Statements.

Financial Analysis of the Governmental Funds

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the reporting on the District's governmental funds is to provide information on short-term inflow, outflow, and balances of spendable resources. Such information is useful in assessing the District's financing requirements, as it indicates a pattern of expenditures vs. funds available to spend. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

For the year-ended June 30, 2020, the District's governmental funds reported combined ending fund balances of $3,625,188, a decrease of $215,134 over the prior year. The unassigned fund balance of the General Fund is normally available for spending at the District's discretion, while the remainder of the fund balance may not necessarily be available for new spending if it has already been committed. The unassigned fund balance of the General Fund is $1,289,662 at June 30, 2020.

Budget vs Actual

The Statement of Revenues, Expenditures and Changes in Fund Balances Budget vs Actual on pages 36 and 37 shows a comparison for the General Fund and the Capital Improvement Fund. The budget is based on anticipated cash flows, while actual amounts are accrual based. The results are potential variances, as later noted. Revenues, consisting primarily of property taxes and parcel taxes/assessments, are budgeted at the level expected to be collected during the year and expenditures at a level not exceeding expected revenues plus the unexpended balance remaining from the previous fiscal year (beginning cash balance). Revenues for the General Fund were $497,420 over budget and expenditures were under budget by $125,482. Revenues for the Capital Improvement Fund were $10,898 over budget and expenditures were equal to budget. These figures do not include beginning cash balances.

General Fund: Actual revenues were over budget by $497,420 primarily due to 1) strike team revenues, 2) proceeds from capital lease and, 3) interest and investment income. Sale of assets did not occur as planned. Actual expenses were under budget by $125,482, primarily due to strike team expenses. Employee overtime and employee benefits. There were also variances in carious other accounts.

Capital Improvement Fund: Actual revenues were over budget by $10,898. Revenues come from AB1600 mitigation fees. Expenses were on target to budget.

Special Tax Funds Collected and Expended

The special tax was used solely for the purpose of providing fire protection, both prevention and suppression, and for emergency medical response services within the District, and for responses outside of the District under automatic/mutual aid agreements with other fire suppression or emergency service agencies, and for incidental expenses related to the collection of the tax. This amount is included as part of the special assessments and taxes recorded in the general fund.

In the fiscal year ending June 30, 2020, the District received $962,114 from the 2012 Special Tax and $2,293 in interest. These funds were used as follows:

1. Nevada County administrative fees of $8,502.
2. Operating expenses in the areas of personnel, facility and equipment of $952,000.
3. Fund balance increased $3,906.

Capital Asset and Debt Administration Capital Assets
At the end of fiscal year 2019-20, the District had $4,419,293 invested in a range of capital assets, including land, structures, vehicles, and equipment. This is a $81,840 increase from the prior fiscal year. Several assets were purchased, most notably SCBA bottles and a utility vehicle. Construction in progress include the manufacture of a rescue vehicle. Depreciation expense was recorded, reducing capital asset values.

	2019-20	2018-19	Increase/ Decrease
Land, structures, improvements and construction in progress	$ 2,526,979	$ 2,316,761	$ 210,218
Vehicles	1,275,328	1,431,582	(156,254)
Equipment	616,986	589,111	27,875
	$ 4,419,293	$ 4,337,454	$ 81,839

Additional detail regarding capital assets is in Note 4 of the "Notes to Basic Financial Statements".

Debt Administration

The District has three debt obligations:

Outstanding Debt at Year End

	2019-20	2018-19	Increase/ Decrease
West America	$ 26,514	$ 77,281	$ (50,767)
West America	280,267	-	280,267
PNC - E89	-	113,369	(113,369)
PNC - E86	238,509	329,856	(91,347)
	$ 545,290	$ 520,506	$ 24,784

West America – In a prior year, as part of the consolidation with Forty-Niner Fire Protection District, the District assumed a capital lease for the construction of Station 84 on Coyote Street, Nevada City. The decrease in the balance is due to scheduled debt payments, which are due through January of 2021.

West America – This debt obligation is for the purchase of a new rescue vehicle in the current fiscal year, requiring payments through April 2025.

PNC E89 – This debt obligation was for the purchase of a fire engine purchased during a prior fiscal year, requiring payments were completed in February 2020.

PNC E86 – This debt obligation is for the purchase of a fire engine during the prior fiscal year, requiring payments through September 2022.

Additional detail regarding the District's debt is in Note 5 of the "Notes to Financial Statements".

Economic Factors and Next Year's Budget

Current Fiscal Situation and New Special Tax Measure

In FY 2019-20, the District continued to improve its financial stability. Steps include increased cash balances in the general fund, fixed asset upgrades and debt reduction.

The goal for FY 2020-21 is to continue providing for the safety of the community, safety of District employees and being good stewards of District assets. The FY 2020-21 budgets reflect such by projected expenditures in personal protective equipment, training, and maintenance of facilities, equipment and vehicles, as well as the purchase of radios and an off-road vehicle. The District is incurring increased costs in retirement.

Although the District experienced financial growth, the District needs to be aware of factors that affect the largest cost; wages and benefits. During fiscal year 2019-20, a new memorandum of understanding started negotiations with Local 3800. A new memorandum of understanding will begin negotiations during FY 2020-21. There also is the continuing need to replace vehicles, equipment, and major maintenance projects. The long-term effect of these concerns is routinely reviewed and analyzed when preparing extended projections. The board and staff members use the projections as a basis to gain efficiencies on a number of different levels.

CalPERS Retirement Program

The District currently provides CalPERS retirement plans for four basic employee groups: Safety Classic (3% at age 55), Safety Non-Classic (2.7% at age 57), Miscellaneous Classic (3% at age 60) and Miscellaneous Non-Classic (2% at age 62). The distinction of Classic are CalPERS members prior to January 1, 2013 and Non-Classic are CalPERS members January 1, 2013 and thereafter. Since our plans each had fewer than 100 active members as of June 30, 2003, we were required to participate in a risk pool.

The unfunded asset liability (UAL) for the District plans, as of the following measurement dates are:

	Accounting Valuation - GASB 68		Actuarial Valuation	
	6/30/2019	6/30/2018	6/30/2019	6/30/2018
Safety	$ 4,977,520	$ 4,440,586		$ 5,303,238
Misc.	333,407	302,737		349,593
Total	$ 5,310,927	$ 4,743,323	$ -	$ 5,652,831

GASB 68 modified the reporting requirements for UAL. For accounting valuations, the fiduciary net position includes, if applicable, deficiency reserves, fiduciary self-insurance and OPEB expenses. These amounts are excluded for rate setting in the funding actuarial valuation. Differences may also result from early CAFR closing and final reconciled reserves.

The contribution methodology for 2015-16 and thereafter changed. The required contribution consists of two components; 1) a contribution rate based on payroll, and 2) a fixed dollar amount. The purpose of the change is to insure the unfunded pension liability is funded as classic members reach retirement age.

In 2017, CalPERS reduced the discount rate from 7.50% to 7.00%, implementing over a three- year period. This decrease in the discount rate has two effects: 1) increases the contribution rate on payroll, and 2) increases the unfunded pension liability which in turn increases the associated annual payment.

In 2018, CalPERS changed the amortization schedule for new gains and losses being added to the unfunded pension liability. Effective June 30, 2020, the amortization period was shortened from 30 years to 20 years, and the five-year ramp-up and ramp-down will be eliminated. This will result in higher unfunded pension liability payments in the future.

The District's management continues to carefully monitor the condition of our pension funds and the discount rate. It is not possible to accurately predict the market's future impact on CalPERS, but prior volatile investment returns and resulting discount rate reduction shows the cause and effect relationship.

Other Fiscal Matters

As always, the District actively pursues as many sources of funding as are available to us (including grants) to ensure that during these changing economic times our level of service to the public remains at the highest level we have all come to expect.

Requests for Information

This financial report is designed to provide a general overview of the Nevada County Consolidated Fire District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Fire Chief, C/O Nevada County Consolidated Fire District, 640 Coyote Street, Nevada City, California, 95959.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

NEVADA COUNTY CONSOLIDATED FIRE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

ASSETS		
Current Assets:		
Cash and investments	$	3,331,235
Post employment trust - restricted		167,414
Accounts receivable		110,032
Deposits & prepaid expenses		16,507
Total Current Assets		3,625,188
Capital assets, net		4,419,293
TOTAL ASSETS		8,044,481
DEFERRED OUTFLOWS		
GASB 68 Pension		1,980,080
TOTAL ASSETS AND DEFERRED OUTFLOWS	$	10,024,561
LIABILITIES		
Current Liabilities:		
Accounts payable and accruals		63,396
Accrued payroll liabilities		198,905
Accrued interest		3,236
Accrued compensated absences		271,801
Current portion of capital lease		93,637
Current portion of notes payable		79,925
Total Current Liabilities		710,901
Long-term Liabilities:		
Capital lease		144,872
Notes payable		226,856
Net pension liability		5,310,927
Total Long-term Liabilities		5,682,655
TOTAL LIABILITIES		6,393,556
DEFERRED INFLOWS		
GASB 68 Pension		529,219
TOTAL LIABILITIES AND DEFERRED INFLOWS	$	6,922,775
NET POSITION		
Net investement in capital assets		3,874,003
Restricted for capital improvements		56,953
Restricted for post-employment		167,414
Unrestricted		(996,584)
TOTAL NET POSITION	$	3,101,786

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

NEVADA COUNTY CONSOLIDATED FIRE DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Contributions and Grants	Program Revenues: Capital Contributions and Grants	Net (Expense) Revenue and Change in Net Assets
Governmental Activities:					
Public protection	$ 7,344,030	$ 88,998	$ 19,310	$ -	$ (7,235,722)
Strike team	146,572	227,034	-	-	80,462
Interest on long-term debt	12,700	-	-	-	(12,700)
Gain/(loss) on disposal of assets	-	-	-	-	-
Depreciation (unallocated)	416,432	-	-	-	(416,432)
Total Governmental Activities	$ 7,919,734	$ 316,032	$ 19,310	$ -	$ (7,584,392)
		General Revenues:			
		Tax revenue			3,225,399
		Special assessment & tax			2,972,053
		State taxes			377,597
		Rental income			28,860
		Interest & investment earnings			54,646
		Misccellaneous			124,865
		Total General Revenues			6,783,420
		Change in net position			(800,972)
		Net position at beginning of fiscal year			3,902,758
		Net position at end of fiscal year			$ 3,101,786

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

GOVERNMENT FUNDS FINANCIAL STATEMENTS

NEVADA COUNTY CONSOLIDATED FIRE DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2020

	General Fund	Capital Improvement Fund	Total
ASSETS			
Current Assets:			
Cash and investments	$ 3,274,282	$ 56,953	$ 3,331,235
Investments	167,414	-	167,414
Accounts receivable	110,032	-	110,032
Deposits & prepaid expenses	16,507	-	16,507
Total Current Assets	3,568,235	56,953	3,625,188
TOTAL ASSETS	$ 3,568,235	$ 56,953	$ 3,625,188
LIABILITIES, DEFERRED INFLOWS, & FUND BALANCES			
Liabilities:			
Accounts payable and accruals	63,395	-	63,395
Accrued payroll	198,906	-	198,906
Total Liabilities	262,301	-	262,301
Deferred Inflow			
Unavailable revenue	63,449	-	63,449
TOTAL LIABILITIES AND DEFERRED INFLOWS	325,750	-	325,750
NET POSITION			
Unassigned	1,343,868	-	1,400,821
Restricted for capital improvements	-	56,953	-
Restricted for post-employment	167,414	-	167,414
Unspendable	16,507	-	16,507
Committed	1,714,696	-	1,714,696
NET POSITION	3,242,485	56,953	3,299,438
TOTAL LIABILITIES & FUND BALANCE	$ 3,568,235	$ 56,953	$ 3,625,188

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

NEVADA COUNTY CONSOLIDATED FIRE DISTRICT
Reconciliation of the Governmental Fund Balance Sheet to the Government-Wide Statement of Net Position
As of June 30, 2020

Fund Balances of Governmental Funds	$	3,299,438
Amounts reported for governmental activities in the statement of net position are different because:		
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.		
Capital assets at historical cost, net		4,419,293
Deferred outflows of resources reported in the Statement of Position		1,980,080
Deferred inflows of resources		(529,219)
Long-term liabilities not due and available in the current period, and therefore,are not reported in the governmental funds balance sheet. Those liabilities consist of:		
Compensated absenses		(271,801)
Accrued interest		(3,236)
Capital lease liabilities		(238,509)
Note payable		(306,781)
Net pension liability		(5,310,927)
Unavailable revenue		63,448
Net position of governmental activities	$	3,101,786

NEVADA COUNTY CONSOLIDATED FIRE DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED
JUNE 30, 2020

	General Fund	Capital Improvement Fund	Total
Revenues			
Tax revenue	$ 3,225,399	$ -	$ 3,225,399
Special assessment & tax	2,972,053	-	2,972,053
State taxes	344,492	-	344,492
Charges for service	238,200	-	238,200
Rental income	28,860	-	28,860
Interest & investment earnings	52,746	1,900	54,646
Mitigation fees	-	88,998	88,998
Grants & contributions	19,310	-	19,310
Proceeds from capital lease	280,267	-	280,267
Miscellaneous	124,815	50	124,865
Total Revenues	7,286,142	90,948	7,377,090
Expenditures			
Capital assets	498,272	-	498,272
Debt Service:			
Principle	113,370	142,114	255,484
Interest	2,001	11,052	13,053
Salaries and employee benefits	5,769,586	-	5,769,586
Services, supplies and refunds	1,036,590	-	1,036,590
Total Expenditures	7,419,820	153,166	7,572,986
Net change in Fund Balances	(133,678)	(62,218)	(195,896)
Fund Balances, beginning of period	3,376,163	119,171	3,495,334
Fund Balances, end of period	$ 3,242,485	$ 56,953	$ 3,299,438

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

NEVADA COUNTY CONSOLIDATED FIRE DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities and Changes in Net Position
For the Fiscal Year Ended June 30, 2020

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures, and Change in Fund Balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

Net Change in Fund Balances	$ (195,896)
Amounts reported for governmental activities in the Statement of Activities are different because of the following:	
Governmental funds report capital outlays as expenditures; however, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay expenditures are, therefore, added back to fund balances.	498,272
Depreciation expense not reported in governmental funds.	(416,432)
The net change amounts below, included in the Statement of Activities, do not provide or require the use of current financial resources and, therefore, are not reported as revenue or expenditures in governmental funds:	
Change in compensated absences	(62,101)
Proceeds from long-term debt	(280,267)
Long-term debt payments	51,119
Capital lease payments	204,717
Change in net pension liability	(567,604)
Change in deferred outflows of resources	(7,076)
Change in deferred inflows of resources	(47,643)
Increase in other post-employment benefits payable	21,940
Change in Net Position of Governmental Activities	$ (800,972)

Background: The District is an independent special district within the County of Nevada and was established under Health and Safety Code Section 13801 in July 1991. It is governed by a seven-member Board of Directors who are elected to four-year terms by area residents. The District provides fire protection, rescue, and emergency medical services in Nevada County. The District currently operates four fire stations, one fire station jointly staffed with Grass Valley and four unstaffed stations.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Accounting Principles

The financial statements of the Nevada County Consolidated Fire District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant accounting policies of the District are described below.

Basis of Accounting and Measurement Focus

The accounts of the District are organized on the basis of funds, or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Financial Statement Presentation

Government-Wide Financial Statements
The District Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of Governmental and Business-Type Activities for the District accompanied by a total column.

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the District’s assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the District are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - continued

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regard to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

The District's governmental-wide fund balance is classified in the following categories:

Net Investment in Capital Assets – Includes amount of the fund balance that is invested in capital assets net of any related debt.

Restricted – Includes amounts that can be spent only for the specific purposes stipulated by a formal action of the government's highest level of decision-making authority, external resource providers, constitutionally, or through enabling legislation.

Unrestricted – Includes amounts that are technically available for any purpose and includes all amounts not contained in other classifications.

Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances, changes in fund balances as presented in these statements to the net position, and changes in net position presented in the Government-Wide financial statements. The District has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures, and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the District, are property tax, intergovernmental revenues, and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - continued

Nonspendable – Includes amounts that are not in a spendable form or are required to be maintained intact.

Restricted – Includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation.

Committed – Includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.

Assigned – Includes amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates authority.

Unassigned – Includes amounts that are technically available for any purpose and includes all amounts not contained in other classifications.

Use of Restricted/Unrestricted Net Position
When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District's policy is to apply restricted net position first.

Budgets and Budgetary Accounting
An annual budget is adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's Board of Directors must adopt a preliminary budget by June 30^{th} and a final budget no later than September 30th. A public hearing must be conducted to receive comments prior to adoption. The District's Governing board satisfied these requirements.

This budget is reviewed by the District Board of Directors during the year to give consideration to unanticipated income and expenditures. The final revised budget is presented for the General Fund as required supplementary information in the financial statements.

Pooled Cash and Investments

The County sponsors an investment pool that is managed by the County Treasurer for the purpose of increasing interest earnings through investment activities. Cash and investments for most County activities are included in the investment pool. Interest earned on the investment pool is distributed to the participating funds monthly using a formula based on the average daily balance of each fund.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - continued

The California Government Code requires California banks and savings and loan associations to secure the County's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such a collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the County's name.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments were stated at cost, as the fair market value adjustment at the yearend was immaterial.

Accounts Receivable

On an accrual basis, revenues are recognized in the fiscal year in which the services are rendered. The District has not established an allowance for uncollectable receivables for Governmental or Grant Funds since prior experience has shown that uncollectable receivables are not significant.

Prepaid Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures in the period benefited.

Capital Assets

Capital assets purchased or acquired with an original cost of $5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market 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 and estimated useful life.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred outflow/inflows of resources, represents an acquisition/disposition of net position that applies to future period(s) and will not be recognized as an outflow/inflow of resources until that time.

Liability for Compensated Absences

The District is required to recognize a liability for employees' rights to receive compensation for future absences. All vacation is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - continued

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position

Property Taxes

Nevada County is responsible for the collection and allocation of property taxes. Under California law, property taxes are assessed and collected by Nevada County up to 1% of the full cash value of taxable property based on assessed values on March 1 of the preceding year, plus other increases approved by the voters and distributed in accordance with statutory formulas. They become a lien on the first day of the year they are levied. Secured property tax is levied on January 1 and due in two installments, on November 1 and February 1. Unsecured property tax is levied on July 1 and due on July 31.

The County uses the Alternative Method of Property Tax Apportionment. Under this method of property tax apportionment, the County purchases the delinquent secured taxes at June 30 of each fiscal year. These taxes are accrued as intergovernmental revenue only if they are received from the County within 60 days after year end in the governmental fund. They are accrued when earned regardless of the timing of the related cash flows in the government-wide statement.

Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Pensions

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

NOTE 2 – CASH AND INVESTMENTS

Cash and investments consist of the following:

	June 30, 2020	June 30, 2019
County cash	$ 3,315,301	$ 3,427,564
Petty cash	100	100
Deposits in financial institutions	15,834	14,381
	$ 3,331,235	$ 3,442,045

Investment Policy: California statutes authorize districts to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The District does not have an investment policy that addresses its interest rate risk, credit risk, and concentration of credit risk.

Investment in the County of Nevada's Investment Pool: The District maintains its cash in Nevada County's cash and investment pool which is managed by the Nevada County Treasurer. The District's cash balances invested in the Nevada County Treasurer's cash and investment pool are stated at amortized cost, which approximates fair value. Nevada County does not invest in any derivative financial products. The Nevada County Treasury Investment Oversight Committee (Committee) has oversight responsibility for Nevada County's cash and investment pool. The Committee consists of ten members as designated by State law. The value of pool shares in Nevada County that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the District's position in the pool. Investments held in the County's investment pool are available on demand to the District and are stated at cost, which approximates fair value. This investment is not subject to categorization under GASB No. 3.

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating issued by a nationally recognized statistical rating organization. The County's investment pool does not have a rating provided by a nationally recognized statistical rating organization.

NOTE 2 – CASH - continued

Custodial Risk: Custodial risk is the risk that the government will not be able to recover its deposits or the value of its investments that are in the possession of an outside party. Custodial credit risk does not apply to a local government’s indirect deposits or investment in securities through the use of government investment pools (such as the County’s investment pool).

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The District’s deposits were covered by FDIC insurance at June 30, 2020.

NOTE 3 – POST EMPLOYMENT TRUST - RESTRICTED

During fiscal year 2014-2015, the district approved the creation of a Section 115 Trust (“Trust”). All assets in the Trust are irrevocably dedicated to funding obligations of the District’s pension beneficiaries, other post-employment beneficiaries or costs administering the Trust. The funds are not considered plan assets of the pension plan and are therefore considered restricted assets of the District.

NOTE 4 – ACCOUNTS RECEIVABLE

On June 30, 2020, the District has $110,032 in Accounts Receivable. Deferred inflows of $63,449 represented the portion of revenue in accounts receivable that was not collected within the District’s 60-day availability period.

NOTE 5 – CAPITAL ASSETS

	Beginning Balance	Additions	Deletions	Reclass	Ending Balance
Nondepreciable Capital Assets:					
Land	$ 526,857	$ -	$ -	$ -	$ 526,857
Construction in progress	27,350	321,389	-	-	348,739
Total Nondepreciable Capital Assets	554,207	321,389	-	-	875,596
Depreciable Capital Assets:					
Land improvements	51,775	-	-	-	51,775
Structures & improvements	4,368,696	-	-	-	4,368,696
Vehicles	4,261,629	68,390	-	-	4,330,019
Furniture & equipment	59,727	-	(4,632)	-	55,095
Firefighting equipment	1,351,747	69,752	-	-	1,421,499
Radio, Communication equipment	265,127	38,741	(8,744)	-	295,124
Total Depreciable Capital Assets	10,358,702	176,883	(13,376)	-	10,522,209
Less: Accumulated Depreciation:					
Land improvements	(19,194)	(2,527)	-	-	(21,721)
Structures & improvements	(2,638,724)	(108,642)	-	-	(2,747,366)
Vehicles	(2,830,047)	(224,645)	-	-	(3,054,692)
Furniture & equipment	(54,752)	(1,177)	4,632	-	(51,297)
Firefighting equipment	(822,856)	(59,559)	-	-	(882,415)
Radio, Communication equipment	(209,884)	(19,882)	8,744	-	(221,022)
Total Accumulated Depreciation	(6,575,456)	(416,432)	13,376	-	(6,978,512)
Total Capital Assets Being Depreciated, Net	3,783,246	(239,549)	-	-	3,543,697
Capital Assets, Net	$ 4,337,453	$ 81,840	$ -	$ -	$ 4,419,293

NOTE 6 – LONG-TERM DEBT

Long term liabilities at June 30, 2020, consisted of the following:

	Balance at June 30, 2019	Additions	Repayments	Balance at June 30, 2020	Due Within One Year
Notes Payable:					
Westamerica Bank	$ 77,281	$ -	$ (50,767)	$ 26,514	26,514
Westamerica Bank	-	280,267	-	280,267	53,411
Total Notes Payable	77,281	280,267	(50,767)	306,781	79,925
Capital Lease Obligations:					
PNC	113,370	-	(113,370)	-	-
PNC	329,857	-	(91,348)	238,509	93,637
Total Capital Lease Obligations	443,227	-	(204,718)	238,509	93,637
Compensated absences	209,700	62,101	-	271,801	-
Net pension obligation	4,743,323	567,604	-	5,310,927	-
Total Long-Term Liabilities	$ 5,473,531	$ 909,972	$ (255,485)	$ 6,128,018	$ 173,562

NOTE 6 – LONG-TERM DEBT - continued

Notes Payable to Westamerica Bank: On July 21, 2011 the Board approved a refinance of the loan assumed for the construction of Station 84 as a result of the consolidation with the Forty-Niner Fire Protection District. The refinancing extended the note's term for an additional ten years and required a $100,000 down payment. The note carries an interest rate of 4.40% with semi-annual debt service payments of $27,085 through January 3, 2021. The total cost of the station construction project was $1,778,815.

On April 6, 2020, the District entered into an installment sale agreement to purchase a new rescue vehicle for $280,267. The full balance of the loaned funds was deposited into a trust account held with and controlled by Westamerica Bank, which will be released to the vendor upon completion of the rescue vehicle buildout that is currently in progress. Westamerica Bank retains a security interest in the property during the term of this loan, which carries an interest rate of 2.40% with semi-annual installments of $29,909.55 for five years through April 16, 2025.

PNC Equipment Finance Leases: In October 2014, the District entered into a capital lease for the acquisition of one new fire engine. The lease has an interest rate of 2.711%, with semi-annual debt service payments of $57,843 through February 29, 2020. The cost of the fire engine is $532,773.

In September 2017, the District entered into a capital lease for the acquisition of an additional new fire engine. The lease has an interest rate of 2.49%, with semi-annual debt service payments of $49,498 through September 8, 2022. The cost of the fire engine is $462,653.

Compensated Absences: On June 30, 2020, the liability for compensated absences was $271,801. On June 30, 2019, the liability for compensated absences was $209,700.

Annual debt service requirement of the District's long-term debt obligations are as follows:

Year Ended June 30,	Principal	Interest	Total
2021	$ 173,563	$ 12,338	$ 185,901
2022	150,683	8,132	158,815
2023	104,911	4,406	109,317
2024	57,374	2,445	59,819
2025	58,759	1,060	59,819
	$ 545,290	$ 28,381	$ 573,671

NOTE 7 – PUBLIC EMPLOYEES' RETIREMENT PLAN

Plan Description – The Nevada County Consolidated Fire District's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Nevada County Consolidated Fire District's defined benefit pension plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by the State statutes within the Public Employees' Retirement Law.

The Nevada County Consolidated Fire District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts the benefits through local ordinance (other local methods). CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office - 400 P Street - Sacramento, CA 95814.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report the following timeframes are used.

Validation Date (VD)	June 30, 2018
Measurement Date (MD)	June 30, 2017
Measurement Period (MP)	July 1, 2018 to June 30, 2019

NOTE 7 – PUBLIC EMPLOYEES' RETIREMENT PLAN - continued

General Information about the Pension Plan

Plan Description, Benefits Provided, and Employees Covered
The Plan is a cost-sharing multiple employer defined benefit pension plan administered by the CalPERS. A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2018 actuarial valuation report. This report is a publicly available valuation report that can be obtained at CalPERS' website under Forms and Publications.

Contribution Description
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 the July 1 following notice of a 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 the Miscellaneous or Safety 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 the 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. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

Summary of Significant Accounting Policies
Actuarial Methods and Assumptions Used to determine Total Pension Liability:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table[2]	Derived using CalPERS' Membership Data for all funds

All other actuarial assumptions used in the June 30, 2018 valuation use the results of CalPERS Experience Study and Review of Actuarial Assumptions – December 2017, including updates to salary increases, mortality, and retirement rates, as a basis. The experience study report is available on the CalPERS website under Forms and Publications.

NOTE 7 – PUBLIC EMPLOYEES' RETIREMENT PLAN - continued

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report call the "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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

In determining the long-term expected rate of return, staff took into account both short-term and long- term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. 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 (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

	Measurement Date June 30, 2019		
Asset Class	Net Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11 + (b)
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

(a) An expected inflation of 2.0% used for this period
(b) An expected inflation of 2.92% used for this period

NOTE 7 – PUBLIC EMPLOYEES' RETIREMENT PLAN - continued

Pension Plan Fiduciary Net Position

The plan fiduciary net position disclosed in your GASB 68 accounting valuation report may differ from the plan assets reported in your funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance, and OPEB expense included in fiduciary net position. These amounts are excluded for rate setting purposes in your funding actuarial valuation. In addition, differences may result from early CAFR closing and final reconciled reserves.

Allocation of Net Pension Liability and Pension Expense to Individual Plans

A key aspect of GASB 68 pertaining to cost-sharing employers is the establishment of an approach to allocate the net pension liability and pension expense to the individual employers within the risk pool. Paragraph 49 of GASB 68 indicates that for pools where contribution rates within the pool are based on separate relationships, the proportional allocation should reflect those relationships. The allocation method utilized by CalPERS determines the employer's share by reflecting these relationships through the plans they sponsor within the risk pool. Plan liability and asset-related information are used where available, and proportional allocations if individual plan amounts as of the valuation date are used where not available.

Proportionate Share of Net Pension Liability

	Proportionate Share of Net Pension Liability/ (Asset)
Miscellaneous	$ 333,407
Safety	4,977,520
Total	$ 5,310,927

Change in the Proportionate Share of the Net Pension Liability

	Miscellaneous	Safety	Total
Proportion - June 30, 2018	0.00803%	0.07568%	0.04922%
Proportion - June 30, 2019	0.00833%	0.07974%	0.05183%
	0.00030%	0.00406%	0.00261%

NOTE 7 – PUBLIC EMPLOYEES' RETIREMENT PLAN - continued

Summary of Deferred Outflows/Inflows of Resources

Measurement Period Ending June 30,	Miscellaneous	Safety	Total
2020	$ 22,962	$ 445,690	$ 468,652
2021	(6,620)	25,277	18,657
2022	1,967	53,093	55,060
2023	1,178	13,323	14,501
2024	-	-	-
	$ 19,487	$ 537,383	$ 556,870

For the Measurement Year Ended June 30, 2019	Deferred Outflows	Deferred Inflows
Changes in assumptions	$ 219,918	$ 45,450
Differences between expected and actual experience	348,144	1,794
Net difference between projected and actual earnings on pension plan investments	-	74,303
Differences between actual contributions vs proportionate share of contributions	161,765	282,081
Change in employer proportion	356,262	125,591
Pension contributions made subsequent to the measurement date	893,991	-
	$ 1,980,080	$ 529,219

Plan's Net Pension Liability/(Asset)	Discount Rate -1% 6.15%	Current Discount Rate 7.15%	Discount Rate +1% 8.15%
Miscellaneous	$ 542,403	$ 333,407	$ 160,896
Safety	8,542,872	4,977,520	2,054,490
	$ 9,085,275	$ 5,310,927	$ 2,215,386

NOTE 7 – PUBLIC EMPLOYEES' RETIREMENT PLAN - continued

Measurement Year Ending June 30:	2014	2015	2016	2017	2018	2019
Actuarially determined contribution	$ 486,331	$ 533,582	$ 598,457	$ 682,446	$ 567,335	$ 121,238
Contributions in relation to the actuarially determined contribution	486,331	533,582	598,457	1,379,484	567,335	121,238
Contribution deficiency (excess)	$ -	$ -	$ -	$ (697,038)	$ -	$ -
Covered-employee payroll	$ 2,009,601	$ 2,077,577	$ 2,349,585	$ 2,608,731	$ 2,861,144	$ 3,364,080
Contributions as a percentage of covered employee payroll	0.00%	0.00%	25.47%	52.88%	19.83%	3.60%

Schedule of Plan Contributions for the Combined Miscellaneous and Safety Risk Pools

Measurement Year Ending June 30:	2014	2015	2016	2017	2018	2019
Plan's proportionate of the net pension liability/(asset)	0.06240%	0.05538%	0.05638%	0.04875%	0.04922%	0.05183%
Plan's proportionate share of the net pension liability/(asset)	$ 3,882,600	$ 3,801,425	$ 4,878,202	$ 4,834,207	$ 4,743,323	$ 5,310,927
Plan's covered-employee payroll	$ 2,009,601	$ 2,077,577	$ 2,349,585	$ 2,608,731	$ 2,861,144	$ 3,364,080
Plan's proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	193.20%	182.97%	207.62%	185.31%	165.78%	157.87%
Plan's proportionate share of the fiduciary net position as a percentage of the plan's total pension liability	23.89%	21.73%	25.09%	21.54%	19.09%	19.26%
Plan's proportionate share of aggregate employer contributions	$ 349,005	$ 466,364	$ 505,422	$ 611,098	$ 843,340	$ 973,226

NOTE 8 – RISK MANAGEMENT

The District is a member of the Special District Risk Management Authority (SDRMA). The SDRMA is a risk-pooling self-insurance authority, created under the provisions of the California Government Code Sections 6500 et. seq. The purpose of the SDRMA is to provide a full risk management program for California local governments. The District pays an annual premium to SDRMA for workers compensation insurance, which is covered up to statutory limits.

The District pays an annual premium to an insurance company for general and auto liability, property, management liability, employee dishonesty, and excess liability insurance coverage. There have been no significant reductions in insurance coverage from coverage in the prior fiscal year. Also, there have not been any settlements in excess of the insurance coverage for the past three fiscal years.

NOTE 9 – LEASE AGREEMENTS

The District has a lease agreement with the County of Nevada for use of former Station 91 beginning February 1, 2019 and expiring June 30, 2021. The tenant shall have the option to extend the lease for two additional 1-year terms. Rent shall be $250 per month.

The District has a lease with New Cingular Wireless PCS to lease 330 sq ft at Station 88. Rent shall be $1,200 per month.

The District has a lease with Verizon Wireless to lease 750 sq ft at Station 88. Rent shall be $11,000 paid annually in advance.

Two lease agreements for usage of space at District's Stations.

NOTE 10 – JOINT POWERS AUTHORITY

The District is a member of the Nevada County Fire and Emergency Joint Powers Agency for which the District participation does not involve an ongoing financial interest or responsibility. As a member of this organization, the District receives communication and dispatch services. The amount paid to this jointly governed organization in fiscal year 2020 was $114,091.

NOTE 11 – SUBSEQUENT EVENTS

In January 2020, the virus SARS-CoV-2 was transmitted to the United States from overseas sources, this virus, responsible for the Coronavirus disease COVID-19 has provided to be extremely virulent with transmission rates as yet unknown. The economic impact in Nevada County and in the State of California as yet has not been determined and therefore any impact on the District is not yet known.

The District's management has evaluated events and transactions subsequent to June 30, 2020 for potential recognition or disclosure in the financial statements. Subsequent events have been evaluated through January 14, 2021, the date the financial statements became available to be issued.

SUPPLEMENTAL INFORMATION

FECHTER
& COMPANY
Certified Public Accountants

Craig R. Fechter, CPA, MST

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

Board of Directors
Nevada County Consolidated Fire District
Nevada City, CA 95959

We have audited the financial statements of Nevada County Consolidated Fire District as of and for the year ended June 30, 2020, and have issued our report thereon dated January 14, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Nevada County Consolidated Fire District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Nevada County Consolidated Fire District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Nevada County Consolidated Fire District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal controls such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal controls over financial reporting was for the limited purpose described in the first paragraph of this section and was designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

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Board of Directors
Nevada County Consolidated Fire District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nevada County Consolidated Fire District's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the organization, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Fechter & Company
Certified Public Accountants

Fechter & Company, CPAs

Sacramento, California
January 14, 2021

NEVADA COUNTY CONSOLIDATED FIRE DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET VS ACTUAL
FOR THE YEAR ENDED
JUNE 30, 2020

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive
Revenues				
Tax revenue	$ 3,194,388	$ 3,192,266	$ 3,225,399	$ 33,133
Special assessment & tax	2,979,387	2,971,608	2,972,053	445
State taxes	387,198	387,198	344,492	(42,706)
Charges for service, net	198,910	148,910	91,628	(57,282)
Rental income	28,740	28,740	28,860	120
Interest & investment earnings	18,000	18,000	52,746	34,746
Grants & contributions	-	-	19,310	19,310
Proceeds from capital lease	-	-	280,267	280,267
Miscellaneous	2,000	2,000	124,815	122,815
Total Revenues	6,808,623	6,748,722	7,139,570	390,848
Expenditures				
Capital assets	534,953	534,953	498,272	(36,681)
Debt Service:			-	-
Principle	-	-	113,370	113,370
Interest	-	-	2,001	2,001
Salaries and employee benefits	5,730,638	5,819,227	5,623,014	(196,213)
Services, supplies, and refunds	1,195,257	1,210,360	1,036,590	(173,770)
Total Expenditures	7,460,848	7,564,540	7,273,248	(291,292)
Net change in Fund Balances	$ (652,225)	$ (815,818)	(133,678)	$ 682,140
Fund Balances, beginning of period			3,376,163	
Fund Balances, end of period			$ 3,242,485	

NEVADA COUNTY CONSOLIDATED FIRE DISTRICT
CAPITAL IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED
JUNE 30, 2020

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive
Revenues				
Interest & investment earnings	$ -	$ -	$ 1,900	$ 1,900
Mitigation fees	80,000	80,000	88,998	8,998
Total Revenues	80,000	80,000	90,898	10,898
Expenditures				
Debt Service:			-	
Principle	142,114	142,114	142,114	-
Interest	11,052	11,052	11,052	-
Total Expenditures	153,166	153,166	153,166	-
Net change in Fund Balances	$ (73,166)	$ (73,166)	(62,268)	$ 10,898
Fund Balances, beginning of period			3,376,163	
Fund Balances, end of period			$ 3,313,895	