

INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities and General Fund of the Novato Fire Protection District (District), California, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the District as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirement relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management's 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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Supplementary Information, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section and Statistical Section listed in the Table of Contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Maze + Associates

Pleasant Hill, California
December 6, 2022

Basic Financial Statements

NOVATO FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2022

	Governmental Activities
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents (Note 2)	\$37,810,416
Receivables:	
Due from other governments	218,310
Ambulance service fees, net allowance for doubtful accounts of \$2,188,542	396,425
Property taxes	322,157
Prepaid items	29,387
Total current assets	38,776,695
NON-CURRENT ASSETS	
Net Pension asset (Note 8)	11,377,989
Land and construction-in-progress (Note 3)	3,318,332
Depreciable capital assets, net (Note 3)	14,750,680
Total non-current assets	29,447,001
Total assets	68,223,696
DEFERRED OUTFLOWS	
Deferred outflows related to pension (Note 8)	12,017,390
Deferred outflows related to OPEB (Note 9)	2,423,877
Total Deferred Outflows	14,441,267
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	669,548
Accrued expense	711,115
Interest payable	6,397
Notes and loan payable to bank (Note 4)	540,611
Compensated absences (Note 1)	3,145,096
Workers' compensation claims (Note 10)	147,095
Total current liabilities	5,219,862
NON-CURRENT LIABILITIES	
Notes and loan payable to bank (Note 4)	489,014
Workers' compensation claims (Note 10)	1,155,905
Net OPEB liability (Note 9)	3,177,255
Total non-current liabilities	4,822,174
Total liabilities	10,042,036
DEFERRED INFLOWS	
Deferred inflows related to pension (Note 8)	33,630,043
Deferred inflows related to OPEB (Note 9)	2,389,723
Total Deferred Inflows	36,019,766
NET POSITION (Note 1)	
Net investment in capital assets	17,039,387
Restricted	(112,260)
Unrestricted	19,676,034
Total net position	\$36,603,161

See accompanying notes to financial statements

NOVATO FIRE PROTECTION DISTRICT
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	Governmental Activities						
	Total	Emergency Medical Services	Prevention	Operations	Organizational Resources & Support	Training	Marin Wildfire Prevention Authority (MWPA)
EXPENSES							
Personnel	\$17,941,078	\$5,313,158	\$650,815	\$7,555,789	\$3,466,324	\$289,214	\$665,778
Material and services	7,299,956	368,344	206,498	131,557	3,931,686	51,064	2,610,807
Depreciation	1,095,512	102,175		174,342	806,828		12,167
Interest on debt and fiscal charges	27,094				27,094		
Total expenses	<u>26,363,640</u>	<u>5,783,677</u>	<u>857,313</u>	<u>7,861,688</u>	<u>8,231,932</u>	<u>340,278</u>	<u>3,288,752</u>
PROGRAM REVENUES:							
Measure C revenue - MWPA	1,932,731						1,932,731
MWPA - Core fund reimbursement	624,047						624,047
Charges for services	<u>3,310,377</u>	<u>3,259,463</u>	<u>50,914</u>				
Net program expense (surplus)	<u>20,496,485</u>	<u>\$2,524,214</u>	<u>\$806,399</u>	<u>\$7,861,688</u>	<u>\$8,231,932</u>	<u>\$340,278</u>	<u>\$731,974</u>
GENERAL REVENUES							
Property taxes	31,175,019						
Investment earnings	19,705						
Grants not restricted to specific	80,740						
Miscellaneous	<u>2,174,303</u>						
Total general revenues	<u>33,449,767</u>						
Change in net position	12,953,282						
NET POSITION-BEGINNING OF THE YEAR	<u>23,649,879</u>						
NET POSITION-END OF THE YEAR	<u><u>\$36,603,161</u></u>						

See accompanying notes to financial statements

NOVATO FIRE PROTECTION DISTRICT
BALANCE SHEET
GOVERNMENTAL (GENERAL) FUND
JUNE 30, 2022

ASSETS

Cash and cash equivalents (Note 2)	\$37,810,416
Receivables:	
Due from other government	218,310
Ambulance service fees, net allowance for doubtful accounts of \$2,188,542	396,425
Property taxes	322,157
Prepaid items	<u>29,387</u>
Total assets	<u><u>\$38,776,695</u></u>

LIABILITIES

Accounts payable	\$669,548
Accrued liabilities	<u>711,115</u>
Total liabilities	<u>1,380,663</u>

DEFERRED INFLOWS OF RESOURCES

Unavailable revenue	<u>388,198</u>
Total Deferred Inflows of Resources	<u>388,198</u>

FUND BALANCE

Nonspendable (Note 6)	29,387
Restricted - MWPA Program (Note 6)	(112,260)
Committed (Note 6)	4,585,870
Assigned (Note 6)	21,311,863
Unassigned	<u>11,192,974</u>
Total fund balance	<u>37,007,834</u>
Total liabilities, deferred inflows of resources and fund balance	<u><u>\$38,776,695</u></u>

See accompanying notes to financial statements

NOVATO FIRE PROTECTION DISTRICT
 Reconciliation of the
 GOVERNMENTAL (GENERAL) FUND - BALANCE SHEET
 with the
 STATEMENT OF NET POSITION
 JUNE 30, 2022

Total fund balances reported on the governmental fund balance sheet	\$37,007,834
<p>Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:</p>	
Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.	18,069,012
Ambulance service, property tax receivable and intergovernmental, that are not available to pay current period expenditures and therefore are deferred in the balance sheet.	388,198
Certain liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.	
Notes payable	(1,029,625)
Interest payable	(6,397)
Compensated absences payable	(3,145,096)
Workers compensation claims	(1,303,000)
Deferred outflow related to pension	12,017,390
Net pension asset	11,377,989
Deferred inflow related to pension	(33,630,043)
Deferred outflow related to OPEB	2,423,877
Net OPEB liability	(3,177,255)
Deferred inflow related to OPEB	(2,389,723)
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$36,603,161

See accompanying notes to basic financial statements

NOVATO FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL (GENERAL) FUND
FOR THE YEAR ENDED JUNE 30, 2022

REVENUES:

Property taxes	\$31,273,366
Measure C revenue - MWPA	1,932,731
MWPA - Core fund reimbursement	624,047
Charges for services	3,209,478
Interest income	19,705
Intergovernmental	1,792,315
Miscellaneous	462,728
Total Revenues	39,314,370

EXPENDITURES:

Current:	
Public Safety	
Salaries and benefits	26,133,581
Services and supplies	7,000,471
Capital outlay	1,681,954
Debt service	
Principal	548,374
Interest and fiscal charges	29,572
Total Expenditures	35,393,952

EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,920,418
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OTHER FINANCING SOURCES	
Proceeds from sale of capital assets	300,080
Total Other Financing Sources	300,080

NET CHANGE IN FUND BALANCE	4,220,498
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Fund balance at beginning of year	32,787,336
Fund balance at end of year	\$37,007,834

See accompanying notes to basic financial statements

NOVATO FIRE PROTECTION DISTRICT
 Reconciliation of the
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUND
 with the
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2022

The schedule below reconciles the Net Change in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, 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 - TOTAL GOVERNMENTAL FUNDS \$4,220,498

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.

The capital outlay expenditures are therefore added back to fund balance	1,681,954
Non-capitalized expenditures are reduced from fund balance	(58,662)
Disposal of capital assets is deducted from fund balance	(540,903)
Depreciation expense is deducted from the fund balance	(1,095,512)

The 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 (net change):

Unavailable revenue	2,552
Compensated absences	(38,864)
Net OPEB liability and related deferred inflows and outflows	2,237,085
Workers' compensation claims	163,000
Net pension asset and related deferred inflows and outflows	5,831,295

Debt principal transactions reported in the governmental fund statement of revenue but not considered an operating activity in the statement of activities (but only as changes in liabilities)

Principal repayments on note payable	548,361
Change in interest payable on note payable	2,478

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$12,953,282

See accompanying notes to basic financial statements

**NOVATO FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Novato Fire Protection District (the District) is a separate governmental unit established July 6, 1926, 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 the City of Novato and the surrounding area. The City of Novato and surrounding area approximates 71 square miles with an estimated population of 65,000. A five-person Board of Directors elected by the citizens for four-year terms 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).

**BASIC FINANCIAL STATEMENTS
GOVERNMENT-WIDE STATEMENTS**

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements.

In the government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities), the District's activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in two parts: (1) Net investment in capital assets, and (2) unrestricted net position.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. The functions are supported by general government revenues (property taxes and intergovernmental revenues). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Operating grants include operating-specific and discretionary (either operating or capital) grants while capital grants reflect capital-specific grants.

The categories of governmental activities included in the statement of activities report expenses directly attributable to the functions indicated. The category "Operations" includes services for structural and wildland fire suppression, response to hazardous materials incidents, search and rescue, vehicle extrication and other emergency services. The category, "Organizational Support," includes all expenses (including those incurred in support of other activities) not directly chargeable to another activity.

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.

NOVATO FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUND FINANCIAL STATEMENTS

The financial transactions of the District 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, reserves, fund equity, revenues and expenditures.

The District uses the following fund types:

Governmental funds

The focus of the governmental funds' measurement (in the fund statements) is upon 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 fund 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.

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.

Modified accrual

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

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

NOVATO FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 (County of Marin).

Prepaid Items

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

Unavailable Revenue

Unavailable revenue (in the fund financial statements) represents ambulance fees and property taxes earned during the year but not collected in time to be available to finance the current year's operations.

Net Position

Net position is the excess of all the District's assets and deferred outflows over all its liabilities and deferred inflow, regardless of fund. Net position is divided into three captions on the Statement of Net Position. These captions apply only to net position, which is determined at the Government-wide level and proprietary funds and are described below:

Net Investment in Capital Assets, describes the portion of net position which is represented by the current net book value of the District's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws or other restrictions which the District cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements and funds restricted to low and moderate income purposes.

Unrestricted describes the portion of net position which is not restricted as to use.

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.

**NOVATO FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

Committed – This component consists of amounts that can only be used only for the specific purposes determined by a formal action of the District’s Board highest level of decision-making authority. The District Board can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

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 (Finance Director) 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.

The District’s policy is that committed and assigned fund balances are considered to have been spent first before unassigned fund balances are spent.

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.

Capital Assets

Contributed capital assets, donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value. All other capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Capital assets are recorded if acquisition or construction costs exceed \$5,000. 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 30 – 40 years
- Fire apparatus 15 – 20 years
- Ambulances 15 – 20 years
- Other vehicles 5 years
- Furniture, fixtures and equipment 3 – 10 years

NOVATO FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

The District accrues accumulated unpaid vacation and sick leave and associated employee- related costs when earned by the employee.

In accordance with an agreement with the Novato Professional Firefighters 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 and may accumulate up to 2,912 hours. Day employees earn 8.5 hours per month. An employee's accumulated sick leave may be applied toward retirement, or upon separation from the District, may be received in salary at 50% of the current hourly rate. Management has estimated that all of the total accrued sick leave payable is a current liability.

Vacations Shift personnel earn vacation shifts at a rate of 6 to 18 shifts per year, depending on length of service. Day personnel earn between 102 to 306 hours per year. The District allows members to rollover their annual vacation shifts to the following year and each employee may bank twice their annual vacation accrual. Management has estimated that all of the total accrued vacation payable will be redeemed within one year.

Compensatory time-off All District personnel may accumulate accrued overtime pay at one and one-half times their basic pay rate. Accumulated compensatory time is limited to 96 hours. Amounts in excess of 96 hours or time accumulated for over one year from the date earned are paid to the employee.

The following is a schedule of changes in compensated absences during the year:

Balance as of June 30, 2021	\$3,106,232
Increases during the year	1,853,131
Decreases during the year	<u>(1,814,267)</u>
Balance as of June 30, 2022	3,145,096
Less amount due within 1 year	<u>3,145,096</u>
Amount due after 1 year	<u><u> </u></u>

NOVATO FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

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

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

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Workers' Compensation Claims

A liability for workers compensation claims is shown on the Statement of Net Position. The short-term portion of the liability is estimated based on historical claims paid during the preceding year beginning September 1st through August 31st of the current year. Additional information is presented in Note 10.

Encumbrances

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

NOVATO FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

In 1993, the District entered into an agreement (commonly known as the Teeter Plan) with the County of Marin. The Teeter Plan calls for the County to advance 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. The receivable on the balance sheet is for unsecured property taxes.

Special fire and paramedic tax charges are assessed by the District Board of Directors before September 1 and adopted by ordinance. 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.

OPEB Liabilities, OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB - For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by California Employers' Retiree Benefit Trust (CERBT). For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Lease Accounting

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. The District does not current have any leases that meet the definition under GASB 87.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and investments consisted of the following:

Cash with County Treasurer's Pool	\$31,933,745
Cash in banks, unrestricted	<u>5,876,671</u>
Total	<u>\$37,810,416</u>

The District maintains most of its cash in the County of Marin pooled investment fund for the purpose of increasing interest earnings through pooled investment activities. Interest earned on the investment pool is allocated quarterly to the participating funds using the daily cash balance of each fund. This pool, which is available for use by all funds, is displayed in the financial statements as "Cash and Cash Equivalents."

NOVATO FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

The County Pool includes both voluntary and involuntary participation from external entities. The State of California statutes require certain special districts and other governmental entities to maintain their cash surplus with the County Treasurer.

The County's investment pool is not registered with the Securities and Exchange Commission as an investment company. Investments made by the Treasurer are regulated by the California Government Code and by the County's investment policy. The objectives of the policy are in order of priority, safety, liquidity, yield, and public trust. The County has established a treasury oversight committee to monitor and review the management of public funds maintained in the investment pool in accordance with Article 6 Section 27131 of the California Government Code. The oversight committee and the Board of Supervisors review and approve the investment policy annually. The fair value of the District's position of the pool is the same as the value of the pool shares. The County Treasurer prepares and submits a comprehensive investment report to the members of the oversight committee and the investment pool participants every month. The report covers the types of investments in the pool, maturity dates, par value, actual costs and fair value.

INTEREST RATE RISK

In accordance with its investment policy, the County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment pool to 540 days, or 1.5 years. At June 30, 2022, the County's investment pool had a weighted average maturity of 236 days

For purposes of computing weighted average maturity, the maturity date of variable rate notes is the length of time until the next reset date rather than the stated maturity date.

CREDIT RISK

State law and the County's Investment Policy limits investments in commercial paper, corporate bonds, and medium term notes to the rating of "A" or higher as provided by Moody's Investors Service or Standard & Poor's Corporation. The County's Investment Policy limits investments purchased by Financial Institution Investment Accounts, a type of mutual fund, to United States Treasury and Agency obligations with a credit quality rating of "AAA." As of June 30, 2022, the Marin County Investment Pool's Fund credit quality rating is AAA.

CONCENTRATION OF CREDIT RISK

The following is a summary of the concentration of credit risk by investment type as a percentage of the fair value of the County's investment pool at June 30, 2022.

Investment types in investment pool	Percent of portfolio
Federal Agency - Coupon	36%
Federal Agency - Discount	60%
Money Market Funds, Treasury Securities, Miscellaneous Securities and LAIF	3%
	<u>100%</u>

NOVATO FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

CUSTODIAL CREDIT RISK

For investments and deposits held with safekeeping agents, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or deposits that are in the possession of an outside party. At year end, the County's investment pool had no securities exposed to custodial credit risk. In the case of cash deposits, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2022, the District's bank balance was \$5,873,496 and \$3,102,875 of that amount was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging or financial institution's trust department or agent, but not in the District's name.

FAIR VALUE HIERARCHY

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

At June 30, 2022, the District's investment in the County Treasurer's Pool was an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

LOCAL AGENCY INVESTMENT FUND

The District is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The District reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2022, these investments matured in an average of 311 days.

**NOVATO FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

NOTE 3 – CAPITAL ASSETS

Capital assets activities for the year ended June 30, 2022, were as follows:

	Balance June 30, 2021	Additions	Dispositions/ Adjustments	Balance June 30, 2022
Nondepreciable capital assets:				
Land	\$3,028,295			\$3,028,295
Construction in progress	2,155,850	\$290,037	(\$2,155,850)	290,037
Total capital assets not being depreciated	5,184,145	290,037	(2,155,850)	3,318,332
Capital assets being depreciated:				
Buildings and building improvements	20,177,805	89,973	\$2,155,850	22,423,628
Furniture, fixtures and equipment	3,951,510	64,036	(\$344,039)	3,671,507
Fire apparatus and vehicles	8,392,827	1,179,246	(1,096,882)	8,475,191
Total capital assets being depreciated	32,522,142	1,333,255	714,929	34,570,326
Less accumulated depreciation for:				
Buildings and building improvements	11,154,258	564,378		11,718,636
Furniture, fixtures and equipment	3,561,012	120,961	(308,921)	3,373,052
Fire apparatus and vehicles	4,908,882	410,173	(591,097)	4,727,958
Total accumulated depreciation	19,624,152	1,095,512	(900,018)	19,819,646
Total depreciable assets	12,897,990	237,743	1,614,947	14,750,680
Governmental activity capital assets, net	\$18,082,135	\$527,780	(\$540,903)	\$18,069,012

NOTE 4 – NOTES AND LOAN PAYABLE

On December 16, 2003, real property located at 95 Rowland Way, Novato, was purchased for \$3,650,000. A loan of \$2,700,000 was secured with Bank of Marin to finance the purchase. The loan was due in December 2013, at a fixed rate of 3.5% per annum for the first 60 months, with monthly payments of \$12,202. After the fixed rate period, the rate was adjusted for the remaining 60 months to 0.25% in excess of the most current month's 5-year Treasury Constant Maturity. On May 5, 2013, the District refinanced the outstanding balance of this Note with a new Note which bears interest at 2.763% with a monthly repayment schedule that ends May 15, 2023.

On June 10, 2014, the District entered into an agreement with Bank of the West for a loan of \$3,000,000 to partially finance the construction of the District's Fire Station 64. This loan bears an interest rate of 1.9%. Semi-annual payments of the loan will be made on February 1 and August 1 of each year, beginning on February 1, 2015 and ending on August 1, 2024. This loan includes a 1% penalty if the loan is prepaid in the first two years.

**NOVATO FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

NOTE 4 – NOTES AND LOAN PAYABLE (Continued)

The following is a summary of the District’s future annual obligations:

Year ending June 30	Direct Borrowing		Total
	Principal	Interest	
2023	540,598	16,405	\$557,003
2024	325,000	7,762	332,762
2025	164,014	1,555	165,569
Total obligation	1,029,612	25,722	1,055,334
Less amount due within 1 year	540,598	16,405	557,003
Amount due after 1 year	\$489,014	\$9,317	\$498,331

CHANGES IN NOTE AND LOAN PAYABLE

The following is a schedule of changes in note and loan payable during the year:

	Direct Borrowing
	Note payable
Balance as of June 30, 2021	\$1,577,986
Repayments	(548,374)
Balance as of June 30, 2022	1,029,612
Less amount due within 1 year	(540,598)
Amount due after 1 year	\$489,014

NOTE 5 – CREDIT LINE

The District utilizes a credit card with a credit limit of \$80,000. As of July 11, 2023 (the closest date to June 30, 2022), the available credit was approximately \$36,800. The interest rate is based on the prime rate identified in the Wall Street Journal, as described in the credit card agreement. At the end of the year, the interest rate was approximately 15.99%. The District routinely pays the credit card balance in full each month and therefore is not subject to interest charges.

**NOVATO FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

NOTE 6 – FUND BALANCE

The District’s fund balance is reported in classifications as described in Note 1. The District classified \$29,387 of prepaid items as nonspendable.

The restricted 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 legislation. At June 30, 2022, there was a negative \$112,000 of fund balance in restricted to be used for purposes as established by the Marin Wildfire Prevention Authority (MWPA) due to overspending of Measure C funds on matching grant programs which is committed fund for vegetation management and home hardening.

In September 2013, the District established a Rainy Day Fund. The establishment or modification of, or transfer to or from the Rainy Day Fund requires a unanimous decision by the Board of Directors. The Fund should be used to provide the District with contingency funding only in the following situations: (a) when actual District revenue is 15% or more below expected District revenue, or (b) when a state of emergency is declared by the District Board or the County of Marin for an area that includes any area within District boundaries. Such emergencies are non-routine and are not expected to occur frequently. The declaration of a state of emergency by either the District or the County of Marin is a non-routine action. The balance in the Rainy Day Fund as of June 30, 2022, is \$4,585,870 and is included in committed fund balance.

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

Assigned for:

EMS Capital Equipment Reserve	\$880,500
Unemployment Insurance	140,400
Management Information Systems	685,500
Apparatus and Equipment Replacement	4,735,000
Facility Capital Improvement	4,964,400
Retirement Unfunded Liability	3,500,000
Training Captain Pilot Program	1,425,000
Worker's Compensation Fund	1,024,000
Retiree Health Benefits	2,464,570
Protective Equipment Reserve	250,000
Compensated Absences	1,242,493
Total	\$21,311,863

NOTE 7 – DEFERRED COMPENSATION PLAN

District employees may defer a portion of their compensation under a District sponsored Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. Under this plan, participants are not taxed on the deferred portion of their compensation until distributed to them. Distributions may be made only at termination, retirement, death or in an emergency as defined by the Plan.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since assets held under these plans are not the District’s property and are not subject to District control, they have been excluded from these financial statements.

**NOVATO FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

NOTE 8 – PENSION PLAN

Plan Description

The District’s retirement plan is administered by the Marin County Employees’ Retirement Association (MCERA). All full-time and permanent part-time employees who work at least 75% of a full time position are eligible to participate.

MCERA is a cost-sharing multiple-employer retirement system governed by the 1937 Act of the California Government Code. MCERA acts as a common administrative and investment agent for defined benefit retirement plan for various local governmental agencies within the County of Marin. MCERA provides retirement, disability, and death benefits based on the employee’s years of service, age, and final compensation. Employees vest after five years of service and are eligible to receive retirement benefits after 10 years of service and having attained the age of 50, or 30 years of service (20 years for safety employees) regardless of age. Copies of MCERA’s annual financial reports, which include required supplementary information for each participant in the plan, may be obtained from the Marin County Employees’ Retirement Association, One McInnis Parkway, Suite 100, San Rafael, California 94903.

FUNDING POLICY

Participants are required to contribute a percentage of their annual covered salary. Contributions vary depending on the age and classification at hire date and range from 9.44% to 18.41% of covered payroll. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members averaging an additional 48% of covered payroll. The actuarial methods and assumptions used are those adopted by the Association’s Board of Retirement. Due to contractual arrangements, the District pays a portion of the required contribution for some plan members. The contribution requirements of the plan members are established by State statute and the employer contribution rates are determined by annual actuarial valuations.

The table below provides a summary of the key results during this reporting period.

Summary of Results		
Description	Measurement Date	
	6/30/2021	6/30/2020
Net Pension Liability (Asset)	(\$11,377,989)	\$28,311,550
Deferred Inflows	33,630,043	305,050
Deferred Outflows	(7,096,341)	(8,193,883)
Additional Deferred Outflows - Actual FY 22 Contributions	(4,921,049)	(4,569,488)
Net Impact on Statement of Net Position	10,234,664	12,912,267
Pension Expense (\$ Amount)	1,477,400	7,549,414
Covered Payroll (\$Amount)	9,603,122	9,923,874
Pension Expense (% of Payroll)	15.38%	76.07%

NOVATO FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 8 – PENSION PLAN (Continued)

PROJECTION OF TOTAL PENSION LIABILITY AND NET PENSION LIABILITY

Total Pension Liability (TPL) is the actuarial present value of projected benefit payments attributed to past periods of employee service. For the purposes of Governmental Accounting Standards Board Statement No. 68 (GASB 68), MCERA and the District have adopted a measurement date of June 30, 2021. The beginning of year measurement of TPL is based on the actuarial valuation as of June 30, 2020. The TPL at the end of the measurement year, June 30, 2021, is also measured as of the valuation date of June 30, 2020, and projected to June 30, 2021.

The Plan Fiduciary Net Position (FNP) is the fair or market value of assets. The FNP at the beginning of the year is based on the actuarial valuation as of June 30, 2020. The FNP at the end of the measurement year, June 30, 2021, is also measured as of the valuation date of June 30, 2020, and projected to June 30, 2021.

The Net Pension Asset (NPA) is the District liability for benefits provided through its defined benefit plan administered by MCERA. It is calculated by reducing the TPL by the FNP.

ACTUARIAL ASSUMPTIONS

The total pension liability as of June 30, 2021 was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions applied to all prior periods included in the measurement. The key assumptions in the valuation were:

- Inflation: 2.50%
- Salary increases: 3.00% plus merit component
- COLA increases:
 - 2.5% for those with a 4% COLA cap,
 - 2.4% for those with a 3% COLA cap, and
 - 1.9% for those with a 2% COLA cap
- Investment rate of return: 6.75% net of investment expense assumed
- Post-Retirement Mortality: Adopted CalPERS mortality tables projected generationally using Scale MP-2020.

During the measurement year, the Net Pension Liability decreased from approximately \$28 million as of June 30, 2020, to approximately \$11 million Net Pension Asset as of June 30, 2021. This amount is used for the purpose of reporting the District's share of Net Pension Asset in the current reporting year, because the only MCERA GASB 67/68 report available at the time of the audit was that prepared as of June 30, 2021.

**NOVATO FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

NOTE 8 – PENSION PLAN (Continued)

ASSET ALLOCATION POLICY AND EXPECTED LONG-TERM RATE OF RETURN

The MCERA Board of Retirement has adopted an Investment Policy Statement (IPS), which provides the framework for the management of MCERA’s investments. The IPS establishes MCERA’s investment objectives and defines the principal duties of the Retirement Board, the custodian bank, and the investment managers. The asset allocation plan is an integral part of the IPS and is designed to provide an optimum and diversified mix of asset classes with return expectations to satisfy expected liabilities while minimizing risk exposure. MCERA currently employs external investment managers to manage its assets subject to the provisions of the policy. Plan assets are managed on a total return basis with a long term objective of achieving and maintaining a fully funded status for the benefits provided through the Plan. The following was the Retirement Board’s adopted asset allocation policy as of June 30, 2021:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	32%	4.90%
International Equity	22%	5.00%
Fixed Income	23%	0.50%
Public Real Assets	7%	3.20%
Real Estate	8%	4.00%
Private Equity	8%	6.25%
Total	<u>100%</u>	

DETERMINATION OF DISCOUNT RATE

The discount rate used to measure the Total Pension Liability was 6.75%. Related to the discount rate is the funding assumption that employees will continue to contribute to the plan at the required rates and employers will continue the historical and legally required practice of contributing to the plan based on an actuarially determined contribution, reflecting a payment equal to annual normal cost, a portion of the expected administrative expenses, an amortization payment for the extraordinary losses from 2009 amortized over a closed period (18 years remaining as of the June 30, 2020 actuarial valuation) and an amount necessary to amortize the remaining Unfunded Actuarial Liability as a level percentage of payroll over a closed period (10 years remaining as of the June 30, 2020 actuarial valuation).

A change in the discount rate would affect the measurement of the TPL. A lower discount rate results in a higher TPL and higher discount rates results in a lower TPL. Because the discount rate does not affect the measurement of assets, the percentage change in the NPL can be very significant for a relatively small change in the discount rate. A one percent decrease in the discount rate increases the TPL by approximately 13%, while a one percent increase in the discount rate decreases the TPL by approximately 11%.

**NOVATO FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

NOTE 8 – PENSION PLAN (Continued)

The table below shows the sensitivity of the Net Pension Asset to a one percent decrease and a one percent increase in the discount rate:

Description	1% Decrease	Discount Rate	1% Increase
	5.75%	6.75%	7.75%
Total Pension Liability	\$255,970,438	\$226,515,557	\$202,259,283
Fiduciary Net Position	237,893,547	237,893,546	237,893,547
Net Pension Liability (Asset)	\$18,076,891	(\$11,377,989)	(\$35,634,264)
Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	92.9%	105.0%	117.6%

PENSION EXPENSE, DEFERRED OUTFLOWS AND INFLOWS OF PENSION RESOURCES

The impact of experience gains or losses and assumption changes on the Total Pension Liability (TPL) are recognized in the proportionate share of the pension expense over the average expected remaining service life of all active and inactive members of the plan. As of the measurement date, this recognition period was 4 years.

The following tables show the current balance and sources of deferred outflows and inflows related to the District's defined benefit retirement plan, and the scheduled recognition of these deferred amounts:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$1,290,430	
Changes in assumptions	1,769,452	
Changes in proportion	4,021,247	
Changes in proportion and difference between District contributions and proportionate share of contributions	15,212	(\$915,042)
Actual FY 21-22 contributions (post measurement date)	4,921,049	
Net difference between projected and actual earnings on pension plan investments		(32,715,001)
Net Deferred Inflows and Outflows	\$12,017,390	(\$33,630,043)

\$4,921,049 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30	Annual Amortization
2023	\$5,175,521
2024	5,534,326
2025	6,650,585
2026	9,173,270
Total	\$26,533,702

**NOVATO FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

NOTE 8 – PENSION PLAN (Continued)

For the year ended June 30, 2022, the District recognized a pension expense of \$1,477,400. The table below presents the sources of the pension expense.

Operating Expenses	
Service cost	\$4,790,718
Employee contributions	(2,243,284)
Contribution difference	15,212
Administrative expenses	307,136
Sub-total	2,869,782
 Financing Expenses	
Interest cost	14,508,577
Expected return on assets	(12,276,598)
Sub-total	2,231,979
 Changes	
Benefit changes	
Recognition of assumption changes	1,304,469
Recognition of liability gains and losses	656,825
Recognition of investment gains and losses	(9,606,902)
Change in Proportion	4,021,247
Sub-total	(3,624,361)
Pension Expense	\$1,477,400
Pension Expense as % of Payroll	15.38%

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

PLAN DESCRIPTION

In accordance with its agreement with the Novato Professional Firefighters Association, the District provides post-retirement health care benefits to its retirees through the Novato Fire Protection District Retiree Health Plan (Plan). The Plan is an agent multiple-employer plan for which audited financial statements are not available.

ELIGIBILITY AND BENEFITS

The following were eligibility and benefits as of the June 30, 2021 actuarial valuation:

**NOVATO FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

Management and Administrative Support Staff

Management and Administrative Support Staff retiring that terminate service and commence a retirement or disability are eligible, provided these employees have attained age 55 with ten years of service, and are enrolled in the healthcare plan upon retirement or disability. Members must be employed prior to July 1, 2009 to be eligible for tier 1. There is no minimum age requirement to be eligible to receive disability benefits, but the employee must have worked at least five years for the District. All members hired after January 1, 2005 are eligible for tier 2. Surviving spouses/domestic partners of eligible retirees are eligible for the mandated subsidy only. Surviving spouses/domestic partners of deceased active employees are eligible for the mandated subsidy only if the employee had attained age 55 with ten years of service.

For members under tier 1, the District will pay 100% of the premium for single coverage or 83.29% of the premium for two-person or family coverage. For members under tier 2, the District will pay the PEMHCA minimum after the retiree buys medical insurance through the District.

Chief Officers Association

Chief Officers Association members become eligible for retirement benefits by attaining age 50 with ten years of service, with no age requirement by attaining twenty years of service, or by continuing to work for the District until or beyond age 70. There are no age or service requirements for Safety group employees to be eligible to receive disability benefits.

Eligibility for tier 1 retiree health benefits requires an employee to have retired prior to January 1, 2011. Eligibility for tier 2 benefits requires an employee to have been hired prior to July 1, 2009 and retire after December 31, 2010. Eligibility for tier 3 retiree health benefits requires an employee to have been hired after June 30, 2009. For tier 3, the District will pay the PEMHCA minimum after the retiree buys medical insurance through the District. All tiers require the employee to be enrolled in the healthcare plan upon retirement or disability.

Tier 1 benefits for Chief Officers Association members are listed below:

Position District Pays for:	Medical	Dental	Vision
Fire Chief or Deputy Fire Chief (retired 1992 or later)	100% for retired member and dependents until the death of both parties	100% for retired member and spouse	100% for retired member and spouse
Fire Chief or Deputy Fire Chief (retired 1991 or earlier)	100% for retired member and dependents until the death of both parties	100% for retired member and spouse	0% of premium
Division Chief or Battalion Chief (retired 1992 or later)	100 % of Kaiser-Family rate or 83.29% of higher premium	100% for retired member and spouse	100% for retired member and spouse
Division Chief or Battalion Chief (retired 1992 or earlier)	100% of Kaiser Family rate or 83.29% of higher premium	100% for retired member and spouse	0% of premium

**NOVATO FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

Beginning January 1, 2012, for those under tier 2, the Supplemental Retiree Benefit Allowance paid by the District will decrease by 2.00% until reaching a percentage of 82% for members retiring in 2020. The Supplemental Retiree Benefit Allowance paid by the District is fixed at the rate in effect the year in which the member retires. For example, in the year 2016 the Supplemental Retiree Benefit Allowance paid by the District for retired members will be 90%. Retired members are responsible for paying the difference between the cost of their selected medical insurance premium and the established Supplemental Benefit Allowance Cap. The following table provides the Supplemental Retiree Benefit Allowance percentage paid by the District for retired members medical insurance premiums beginning in 2010 through 2020, when the percentage of 82% is reached.

Year Beginning	% Paid by District
January 1, 2010	100%
January 1, 2011	100%
January 1, 2012	98%
January 1, 2013	96%
January 1, 2014	94%
January 1, 2015	92%
January 1, 2016	90%
January 1, 2017	88%
January 1, 2018	86%
January 1, 2019	84%
January 1, 2020	82%

Members under tier 3 may purchase medical insurance through the District in retirement and the District will pay the minimum contribution required under the PEMHCA law.

Firefighters

Firefighters retiring that terminate service and commence a retirement or disability are eligible. Member must retire prior to December 31, 2010 to be eligible for tier 1 benefits. Member must be employed prior to July 1, 2009 and retire after December 31, 2010 to be eligible for tier 2. Employees hired after June 30, 2009 are eligible for tier 3. Eligibility for all tiers requires the employee to be enrolled in the healthcare plan upon retirement or disability.

Surviving spouses/domestic partners of eligible retirees are eligible for the mandated subsidy only. Surviving spouses/domestic partners of deceased active employees are eligible for the mandated subsidy only if the employee had attained age 50 with ten years of service.

Under tier 1, eligible members retired prior to December 31, 2010, the District will pay 100% of single coverage or 83.29% of two person or family coverage.

**NOVATO FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

Under tier 2, beginning January 1, 2011 the District will provide a Supplemental Retiree Benefit Allowance based upon a vesting formula. Each member shall fall into a category below based on current years of service as of July 1, 2010.

Current Years of Service as of July 1, 2010	Vesting Based
0-5	55%
5-10	60%
10-15	65%
15-20	70%
20-25	75%
25-30	80%

Each member shall accrue additional coverage at 0.75% for each year of service. This accrual will be in addition to the vesting base percentage described above. The sum of these two calculations shall be the total percentage of healthcare premium that is paid for by the District covering family, member and spouse or single of the Kaiser HMO Premium to a maximum of 80% on January 1, 2011, 75% on April 1, 2023 and 70% on April 1, 2028.

Members under tier 3 may purchase medical insurance through the District in retirement and the District will pay the minimum contribution required under the PEMHCA law.

For the year ended June 30, 2022, the District’s contributions to the Plan were \$1,232,285

Employees Covered by Benefit Terms – Membership in the plan consisted of the following at June 30, 2021, the measurement date:

Active plan members	77
Inactive employees or beneficiaries currently receiving benefit payments	98
Inactive employees entitled to but not yet receiving benefit payments	-
Total	175

Net OPEB Liability

Actuarial Methods and Assumptions – The District’s net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2021. In the June 30, 2021 actuarial valuation, the entry-age actuarial cost method was used. The actuarial assumptions include a 7.0% discount rate assuming the District continues to fully fund for its retiree health benefits through the CERBT under investment Strategy 1 and a general inflation rate of 3.0%. Health care cost trend rate increase was assumed to be 6.50%. The unfunded actuarial liability is being amortized as a level-percent of payroll on a closed basis. The remaining amortization period at June 30, 2022 was nine years.

NOVATO FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which 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 the 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
CERBT		
Global Equity	59%	5.50%
Global Debt Securities	25%	2.35%
Inflation Assets	5%	1.50%
Commodities	3%	1.75%
REITs	8%	3.65%
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the total OPEB liability was 7%. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in Net OPEB Liability

The changes in the Net OPEB Liability follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2021 (6/30/20 measurement date)	\$18,607,379	\$12,517,654	\$6,089,725
Changes Recognized for the Measurement Period:			
Service Cost	278,126	-	278,126
Interest on the total OPEB liability	1,283,835	-	1,283,835
Changes in benefit terms	-	-	-
Difference between expected and actual experience	818,944	-	818,944
Changes of assumptions	523,216	-	523,216
Contributions from the employer	-	2,303,743	(2,303,743)
Net investment income	-	3,517,690	(3,517,690)
Administrative expenses	-	(4,842)	4,842
Other expense	-	-	-
Benefit payments and refunds	(1,108,773)	(1,108,773)	-
Net Changes	<u>1,795,348</u>	<u>4,707,818</u>	<u>(2,912,470)</u>
Balance at June 30, 2022 (6/30/21 measurement date)	<u>\$20,402,727</u>	<u>\$17,225,472</u>	<u>\$3,177,255</u>

**NOVATO FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued plan financial report that may be obtained from the client. The benefit payments and refunds include implied subsidy benefit payments in the amount of \$1,108,733.

Sensitivity of the Net OPEB Liability

The following presents 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 1-percentage-point lower (-1 percent) or 1-percentage-point higher (+1 percent) than the current discount rate:

Plan's Net OPEB Liability/(Asset)		
Discount Rate -1%	Current Discount	Discount Rate +1%
(6.00%)	Rate (7.00%)	(8.00%)
\$5,368,784	\$3,177,255	\$1,326,225

The following presents 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 healthcare cost trend rate that is 1-percentage-point lower (-1 percent) or 1-percentage-point higher (+1 percent) than the current healthcare cost trend rate:

Plan's Net OPEB Liability/(Asset)		
Discount Rate -1%	Current Health Care Cost	Discount Rate +1%
(5.50% decreasing to	Trend Rates	Discount Rate +1%
3.50%)	(6.50% decreasing to	(7.50% decreasing to
4.50%)	5.50%)	5.50%)
\$1,225,299	\$3,177,255	\$5,485,248

OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the District recognized OPEB Expense of \$1,658,431. As of fiscal year ended June 30, 2022, the District reported deferred outflows and inflows of resources related to OPEB from the GASB 75 actuarial report:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$682,453	(\$410,763)
Changes of assumptions	509,139	
Net difference between projected and actual earnings on OPEB plan investments		(1,978,960)
Employer contributions made subsequent to the measurement date	1,232,285	
Total	\$2,423,877	(\$2,389,723)

The difference between projected OPEB plan investment earnings and actual earnings is amortized over a five-year period. The remaining gains and losses are amortized over the expected average remaining service life. The expected average remaining service life for the June 30, 2021 measurement period is two years.

**NOVATO FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

\$1,232,285 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2023. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as future OPEB expense as follows:

Measurement Period Ended June 30	Annual Amortization
2023	(\$507,989)
2024	(287,716)
2025	(299,631)
2026	(326,485)
2027	223,690
Total	(\$1,198,131)

NOTE 10 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, loss or damage to assets, injuries to employees, and errors and omissions, for which the District carries commercial insurance or is self-insured up to a certain limit. During the years, the District maintained the following types of insurance: property (\$25,648,228 limit, \$1,000 deductible per occurrence), general liability (\$10,000,000 aggregate limit), auto (\$1,000,000 limit), workers' compensation (\$750,000 limit), management liability (\$10,000,000 aggregate limit, \$5,000 deductible), pollution (\$1,000,000 aggregate limit), cyber risk (\$1,000,000 aggregate limit), crime (\$2,000,000 limit per loss, \$1,000,000 per loss for forgery or money orders and counterfeit money, \$1,000 deductible), commercial excess liability insurance (\$20,000,000 aggregate limit), storage tank liability \$2,000,000 aggregate limit, \$5,000.

Fire Districts Association of California – Fire Association Self Insurance System

Effective July 2014, the District joined the Fire Districts Association of California – Fire Association Self- Insurance System (the System) for Workers' Compensation coverage. The System is a public agency risk pool created pursuant to 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.

**NOVATO FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

NOTE 10 – RISK MANAGEMENT (Continued)

The most recent condensed financial information (unaudited) for the System is as of June 30, 2021.

Total assets	\$70,586,486
Total liabilities	<u>50,587,818</u>
Fund equity	<u><u>\$19,998,668</u></u>
Total operating revenues	\$16,018,531
Total operating expenses	<u>15,716,576</u>
Operating income (loss)	301,955
Non-operating Income (loss)	<u>(266,853)</u>
Net income (loss)	<u><u>\$35,102</u></u>

NOTE 10 – RISK MANAGEMENT (Continued)

There were no settlements in excess of the insurance coverage in any of the three prior fiscal years.

The following schedule presents the changes in the liability for workers' compensation claims:

Balance as of June 30, 2021	\$1,466,000
Change in provision for prior year claims	395,385
Claims paid during the year	<u>(558,385)</u>
Balance as of June 30, 2022	1,303,000
Less amount due within 1 year	<u>(147,095)</u>
Amount due after 1 year	<u><u>\$1,155,905</u></u>

At June 30, 2022, the District did not record a liability for outstanding claims other than workers' compensation, as it believes the claims were minimal.

NOVATO FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 11 – JOINT VENTURE

The District entered into a Joint Powers Agreement in February 1998, establishing the Marin Emergency Radio Authority (the Authority). The Authority is responsible to acquire, 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 will be responsible for 4.894%, or approximately \$1.3 million. Each year through August 2020, approximately \$104,000 annual payments will be due to the Authority from the District. Including interest and principal, it is anticipated the District's total obligation over 20 years will be approximately two million dollars.

The financial statements of the Authority are available at the County of Marin office. The most recent condensed financial information for the Authority is presented below for the year ended June 30, 2021:

Total Assets and Deferred Outflows of Resources	\$56,184,863
Total Liabilities	<u>31,372,301</u>
Net Position	<u>\$24,812,562</u>
Total Revenues	\$8,746,208
Total Expenses	<u>3,711,307</u>
Net Increase (Decrease) in Net Position	<u>\$5,034,901</u>

NOTE 12 – COMMITMENTS AND CONTINGENCIES

The District participates in several Federal grant programs. These programs are subject to audits performed by the District's independent accountants in accordance with the provisions of the Federal Single Audit Act as amended and applicable State requirements. In addition, these programs are subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The District expects such amounts, if any, to be immaterial.

Required Supplemental Information

**NOVATO FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2022**

**Schedule of the District's Proportionate Share of the Net Pension Liability (Asset)
Last 10 years ***

Measurement Date	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
District's proportionate share	7.0061%	6.1846%	5.7453%	4.7318%	5.0038%	4.5644%	4.4996%	6.0754%
Proportionate share of total pension liability	\$226,515,557	\$190,676,774	\$169,951,159	\$133,991,325	\$134,352,856	\$117,607,594	\$111,107,282	\$137,047,192
Proportionate share of fiduciary net position	237,893,546	162,365,224	148,940,329	118,362,292	115,901,028	95,792,937	93,676,482	122,032,482
Proportionate share of the net pension liability (asset)	(\$11,377,989)	\$28,311,550	\$21,010,830	\$15,629,033	\$18,451,828	\$21,814,657	\$17,430,800	\$15,014,710
Plan fiduciary net position as a percentage of the total pension liability	105.02%	87.64%	87.64%	88.34%	86.27%	81.45%	84.31%	89.04%
Covered payroll	\$9,603,122	\$9,923,874	\$9,511,866	\$9,182,914	\$9,186,610	\$9,078,616	\$8,567,206	\$8,759,278
Net pension liability (asset) as a percentage of covered payroll	-118.48%	285.29%	220.89%	170.20%	200.86%	240.29%	203.46%	171.41%

* - The fiscal year ended June 30, 2015 was the first year of implementation, therefore no prior year information is shown.

**NOVATO FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2022**

**Schedule of Contributions
Novato Fire Protection District, a Cost-Sharing Defined Benefit Pension
As of June 30
Last 10 years, subject to available information
(first year of implementation was Fiscal Year ended June 30, 2015)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$4,921,049	\$4,569,488	\$4,568,347	\$4,763,387	\$4,595,700	\$4,659,905	\$4,848,895	\$4,604,649
Contributions in Relation to the Contractually required contribution	4,921,049	4,569,488	4,568,347	4,763,387	4,595,700	4,659,905	4,848,895	4,604,649
Contribution Deficiency/ (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered payroll	\$10,045,653	\$9,603,122	\$9,923,874	\$9,511,866	\$9,182,914	\$9,186,610	\$9,078,616	\$8,567,206
Contributions as a percentage of covered payroll	48.99%	47.58%	46.03%	50.08%	50.05%	50.72%	53.41%	53.75%

Notes to Schedule

Valuation Date / Timing

6/30/2021 (for Contributions made in fiscal year FY 2021-2022)

Key Methods and Assumptions Used to Determine Contribution Rates (for fiscal year 2021-22):

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll with separate period for Extraordinary Actuarial Loss from 2009
Remaining Amortization period	Unfunded liability - 10 years / Extraordinary Actuarial Loss - 18 years
Asset valuation method	5-year smoothed market, 80% /120% corridor around market
Inflation	2.50%
Salary increases	3.00% plus merit component based on employee classification and years of service
Investment Rate of Return	6.75%
Retirement Age	Classic Tiers: Safety - 50-55, Miscellaneous - 55; PEPRA Tiers: Safety - 57, Miscellaneous - 62
Healthy Mortality	CalPERS 2017 Post-Retirement Healthy Mortality rates, adjusted by 90% for Males (Miscellaneous and Safety), with a generational improvements from a base year of 2014 using scale MP-2017.
Disabled Mortality	CalPERS 2017 Disability Mortality rates (Non-Industrial rates for Miscellaneous members and Industrial Disability rates for Safety members), adjusted by 90% for Males and Females (Miscellaneous and Safety) with generational improvements from a base year of 2014 using Scale MP-2017.

**NOVATO FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2022**

**Schedule of the District's Changes in Net OPEB Liability and Related Ratios
Last 10 years***

Measurement Date	6/30/21	6/30/20	6/30/19	6/30/18	6/30/17
Total OPEB Liability					
Service Cost	\$278,126	\$267,143	\$334,209	\$312,345	\$291,911
Interest	1,283,835	1,264,414	1,287,788	1,245,883	1,208,168
Differences between expected and actual experience	818,944	(180,464)	(1,161,809)		
Changes in assumptions	523,216		292,501		
Changes in benefits	(1,108,773)	(1,061,302)	(995,724)	(967,175)	(996,269)
Net change in total OPEB liability	1,795,348	289,791	(243,035)	591,053	503,810
Total OPEB liability - beginning	18,607,379	18,317,588	18,560,623	17,969,570	17,465,760
Total OPEB liability - ending (a)	\$20,402,727	\$18,607,379	\$18,317,588	\$18,560,623	\$17,969,570
OPEB fiduciary net position					
Contributions - employer	\$2,303,743	\$2,215,862	\$2,543,521	\$2,469,891	\$1,989,494
Contributions - employee					
Net investment income	3,517,690	655,206	594,812	526,229	572,838
Administrative expense	(4,842)	(5,416)	(4,444)	(3,712)	(2,876)
Other expense			(3,249)	(8,683)	
Benefit payments, including refunds of employee contributions	(1,108,773)	(1,061,302)	(995,724)	(967,175)	(996,269)
Net change in plan fiduciary net position	4,707,818	1,804,350	2,134,916	2,016,550	1,563,187
Plan fiduciary net position - beginning	12,517,654	10,713,304	8,578,388	6,561,838	4,998,651
Plan fiduciary net position - ending (b)	\$17,225,472	\$12,517,654	\$10,713,304	\$8,578,388	\$6,561,838
Net OPEB liability - ending (a)-(b)	\$3,177,255	\$6,089,725	\$7,604,284	\$9,982,235	\$11,407,732
Plan fiduciary net position as a percentage of the total OPEB liability	84.4%	67.3%	58.5%	46.2%	36.5%
Covered payroll	\$9,769,209	\$9,258,400	\$8,945,314	\$8,684,771	\$8,684,771
Net OPEB liability as a percentage of covered payroll	32.5%	65.8%	85.0%	114.9%	131.4%

Notes to schedule:

* - Fiscal year 2018 was the first year of implementation.

**NOVATO FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2022**

SCHEDULE OF CONTRIBUTIONS - OPEB

Last 10 years*

Fiscal Year Ended June 30,	2022	2021	2020	2019	2018
Actuarially determined contribution	\$1,232,285	\$1,194,970	\$1,154,560	\$1,547,797	\$1,502,716
Contributions in relation to the actuarially determined contributions	1,232,285	1,194,970	1,154,560	1,547,797	1,502,716
Contribution deficiency (excess)					
Covered payroll	\$10,045,653	\$9,769,209	\$9,258,400	\$8,945,314	\$8,684,771
Contributions as a percentage of covered payroll					

Notes to Schedule

Valuation date: 6/30/2021

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll basis
Remaining Amortization	9 years remaining as of June 30, 2021
Asset Valuation Method	Market Value Basis
Inflation	3.0% per annum
Payroll Growth	3.50%
Investment Rate of Return	7% per annum
Healthcare Cost-Trend Rates	5.5% to 6.5%
Mortality	Employees and Retirees: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using scale MP-2020. Surviving Spouses: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table Fully generational using Scale MP-2020.

* - Fiscal year 2018 was the first year of implementation.

NOVATO FIRE PROTECTION DISTRICT
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2022

	<u>Current Year Budget</u>		Revenue and Expenditures	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
RESOURCES (Inflows):				
Property taxes - secured and unsecured	\$30,000,343	\$30,000,343	\$31,273,366	\$1,273,023
Measure C revenue - MWPA			1,932,731	1,932,731
MWPA - Core fund reimbursement			624,047	
Charges for services	2,350,000	2,350,000	3,209,478	859,478
Interest income	140,000	140,000	19,705	(120,295)
Intergovernmental	1,380,804	1,380,804	1,792,315	411,511
Other	33,910	33,910	462,728	428,818
Total Revenues	<u>33,905,057</u>	<u>33,905,057</u>	<u>39,314,370</u>	<u>4,785,266</u>
APPROPRIATIONS/EXPENDITURES (Outflows):				
Salaries and benefits				
Emergency medical services	7,814,161	8,137,409	8,277,948	(140,539)
Prevention	945,630	976,494	1,082,498	(106,004)
Operations	10,905,133	11,319,548	11,420,575	(101,027)
Organizational resources and support	4,189,050	4,261,308	4,259,179	2,129
Training	437,375	437,375	421,502	15,873
MWPA			671,879	(671,879)
Total salaries and benefits	<u>24,291,349</u>	<u>25,132,134</u>	<u>26,133,581</u>	<u>(1,001,447)</u>
Services and supplies:				
Emergency medical services	381,125	381,125	368,344	12,781
Prevention	277,725	277,725	206,498	71,227
Operations	134,700	134,700	131,557	3,143
Organizational resources and support	3,901,677	3,901,677	3,632,201	269,476
Training	99,800	99,800	51,064	48,736
MWPA			2,610,807	(2,610,807)
Total services and supplies	<u>4,795,027</u>	<u>4,795,027</u>	<u>7,000,471</u>	<u>(2,205,444)</u>
Capital outlay:				
Organizational resources and support	2,075,400	2,469,900	1,678,803	791,097
Training			338	
MWPA			2,813	(2,813)
Total capital outlay	<u>2,075,400</u>	<u>2,469,900</u>	<u>1,681,954</u>	<u>788,284</u>
Debt service:				
Principal	548,361	548,361	548,374	(13)
Interest	29,627	29,627	29,572	55
Total debt service	<u>577,988</u>	<u>577,988</u>	<u>577,946</u>	<u>42</u>
Total Appropriations/Expenditures	<u>31,739,764</u>	<u>32,975,049</u>	<u>35,393,952</u>	<u>(2,418,565)</u>
EXCESS REVENUE OVER (UNDER) APPROPRIATIONS	<u>\$2,165,293</u>	<u>\$930,008</u>	<u>\$3,920,418</u>	<u>\$2,366,701</u>

NOVATO FIRE PROTECTION DISTRICT

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2022

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 with encumbrances included as actual. Accordingly, for the purpose of comparing budgeted expenditures to actual amounts, prior and current year encumbrances have been integrated with the amounts shown on the Statement of Revenues, Expenditures, and Changes in Fund Balances.

Various reclassifications have been made to the actual amounts to conform to classifications included in the budget approved by the Board of Directors.

The legal level of budgetary control attributed to the Board of Directors is considered at the objective or natural classification level, presented as subtotals in the schedule of budget to actual (e.g., total revenue, total salaries and benefits, total services and supplies, etc.).

**NOVATO FIRE PROTECTION DISTRICT
MEMORANDUM ON INTERNAL CONTROL
FOR THE YEAR ENDED JUNE 30, 2022**

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**NOVATO FIRE PROTECTION DISTRICT
MEMORANDUM ON INTERNAL CONTROL**

For the Year Ended June 30, 2022

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MEMORANDUM ON INTERNAL CONTROL

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


In planning and performing our audit of the basic financial statements of the Novato Fire Protection District (District) as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Included in the Schedule of Other Matters are recommendations not meeting the above definitions that we believe are opportunities for strengthening internal controls and operating efficiency.

This communication is intended solely for the information and use of management, Board of Directors, others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Maze + Associates".

Pleasant Hill, California
December 6, 2022

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**NOVATO FIRE PROTECTION DISTRICT
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF OTHER MATTERS

GASB PRONOUNCEMENTS OR PRONOUNCEMENTS NOT YET EFFECTIVE

The following comment represents new pronouncements taking affect in the next few years. We cite them here to keep you informed of developments:

EFFECTIVE FISCAL YEAR 2022/23:

GASB 91 - Conduit Debt Obligations

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having *all* of the following characteristics:

- There are at least three parties involved:
 - (1) an issuer
 - (2) a third-party obligor, and
 - (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

**NOVATO FIRE PROTECTION DISTRICT
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF OTHER MATTERS

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

GASB 91 - Conduit Debt Obligations (Continued)

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

GASB 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements

The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

**NOVATO FIRE PROTECTION DISTRICT
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF OTHER MATTERS

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

GASB 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements
(Continued)

PPPs - This Statement requires that PPPs that meet the definition of a lease apply the guidance in Statement No. 87, Leases, as amended, if existing assets of the transferor that are not required to be improved by the operator as part of the PPP arrangement are the only underlying PPP assets and the PPP does not meet the definition of an SCA. This Statement provides accounting and financial reporting requirements for all other PPPs: those that either (1) meet the definition of an SCA or (2) are not within the scope of Statement 87, as amended (as clarified by this Statement). The PPP term is defined as the period during which an operator has a noncancellable right to use an underlying PPP asset, plus, if applicable, certain periods if it is reasonably certain, based on all relevant factors, that the transferor or the operator either will exercise an option to extend the PPP or will not exercise an option to terminate the PPP.

A transferor generally should recognize an underlying PPP asset as an asset in financial statements prepared using the economic resources measurement focus. However, in the case of an underlying PPP asset that is not owned by the transferor or is not the underlying asset of an SCA, a transferor should recognize a receivable measured based on the operator's estimated carrying value of the underlying PPP asset as of the expected date of the transfer in ownership. In addition, a transferor should recognize a receivable for installment payments, if any, to be received from the operator in relation to the PPP. Measurement of a receivable for installment payments should be at the present value of the payments expected to be received during the PPP term. A transferor also should recognize a deferred inflow of resources for the consideration received or to be received by the transferor as part of the PPP. Revenue should be recognized by a transferor in a systematic and rational manner over the PPP term.

This Statement requires a transferor to recognize a receivable for installment payments and a deferred inflow of resources to account for a PPP in financial statements prepared using the current financial resources measurement focus. Governmental fund revenue would be recognized in a systematic and rational manner over the PPP term.

**NOVATO FIRE PROTECTION DISTRICT
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF OTHER MATTERS

GASB 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (Continued)

This Statement also provides specific guidance in financial statements prepared using the economic resources measurement focus for a government that is an operator in a PPP that either (1) meets the definition of an SCA or (2) is not within the scope of Statement 87, as amended (as clarified in this Statement). An operator should report an intangible right-to-use asset related to an underlying PPP asset that either is owned by the transferor or is the underlying asset of an SCA. Measurement of the right-to-use asset should be the amount of consideration to be provided to the transferor, plus any payments made to the transferor at or before the commencement of the PPP term, and certain direct costs. For an underlying PPP asset that is not owned by the transferor and is not the underlying asset of an SCA, an operator should recognize a liability measured based on the estimated carrying value of the underlying PPP asset as of the expected date of the transfer in ownership. In addition, an operator should recognize a liability for installment payments, if any, to be made to the transferor in relation to the PPP. Measurement of a liability for installment payments should be at the present value of the payments expected to be made during the PPP term. An operator also should recognize a deferred outflow of resources for the consideration provided or to be provided to the transferor as part of the PPP. Expense should be recognized by an operator in a systematic and rational manner over the PPP term.

This Statement also requires a government to account for PPP and non-PPP components of a PPP as separate contracts. If a PPP involves multiple underlying assets, a transferor and an operator in certain cases should account for each underlying PPP asset as a separate PPP. To allocate the contract price to different components, a transferor and an operator should use contract prices for individual components as long as they do not appear to be unreasonable based on professional judgment or use professional judgment to determine their best estimate if there are no stated prices or if stated prices appear to be unreasonable. If determining the best estimate is not practicable, multiple components in a PPP should be accounted for as a single PPP.

This Statement also requires an amendment to a PPP to be considered a PPP modification, unless the operator's right to use the underlying PPP asset decreases, in which case it should be considered a partial or full PPP termination. A PPP termination should be accounted for by a transferor by reducing, as applicable, any receivable for installment payments or any receivable related to the transfer of ownership of the underlying PPP asset and by reducing the related deferred inflow of resources. An operator should account for a termination by reducing the carrying value of the right-to-use asset and, as applicable, any liability for installment payments or liability to transfer ownership of the underlying PPP asset. A PPP modification that does not qualify as a separate PPP should be accounted for by remeasuring PPP assets and liabilities.

**NOVATO FIRE PROTECTION DISTRICT
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF OTHER MATTERS

GASB 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements
(Continued)

APAs - An APA that is related to designing, constructing, and financing a nonfinancial asset in which ownership of the asset transfers by the end of the contract should be accounted for by a government as a financed purchase of the underlying nonfinancial asset. This Statement requires a government that engaged in an APA that contains multiple components to recognize each component as a separate arrangement. An APA that is related to operating or maintaining a nonfinancial asset should be reported by a government as an outflow of resources in the period to which payments relate.

GASB 96 – Subscription-Based Information Technology Arrangements

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The subscription term includes the period during which a government has a noncancelable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend (if it is reasonably certain that the government or SBITA vendor will exercise that option) or to terminate (if it is reasonably certain that the government or SBITA vendor will not exercise that option).

Under this Statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, —which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

**NOVATO FIRE PROTECTION DISTRICT
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF OTHER MATTERS

GASB 96 – Subscription-Based Information Technology Arrangements

The subscription asset should be initially measured as the sum of (1) the initial subscription liability amount, (2) payments made to the SBITA vendor before commencement of the subscription term, and (3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. A government should recognize amortization of the subscription asset as an outflow of resources over the subscription term.

Activities associated with a SBITA, other than making subscription payments, should be grouped into the following three stages, and their costs should be accounted for accordingly:

- Preliminary Project Stage, including activities such as evaluating alternatives, determining needed technology, and selecting a SBITA vendor. Outlays in this stage should be expensed as incurred.
- Initial Implementation Stage, including all ancillary charges necessary to place the subscription asset into service. Outlays in this stage generally should be capitalized as an addition to the subscription asset.
- Operation and Additional Implementation Stage, including activities such as subsequent implementation activities, maintenance, and other activities for a government's ongoing operations related to a SBITA. Outlays in this stage should be expensed as incurred unless they meet specific capitalization criteria.

In classifying certain outlays into the appropriate stage, the nature of the activity should be the determining factor. Training costs should be expensed as incurred, regardless of the stage in which they are incurred.

If a SBITA contract contains multiple components, a government should account for each component as a separate SBITA or nonsubscription component and allocate the contract price to the different components. If it is not practicable to determine a best estimate for price allocation for some or all components in the contract, a government should account for those components as a single SBITA.

This Statement provides an exception for short-term SBITAs. Short-term SBITAs have a maximum possible term under the SBITA contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Subscription payments for short-term SBITAs should be recognized as outflows of resources.

This Statement requires a government to disclose descriptive information about its SBITAs other than short-term SBITAs, such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability, and other essential information.

**NOVATO FIRE PROTECTION DISTRICT
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF OTHER MATTERS

GASB 96 – Subscription-Based Information Technology Arrangements (Continued)

How the Changes in this Statement will Improve Financial Reporting

The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

NOVATO FIRE PROTECTION DISTRICT
REQUIRED COMMUNICATIONS
FOR THE YEAR ENDED JUNE 30, 2022

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**NOVATO FIRE PROTECTION DISTRICT
REQUIRED COMMUNICATIONS**

For the Year Ended June 30, 2022

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REQUIRED COMMUNICATIONS

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

We have audited the basic financial statements of the Novato Fire Protection District (District) the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 8, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Accounting Policies - Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year, except as follows:

GASB 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*

The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The pronouncement became effective, but did not have a material effect on the financial statements.

Unusual Transactions, Controversial or Emerging Areas - We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates - Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the District's financial statements was:

Estimated Net Pension Liabilities and Pension-Related Deferred Outflows and Inflows of Resources: Management's estimate of the net pension liabilities and deferred outflows/inflows of resources are disclosed in Note 8 to the financial statements and are based on actuarial studies determined by a consultant, which are based on the experience of the District. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Estimated Net OPEB Liability and OPEB-Related Deferred Outflows and Inflows of Resources: Management's estimate of the net OPEB liability is disclosed in Note 9 to the financial statements and is based on actuarial study determined by a consultant, which is based on the experience of the District. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Estimate of Depreciation: Management's estimate of the depreciation is based on useful lives determined by management. These lives have been determined by management based on the expected useful life of assets as disclosed in Note 1 to the financial statements. We evaluated the key factors and assumptions used to develop the depreciation estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Estimate of Compensated Absences: Accrued compensated absences which are comprised of accrued vacation, holiday, and certain other compensating time is estimated using accumulated unpaid leave hours and hourly pay rates in effect at the end of the fiscal year as disclosed in Note 1 to the financial statements. We evaluated the key factors and assumptions used to develop the accrued compensated absences and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Disclosures - The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Professional standards require us to accumulate all known and likely uncorrected misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the Board of Directors.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in a management representation letter dated December 6, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information that accompanies and supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the required supplementary information and do not express an opinion or provide any assurance on the required supplementary information.

We were not engaged to report on the Introductory and Statistical Sections which accompany the financial statements, but are not required supplementary information. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

This information is intended solely for the use of the Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Maze + Associates

Pleasant Hill, California
December 6, 2022