Arcata Fire Protection District

Financial Statements
with
Independent Auditors' Report

June 30, 2016

Prepared by:
D.R. Watts Accountancy Corporation
1018 Live Oak Boulevard, Suite G
Yuba City, CA 95991
Phone (530) 755-6402 / drwattscpa@aol.com

ARCATA FIRE PROTECTION DISTRICT
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2016

TABLE OF CONTENTS

D.R. WATTS ACCOUNTANCY CORPORATION
1018 Live Oak Boulevard, Suite G
Yuba City, CA 95991
(530) 755-6402 / drwattscpa@aol.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Arcata Fire Protection District
Arcata, California

I have audited the accompanying financial statements of the governmental activities and each major fund of Arcata Fire Protection District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Arcata Fire Protection District as of June 30, 2016, 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 as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 30 and 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Management has chosen to omit the management discussion and analysis. My opinion on the basic financial statements is not affected by this missing information. I have applied certain limited procedures to the budgetary comparison information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

D.R. Whitten Accountancy Corp.

Yuba City, California
October 13, 2017

ARCATA FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
June 30, 2016

ASSETS

ASSETS		
Cash, cash equivalents and investments (Note 2)	$	2,971,064
Prepaid expense		71,027
Grant reimbursements receivable (Note 15)		141,165
Interest receivable		6,512
Total current assets		3,189,768
Capital assets, net of accumulated depreciation of $2,447,531 (Note 10)		2,809,337
Deferred outflows of resources (Note 7)		1,253,022
TOTAL ASSETS	$	7,252,127

LIABILITIES AND NET POSITION

Current liabilities		
Accounts payable	$	77,585
Accrued interest payable		17,981
Wages payable		85,301
Accrued pension payable		13,827
Compensated time off - current		46,895
Current portion of long-term debt (Note 9)		131,942
Total current liabilities		373,531
Long-term liabilities		
Other post-employment benefits (Note 8)		2,731,429
Accrued employee benefits, long-term		97,400
Long-term debt, net of current portion (Note 9)		616,724
Net pension liability (Note 7)		4,030,661
Deferred inflows of resources (Note 7)		582,394
Total long-term liabilities		8,058,608
TOTAL LIABILITIES		8,432,139
NET POSITION		
Invested in capital assets, net of related debt		2,795,640
Restricted (Note 14)		236,219
Unrestricted		(4,211,871)
TOTAL NET POSITION		(1,180,012)
TOTAL LIABILITIES AND NET POSITION	$	7,252,127

See accompanying notes are an integral part of the financial statements.

ARCATA FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
Year ended June 30, 2016

	Expenses	Program Revenues Charges For Services	Net Revenue (Expense) and Changes in Net Assets Governmental Activities
Functions/Programs:			
Fire Protection	$ 4,311,385	$ 2,029,772	$ (2,281,613)
Total Governmental Activities	4,311,385	2,029,772	(2,281,613)
General Revenues:			
Taxes:			
Property taxes – current secured			1,844,456
Property taxes – current unsecured			70,317
Property taxes – prior years secured and unsecured			39,519
Property taxes – current supplemental			18,065
Property taxes – prior years supplemental			2,437
RDA dissolution			124,070
Total taxes			2,098,864
Grant revenue			495,182
Unrestricted investment earnings			22,094
Homeowners' property tax relief			26,437
State timber yield tax			716
Other revenue			9,293
Total Revenues			2,652,586
NON OPERATING REVENUES (EXPENSES)			
Post-employment benefits			(588,668)
Gain (loss) on sale of capital assets			(20,646)
Total non-operating revenues (expenses)			(609,314)
Increase (decrease) in Net Position			(238,341)
Net Position – beginning of the year			(941,671)
Net Position – end of the year			$ (1,180,012)

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

ARCATA FIRE PROTECTION DISTRICT
BALANCE SHEET-GOVERNMENTAL FUNDS
JUNE 30, 2016

ASSETS

ASSETS		
Cash, cash equivalents and investments	$	2,971,064
Prepaid expenses		71,027
Grant reimbursements receivable		141,165
Interest receivable		6,512
TOTAL ASSETS	**$**	**3,189,768**

LIABILITES AND FUND BALANCE

LIABILITIES		
Accounts payable		77,585
Accrued interest payable		17,981
Wages payable		85,301
Accrued pension payable		13,827
Compensated time off		46,895
TOTAL LIABILITIES		241,589
FUND BALANCE		
Nonspendable		71,027
Restricted (Note 14)		236,219
Assigned (Note 13)		712,301
Unassigned		1,928,632
TOTAL FUND BALANCE		2,948,179
TOTAL LIABILITIES AND FUND BALANCE	**$**	**3,189,768**

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

ARCATA FIRE PROTECTION DISTRICT

Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities For the Year Ended June 30, 2016

Total Governmental Fund Balance	$ 2,948,179
Amounts reported in governmental activities in the statement of net position are different because:	
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets net of accumulated depreciation	2,809,337
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds:	
Accrued employee benefits payable	(97,400)
Other post-employment benefits payable	(2,731,429)
Deferred outflows	1,253,022
Deferred inflows	(582,394)
Net pension liability	(4,030,661)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(748,666)
Net Position of Governmental Activities	$ (1,180,012)

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

ARCATA FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Year Ended June 30, 2016

REVENUES		
Taxes:		
Property taxes – current secured	$	1,844,456
Property taxes – current unsecured		70,317
Property taxes – prior years secured & unsecured		39,519
Property taxes – current supplemental		18,065
Property taxes – prior years supplemental		2,437
Units of benefit charge		1,697,085
RDA dissolution		124,070
Total taxes		3,795,949
Grant revenue		495,182
Interest Income		22,094
Homeowners' property tax relief		26,437
State timber yield tax		716
Other revenue		9,293
Firefighting reimbursement		332,687
TOTAL REVENUES		4,682,358
EXPENDITURES		
Salaries and employee benefits:		
Salaries, wages and payroll taxes		2,166,178
Retirement		783,080
Employee group insurance		665,780
Workers' compensation insurance		76,732
Total salaries and employee benefits		3,691,770
Service and Supplies:		
Clothing and personal supplies		20,808
Communications		141,183
Food		4,000
Grant expenses		71,510
Household expense		8,081
Insurance		10,455
Maintenance		111,281
Memberships		4,464
Miscellaneous		6,075
Office expense		12,726
Professional and specialized service		146,051
Leases – structures (Note 16)		51,400
Special district expense (Note 12)		106,866
Small tools and equipment		44,369
Training		36,026
Transportation and travel		28,857
Utilities		25,767
Total services and supplies		829,919

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

ARCATA FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
(Continued)
Year Ended June 30, 2016

EXPENDITURES (Continued)

Capital outlay:		
Equipment purchases	$	226,980
Proceeds from sale of capital assets		(40,500)
Total capital outlay		186,480
Long-term lease obligations:		
Principle payment		119,698
Interest expense		45,071
Total long-term lease obligations		164,769
Other expenditures:		
Legal settlement		52,500
TOTAL EXPENDITURES		4,925,438
INCREASE (DECREASE) IN FUND BALANCE FROM OPERATIONS		(243,080)
Fund Balance – beginning of the year		3,191,259
Fund Balance – end of the year	$	2,948,179

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

ARCATA FIRE PROTECTION DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities For the Year Ended June 30, 2016

Net change in Fund Balance	$ (243,080)
Repayment of long term lease payable is an expenditure in the governmental funds, but the repayment reduces the long term liabilities in the statement of net assets.	125,671
Capital asset purchases require the use of current financial resources and are reported as expenditures in the governmental funds, but the purchases are capitalized in the statement of net assets.	226,980
In the statement of activities the loss on the sale of fixed assets is reported. In the governmental fund the proceeds from the sale of fixed assets increases financial resources. The change in net assets differs from the change in fund balance by the cost of fixed assets sold.	(61,146)
Expenditures in the statement of activities that do not require current financial resources are not reported as expenditures in the fund.	
These expenditures include:	
Depreciation	(258,786)
Other post-employment benefits	(588,668)
Repayment of employee benefits payable is an expenditure in the governmental funds, but the repayment reduces the long term liabilities in the statement of net position.	(6,083)
Repayment of pension benefits payable is an expenditure in the Governmental funds, but the repayment reduces the long term liabilities in the statement of net position.	566,771
Change in Net Position	$ (238,341)

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Arcata Fire Protection District (the district) was formed on June 1, 1944 with the approval of the Humboldt County Board of supervisors. The State of California issued a Certificate of Existence to the District on March 10, 1958. Under the provisions of the Health & Safety Code, the District was reorganized under the Fire Protection District Law of 1987 (H & S Code Sections 13801-13999).

This summary of significant accounting policies of the District is presented to assist in understanding the financial statements. The financial statements and notes are representations of management, who is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the financial statements.

A. Reporting Entity

These financial statements present financial information for the District (the primary government). No component units were determined to exist; therefore, none are included in these financial statements.

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. Component units are legally separate entities for which the District (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either 1) the District's ability to impose its will over the organization or 2) the potential that the organization will provide a financial benefit to, or impose a financial burden on the District. Using these criteria the District has no component units. The following is a brief review of each potential component unit addressed in defining the District's reporting entity. *Included* within the reporting entity is the Arcata Fire Protection District. *Excluded* from the reporting entity are several other entities, including the County of Humboldt (the County), the City of Arcata, Humboldt State University, McKinleyville Community Services District, Manila Community Services District, Humboldt Bay Municipal Water District and the Arcata Volunteer Firefighter Association, which provides services to the Arcata Fire Protection District.

B. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to the timing of the recognition of revenues and expenditures in the accounts and their reporting in the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus/Basis of Accounting (continued)

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

The statement of activities reduces gross expenses (including depreciation) by program revenues. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset is used.

In the government-wide financial statement, equity is classified as net position, and is made up of cumulative net earnings from operations, non-operating revenues and expenses, and capital contributions. Net position is reported in the following three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by balances owed on any borrowings used in the acquisition, construction or improvement of those assets.

Restricted refers to that portion of net position that has constraints upon its use imposed by contributors, creditors, such as through debt covenants, or by laws of other governmental entities, or constraints by law through constitutional provisions or enabling legislation. The District's restricted funds consist of grant revenue.

Unrestricted net position is the component of net position that does not meet the definition of either "net investment in capital assets" or "restricted".

Governmental Fund Financial Statements

The District is a special-purpose government engaged in a single governmental program. The general fund is the only fund of the District. The fund financial statements, comprising the balance sheet and the statement of revenues, expenditures and changes in fund balance (governmental funds), are reported using the current financial resources measurement focus and is accounted for using the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual, i.e., when they become measurable and available. Measurable means the amount can be determined. Available means collectible within the current period or within 60 days after year-end. Expenses are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus/Basis of Accounting (continued)

Governmental Fund Financial Statements (continued)

On the balance sheet and the statement of revenues, expenditures and changes in fund balances, equity is classified as fund balance, and is further classified as follows:

Nonspendable represent amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District has nonspendable funds in the form of prepaid expenses.

Restricted funds are amounts that can be spent only for specific purposes because of constraints that are externally imposed by; grantors, contributors or creditors; by enabling legislation; or the laws or regulations of other governments.

Committed funds are amounts that can only be spent on specific expenditures as determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District, and commitments can only be established, modified or rescinded through resolutions or motions approved by the Board.

Assigned are amounts that do not meet the criteria to be classified as committed or restricted, but that are intended to be used for specific purposes. Only the Board has the authority to assign amounts for specific purposes.

Unassigned are all remaining spendable amounts that do not meet the criteria of either restricted, committed, or assigned.

C. Net Position/ Fund Balance Policies and Flow Assumptions

In the event that the District will fund outlays for a particular purpose from both restricted and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied and reported in the government-wide financial statements. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

If the District were to fund outlays for a particular purpose from both restricted and unrestricted fund balances as described in Note B, a flow assumption must be made about the order in which the resourced are considered to be applied and reported in the fund financial statements. When fund balance resources are available for a specific purpose in more than one classification, it is the District's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets

The District follows these procedures in establishing its budget. Budgetary data is reflected in these financial statements.

1. The Fire Chief submits to the Board of Commissioners a proposed operating budget for the fiscal year commencing on July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. The Budget is legally adopted by October 1.

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the future expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District.

F. Capital Assets

Capital assets purchased or acquired with an original cost of $5,000 or more are reported at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for maintenance and repairs are expensed as incurred.

Depreciation of all exhaustible capital assets is charged as an expense with accumulated depreciation reflected in the statement of net position. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Trucks and equipment	5-25	years
Buildings and improvements	30	years

G. Compensated Absences Payable

Most District employees earn annual vacation leave of 12 to 42 days, depending how long they have been employed, and whether they work a 56 hour work week or a 40 hour work week. They may carry over between 50 to 75 days to the next calendar year. Sick leave with pay is earned at the rate of 12 hours per month, with no limitation on the accrual of unused sick leave.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Pensions

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

NOTE 2- CASH, CASH EQUIVALENTS, AND INVESTMENTS

The District has no self-directed investments. The District's investments consist of cash in banks and funds invested in pooled investment funds maintained by other agencies as follows:

Cash in banks- unrestricted	$ 275,578
Cash in banks - restricted	236,219
Cash in County Treasury-unrestricted	1,746,716
Cash in County Treasury-designated	712,301
Imprest cash	250
Total cash, cash equivalents and investments	$ 2,971,064

Funds of the District deposited in the general checking and savings are insured by federal depository insurance up to $250,000, and collateralized for the remainder of the total deposits. The District's investment policy does not restrict the amount the District may deposit with any one issuer and the policy states that all excess funds not required for immediate use be deposited in the County Treasurer's Investment Pool.

Cash in County Treasury is cash deposited in an external investment pool administered by the County of Humboldt Treasurer's Office. The cash balance is pooled with funds from other entities and invested by the Humboldt County Treasurer for the purpose of maximizing investment earnings. Interest earned from the pool is distributed to the participating funds based on their average daily balance within the pool. The District considers the cash deposited in the County Treasurers Investment Pool to be cash equivalents.

The District accounts for cash equivalents in the County Treasurer's Investment Pool at the lower of cost or fair value. Fair value is calculated annually based on statistics provided by the County Treasurer. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. Based on this determination the unrealized increase in fair value of the investments was not recognized and is not included in the balances reported in these financial statements.

NOTE 2- CASH, CASH EQUIVALENTS, AND INVESTMENTS (continued)

The Humboldt County Treasurer's Investment Pool is administered by the County of Humboldt Treasurer's Office and conforms to the California Government Code. The County's portfolio normally consists of U.S Treasury issues, U.S Agency agreements, bankers' acceptances, and the Local Agency Investment Fund. All cash invested by the County in demand deposit accounts is collateralized to 110% with approved U.S Government securities such as Treasury Bills and other U.S Treasury issues.

The District's Board has assigned funds that are allocated among three accounts: Capital Improvements account, Contingency account, and PERS account. The PERS account allows the District the ability to make lump sum payments to PERS on an annual basis which saves on cost and to compensate for unanticipated increases in PERS contributions. The Contingency account provides the District with emergency funds for large/high cost building repairs, equipment replacement, apparatus repairs and similar unanticipated expenditures. The Capital Improvements account allows the District to coordinate funding of capital improvement projects or apparatus replacement within the normal operating budget.

The accounts are held in the County Treasury and had the following balances at June 30, 2016:

Contingency account	$ 247,156
PERS account	276,360
Capital Improvements account	188,785
Total Cash in County Treasury – assigned	$ 712,301

Also see Note 13 for a summary of assigned fund activity for the year ended June 30, 2016.

NOTE 3- SPECIAL TAX

On November 5, 1996, state voters approved Proposition 218 which nullified the Arcata Fire Protection Benefit Assessment upon which the District had relied for approximately 30% of its funding for over ten years.

On June 3, 1997, the voters in the District approved a special tax to replace those funds lost when Proposition 218 was passed. The tax, which is assessed on units or multiple units of benefit, ranges from $5 for a single-family residence to $100 for heavy industrial use. The special tax is assessed, collected and distributed to the District by the County.

On August 25, 2006, a benefit assessment was passed by the voters in the Arcata Fire Protection District. There is no expiration to this benefit assessment. The assessment is $22 per unit of benefit, which equates to $22 to $264 depending upon the land use code. The revenue is collected by the County of Humboldt for all parcels except parcels deemed by the County of Humboldt to be of low value or owned by a public entity. The billing and collection of fees for the low value or public owned parcels is done by the District. Fees collected by the District for the low value and public entity owned parcels are deposited into the District's Cash in County Treasury account.

NOTE 4- PROPERTY TAXES

The lien date for secured property taxes is March 1 of each year. Taxes are levied as of July 1 on all secured real property and are due and payable November 1 and February 1 of the following fiscal year. The County is responsible for assessing, collecting, and distributing property taxes in accordance with enabling legislation.

Since the passage of California Proposition 13, beginning with fiscal year 1978-79, taxes are based either on a 1% rate applied to the 1975-76 assessed value of the property, or on 1% of the sales price of the property on sales transactions and construction which occur after the 1975-76 assessment. Assessed values on properties (exclusive of increases related to sales transactions and improvement) can rise at a maximum of 2% per year. The amount collected by the County is distributed in accordance with State law to the various public agencies. Therefore, the District does not levy a specific tax rate but receives a share of the property tax revenue based on the state formula. The District's tax rate is $.06/$100 of assessed value, the maximum allowable under Proposition 13.

During fiscal year 1993-94, an alternate method of property tax allocation (the "Teeter Plan") was adopted. Under this plan, the County Auditor-Controller distributes 100 percent of current secured taxes billed to taxing entities during the current year, whether collected or not. The District recognizes property tax revenues (including tax increment revenues) to the extent of each year's tax allocation received or to be received within 60 days after the end of each fiscal year.

The District's share of the taxes collected by the County is calculated based on a formula established by the State of California.

NOTE 5- DEFERRED COMPENSATION PLAN

The District offers employees a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. The plan, available to all full-time non-seasonal District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The plan was revised in 1999 by the plan administrator. The assets of the retirement plan are held in a trust for the exclusive benefit of the participants and their beneficiaries and are not accessible by the government or its creditors. The participants or beneficiaries assume the risk of loss from declines in the value of plan assets. The plan is administered by an independent plan administrator.

Effective June 30, 1999, the District adopted GASB 32 which provides accounting and reporting guidance for deferred compensation plans under the revised provisions of IRC section 457. Under GASB 32, the assets and liabilities of the plan are not reported in the financial statements of the District.

NOTE 6 – PENSION PLAN

a. Plan Description

The District contributes to three retirement plans, the safety plan, the safety fire second tier plan and the miscellaneous plan, under the California Public Employees' Retirement System (CalPERS), a cost-sharing multi-employer public employee retirement system defined benefit pension plan that acts as a common investment and administrative agent for participating public entities within the State of California. The safety and safety fire second tier plans cover the District's firefighters and the miscellaneous plan covers other District employees.

b. Benefits

The plans provide retirement, disability, and unused sick leave benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Menus of benefit provisions, as well as other requirements are established by state statutes, as legislatively amended within the Public Employees' Retirement Law. California Government Code, Part 3, sections 20000-21600 governs PERS and grants the authority to establish and amend the benefit terms and contribution requirements to the CalPERS Board of Trustees. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through resolution. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS website at www.calpers.ca.org.

The plans are in separate risk pools that provide the following benefits:

Safety Plan – Retirement benefits are determined as 3.0% of the final 12 months average compensation. Employees are eligible to retire at age 50.

Safety Fire Second Tier – Retirement benefits are determined as 3.0% of the final 12 months average compensation. Employees are eligible to retire at age 55.

Miscellaneous Plan – Retirement benefits are determined as 2.7% of the final 12 months average compensation. Employees are eligible to retire at age 55.

All three plans provide disability benefits, a lump sum post-retirement death benefit of $500, sick leave credit, and an annual cost of living adjustment of 2%.

On January 1, 2013, the *Public Employees' Pension Reform Act of 2013* (PEPRA) took effect in California. In addition to creating new retirement formulas for newly hired members PEPRA also effectively closed all existing active risk pools to new employees. As such it is no longer appropriate to assume that the payroll of the risk pools will continue to grow at 3 percent annually. In order to address

NOTE 6 – PENSION PLAN (continued)

b. Benefits (continued)

this and other issues, the CalPERS Board of Administration approved at their May 21, 2014 meeting structural changes to the risk pools. All pooled plans will be combined into two active pools, one for all miscellaneous groups and one for all safety groups, so the employers within the pools can once again expect the assumed 3 percent annual growth of payroll. For more information, visit www.calpers.ca.gov.

c. Contributions

The contribution requirements of the plan members are established by state statute. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2015-2016 was 44.768% of annual payroll for the safety plan and 17.746% of annual payroll for the safety fire second tier plan. For the miscellaneous plan, the required employer contribution rate for fiscal year 2015-2016 was 15.201% of annual payroll. Contributions to the pension plans from the District were $605,696.

NOTE 7 – PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

As of June 30, 2016, the District reported a liability of $4,030,661 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating fire districts, actuarially determined.

At June 30, 2015 (measurement date), the District's proportion of the net pension liabilities (NPL) for the plans is shown below:

	Safety Risk Pool NPL	AFPD Proportion NPL	AFPD Percentage NPL
Safety Plan	$ 4,120,444,515	$ 3,991,349	.09687%
Miscellaneous Plan	2,743,467,016	39,312	.00143%
	$ 6,863,911,531	$ 4,030,661	

NOTE 7 – PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (continued)

For the year ended June 30, 2016, the District recognized pension expense of $605,696. At June 30, 2016, the district reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made for fiscal year ended 6/30/16	$ 605,696	$ -
Difference in actual vs projected contributions	220,975	-
Change in proportion	426,351	-
Changes of assumptions		338,757
Difference between expected and actual experience		71,981
Net difference between projected and actual earnings on pension plan investments		171,656
	$ 1,253,022	$ 582,394

Amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized in pension expense as follows:

	Safety Plan	Misc. Plan	Total
Year Ended June 30:			
2016	$ (170,537)	$ (3,997)	$ (174,534)
2017	(170,537)	(3,997)	(174,534)
2018	(177,462)	(3,938)	(181,400)
2019	(205,166)	(3,701)	(208,867
Total deferred inflows:	$ (723,702)	$ (15,633)	$ (739,335)
Unamortized differences in 2014 actual contributions and proportionate share of contribution			(161,121)
Total deferred inflows reported at June 30, 2015			$ (900,456)

NOTE 7 – PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERREDINFLOWS OF RESOURCES RELATED TO PENSIONS (continued)

Actuarial Methods and Assumptions:

The June 30, 2014 valuation was rolled forward to determine the June 30, 2015 total pension liability, based on the following methods and assumptions:

Discount rate	7.65%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.65%, net of pension plan investment expense, including inflation
Mortality rate table	Derived using CalPERS' membership data for all funds
Post retirement benefit increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Change of Assumptions:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.5% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction for pension plan administrative expense.

Discount Rate:

The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65% discount rate is appropriate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65% is applied to all plans in the

NOTE 7 – PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (continued)

Discount Rate (continued):

Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective July 1, 2014.

Asset Class	Allocation	Real Return Years 1-10	Real Return Years 11+
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0	.99	2.43
Inflation Sensitive	6.0	.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	10.0	4.50	5.13
Infrastructure and Forestland	2.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)
	100.0%		

Pension plan fiduciary net position:

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

NOTE 8 – OTHER POST- EMPLOYMENT BENEFITS

Plan Description

The district provides post-employment health care benefits through a single employer defined benefit plan. Retirees who are age 50 or over are eligible to obtain medical coverage. Medical coverage is also provided for the surviving spouse of retired employees and the surviving spouse of active employees who upon death had attained age 50 and who had a minimum of 10 years of service with the District. The Plan does not provide a publicly available financial report.

Funding Policy

The contribution requirements of the plan members and the District are established and may be amended by the District and/or the employee associations. The District is currently funding this OPEB obligation on a pay-as-you-go basis. For the year ended June 30, 2016, the District paid $ 172,141 in health care costs for its retirees and their covered dependents.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities of the plan over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB cost, the amount actually contributed to the plan, and changes in the istrict's net OPEB obligation to the Retiree Health Plan for the year ended June 30, 2016:

Annual required contribution	$ 821,513
Interest on net OPEB obligation	85,710
Adjustment to annual required contribution	(103,533)
Annual OPEB cost (expense)	803,690
Expected contributions made	(215,022)
Increase in net OPEB obligation	588,668
Net OPEB Obligation – beginning of year	2,142,761
Net OPEB Obligation – end of year	$ 2,731,429

NOTE 8 – OTHER POST- EMPLOYMENT BENEFITS (continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the five years ended June 30, 2016 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/12	517,591	138,161	26.69%	379,430
06/30/13	506,904	153,531	30.22%	353,373
06/30/14	536,092	190,613	35.56%	345,479
06/30/15	566,972	198,063	34.93%	368,909
06/30/16	803,690	215,022	26.75%	588,668

Funded Status and Funding Progress

As of July 1, 2015, the plan was zero percent funded. The actuarial accrued liability for benefits was $7,936,281 and the actuarial value of assets was zero, resulting in an unfunded accrued liability (UAL) of $7,936,281. The covered payroll (annual payroll of active employees covered by the plan) was $ 1,601,891 and the ratio of the UAL to the covered payroll was 495.4%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about rates of employee turnover, retirement, mortality, as well as economic assumptions regarding claim costs per retiree, healthcare inflation and interest rates. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the July 1, 2015 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included an investment interest rate of 4.0% per annum, a projected salary increase of 3.25% per annum and a general inflation rate of 3.00% per annum.

NOTE 8 – OTHER POST- EMPLOYMENT BENEFITS (continued)

See the required supplementary information on page 34 for the schedule of funding progress for other post-employment benefit plans.

NOTE 9 – BONDED INDEBTEDNESS AND LONG-TERM DEBT

The District has no bonded indebtedness.

In 1983-84 the District received $58,861 from the State of California for business inventory subventions. Subsequent collections of special appropriations and supplemental roll tax collections reduced the advance to $29,952 as of January 15, 1986, and on April 3, 1986, the State of California and the District entered into a loan agreement for that amount at 0% interest. At June 30, 2016, the District's unpaid balance was $27,967.

A lease with an option to purchase two 2007 Ferrara Engines and one 2008 Ferrara Engine was executed on March 14, 2011 in the amount of $470,700. The lease calls for annual payments in the amount of $91,886 for six years beginning January, 2012. This lease was a refinance of the previous lease that originated on September 26, 2006 and had a remaining balance of $459,292 at the time of the refinance.

On March 14, 2011 an additional lease with an option to purchase two new Ferrara Engines was executed in the amount of $832, 930. The lease calls for annual payments in the amount of $76,018 for six years beginning January, 2012, followed by three payments of $167,905 and a final payment of $159,685.

A schedule of changes in long-term debt for the year ended June 30, 2016, is shown below:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
State loan payable	$ 27,967	$ -	$ -	$ 27,967
Refinance Ferrara truck loan	170,879	-	83,360	87,519
New Ferrara truck loan	675,492	-	42,312	633,180
Total	$ 874,338	$ -	$ 125,672	748,666
Less amount due within one year				(131,942)
Long-term debt, net of current portion				$ 616,724

NOTE 9 – BONDED INDEBTEDNESS AND LONG-TERM DEBT (continued)

The annual debt service requirements to maturity are as follows:

Year ending June 30,	Total Payment	Interest	Principle
2017	167,905	35,963	131,942
2018	167,905	29,379	138,526
2019	167,905	22,466	145,439
2020	167,905	15,209	152,696
2021 and thereafter	187,653	7,590	180,063
Totals	$ 859,273	$ 110,607	$ 748,666

NOTE 10-CAPITAL ASSETS

The following table summarizes the changes in components of the capital assets for the fiscal year ended June 30, 2016:

	Balance 6/30/15	Additions	Deletions	Balance 6/30/16
Land	$ 224,630	$ -	$ -	$ 224,630
Buildings	346,049	-	-	346,049
Equipment	4,832,116	226,980	(61,146)	4,997,950
Less accumulated depreciation	(2,500,506)	(258,786)	-	(2,759,292)
Capital assets net of depreciation	$ 2,902,289	$ (31,806)	$ (61,146)	$ 2,809,337

The annual deprecation charged to expense for the year ended June 30, 2016 was $258,786.

NOTE 11- RISK MANAGEMENT

The district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and health and welfare of employees.

NOTE 11- RISK MANAGEMENT (continued)

The District purchases insurance coverage from FAIRA (Fire Agencies Insurance Risk Authority). FAIRA provides coverage for automobile, general liability, errors and omissions losses and property as follows:

Auto liability –combined single limit	$ 1,000,000
General aggregate	2,000,000
Management liability	1,000,000
Cyber liability	1,000,000
Umbrella liability	10,000,000
Each occurrence or wrongful act	1,000,000
Garagekeepers legal liability	250,000

For the fiscal year ending June 30, 2016, the annual premium to FAIRA was $10,455.

The County of Humboldt, Risk Management Division, Workers Compensation Program, a risk sharing pool administered by the County, provides worker's compensation benefits for its members. The premium paid to the County for the fiscal year ending June 30, 2016 was $76,732.

Management believes coverage maintained is sufficient to preclude any significant uninsured losses to the District.

NOTE 12- SPECIAL DISTRICT EXPENSE

Special District Expense for the year ended June 30, 2016 included the following:

Certifications	$	1,771
Fire Prevention		1,566
Assessment adjustments		810
Miscellaneous		9,275
Public education		1,079
Recruitment		9,419
Reserve firefighter program		13,670
Greenway partners		26,153
Rebranding		8,882
Elections		34,241
Total	$	106,866

ARCATA FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 13 – ASSIGNED FUNDS EXPENDITURES AND TRANSFERS

The following table summarized the activity in the three assigned funds during the year ended June 30, 2016:

	Contingency Designation	Capital Improvements Designation	PERS Designation	Total
Balance at 6/30/2015	$ 153,425	$ 378,091	$ 450,000	$ 981,516
Transfers in (out):				
General fund – Undesignated	142,000	-	100,000	242,000
General fund – Undesignated	(138,000)	-	-	(138,000)
FEMA bank acct -Restricted	89,731	-	-	89,731
Revenues- Sale of Capital assets	-	45,000	-	45,000
Less expenditures:				
Broker fees		(4,500)	-	(4,500)
Pierce Rescue	-	(203,853)	-	(203,853)
Tools	-	(25,953)	-	(25,953)
Cal PERS	-	-	(273,640)	(273,640)
Total expenditures	-	(234,306)	(273,640)	(507,946)
Balance at 6/30/2016	$ 247,156	$ 188,785	$ 276,360	$ 712,301

NOTE 14 - RESTRICTED FUNDS

The District had the following restricted funds at 6/30/2016:

	FEMA Recruitment Grant	FEMA Hiring Grant	Restricted Funds Total
Balance at 6/30/15	$ 155,039	$ 89,731	$ 244,770
Deposits from:			
FEMA	126,195	251,022	377,217
Reimburse General Fund	(155,039)	(140,998)	(296,037)
Reimburse Contingency Fund	-	(89,731)	(89,731)
Balance at 6/30/16	$ 126,195	$ 110,024	$ 236,219

ARCATA FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 15 - FEDERAL GRANTS AWARDED

a. FEMA Staffing for Adequate Fire and Emergency Response (SAFER) - Recruitment Program
This grant is to provide funding directly to fire departments and volunteer firefighter interest organizations in order to help them increase the number of trained "front-line" firefighters in their communities. It is intended to be used primarily for volunteer firefighter recruitment and retention.

During the year ended 6/30/2016, there were $102,995 in expenditures made under this grant and $126,195 in reimbursements received from FEMA.

b. FEMA Staffing for Adequate Fire and Emergency Response (SAFER) - Hiring Program
This grant is to provide funding directly to fire departments and volunteer firefighter interest organizations in order to help them increase the number of trained "front-line" firefighters in their communities. It is intended to be used primarily to hire and pay salaries and fringe benefits for three firefighters for two years.

There were $392,186 in expenditures made under this grant during the year ended June 30, 2016 and $251,022 in reimbursements from FEMA.

c. FEMA Grants Receivable
Grants receivable at June 30, 2016 consisted of the following:

FEMA – SAFER Hiring Grant	$ 141,165
Total grants receivable	$ 141,165

NOTE 16- OPERATING LEASE

The District leases three facilities on School Road, the Busch Building and the 9th Street Volunteer Fire Department for a monthly total of $4,650. Because the 9th Street Station was being remodeled, the lease was temporarily suspended and resumed in November, 2015. The rent expense for the year ended June 30, 2016 was $51,400.

NOTE 17-GANN LIMIT

Proposition 4, the "Gann" initiative, was passed by California voters in 1978 and is intended to limit government appropriations. According to California law, special districts must use the 1978-79 appropriations as a base year and modify that figure by the composite consumer price index and population changes which have accrued in subsequent years. Management calculated the appropriations limit for the year ended June 30, 2016, using the entire County population growth data and the blended City of Arcata/County unincorporated growth data. Based upon both calculations, the District's appropriations remain below the Gann limitation.

NOTE 18: COMMITMENTS AND CONTINGENCIES

The District is not aware of any claims or potential claims against it, which could have a material effect on the financial statements as of June 30, 2016.

NOTE 19: SUBSEQUENT EVENTS

Events subsequent to June 30, 2016 have been evaluated through October 13, 2017 the date of the audit report. There were no events that occurred through this date that required disclosures.

ARCATA FIRE PROTECTION DISTRICT
BUDGETARY COMPARISON SCHEDULE
Year ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under) Budget
Tax Revenue				
Property taxes - current secured	$ 1,765,114	$ 1,765,114	$ 1,844,456	$ 79,342
Property taxes - current unsecured	67,528	67,528	70,317	2,789
Property taxes - prior yrs secured & unsecured	31,858	31,858	39,519	7,661
Property taxes - current supplemental	10,902	10,902	18,065	7,163
Property taxes - prior years supplemental	3,590	3,590	2,437	(1,153)
Units of benefit charges	1,687,472	1,687,472	1,697,085	9,613
RDA dissolution revenue	92,000	92,000	124,070	32,070
Total taxes	3,658,464	3,658,464	3,795,949	137,485
Other Revenue				
Interest income	23,700	23,700	22,094	(1,606)
Homeowners property tax relief	27,775	27,775	26,437	(1,338)
State timber tax	671	671	716	45
Other services and sales	6,000	6,000	11,127	5,127
Aid from private parties	6,400	76,400	82,800	6,400
Other revenue	46,734	46,734	9,293	(37,441)
Grant revenue	0	438,330	495,182	56,852
Firefighting reimbursement	15,000	150,000	238,760	88,760
Total Revenue	3,784,744	4,428,074	4,682,358	254,284
Personnel Expense				
Salaries, wages and payroll taxes	1,634,900	1,941,200	2,166,178	224,978
Retirement	704,200	704,200	783,080	78,880
Employee group insurance	532,020	532,020	665,780	133,760
Workers compensation insurance	74,760	74,760	76,732	1,972
Total salaries and employee benefits	2,945,880	3,252,180	3,691,770	439,590
Services and Supplies Expense				
Clothing and personal supplies	21,500	21,500	20,808	(692)
Communications	112,750	132,750	141,183	8,433
Food	5,000	5,000	4,000	(1,000)
Grant expense	0	0	71,510	71,510
Household expense	6,000	6,000	8,081	2,081
Insurance	10,964	10,964	10,455	(509)
Maintenance - equipment	80,600	80,600	76,407	(4,193)
Maintenance - electronic equipment	16,600	17,100	27,639	10,539
Maintenance - structure	8,200	8,200	7,235	(965)
Dues and subscriptions	11,900	11,900	4,464	(7,436)
Miscellaneous expense	1,500	1,500	5,295	3,795
Office expense	11,700	11,700	12,726	1,026
Professional services	46,300	79,300	146,051	66,751

ARCATA FIRE PROTECTION DISTRICT
BUDGETARY COMPARISON SCHEDULE
Year ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under) Budget
Publications and notices	$ 2,500	$ 2,500	$ 780	$ (1,720)
Rent	60,000	60,000	51,400	(8,600)
Special District expense	111,950	153,950	106,866	(47,084)
Small tools and equipment	-	-	44,369	44,369
Training	47,000	49,000	36,026	(12,974)
Transportation and travel	30,000	30,000	28,857	(1,143)
Utilities	23,500	23,500	25,767	2,267
Total services and supplies	607,964	705,464	829,919	124,455
Capital Outlay:				
Equipment purchases	52,900	52,900	226,980	174,080
Proceeds from sale of equipment	-	-	(40,500)	(40,500)
Net capital outlay	52,900	52,000	186,480	133,580
Principal payments on long-term debt	119,698	119,698	119,698	-
Interest expense on long-term debt	48,207	48,207	45,071	(3,136)
Legal settlement	-	-	52,500	52,500
TOTAL EXPENSES	3,774,649	4,178,449	4,925,438	746,989
Change in Fund Balance	$ 10,095	$ 249,625	(243,080)	$ 492,705
Fund Balance - beginning of the year			3,191,259	
Fund Balance - end of the year			$ 2,948,179	

ARCATA FIRE PROTECTION DISTRICT

Schedules of Required Supplementary Information

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

For the year ended June 30, 2016**

PENSION PLAN – Required supplementary information required by GASB 68 for a cost-sharing multiple-employer defined benefit plan:

	Safety Plan	Misc. Plan	Total
District's proportion of the net pension liability	.138715%	.002901%	
District's proportionate share of the net pension liability	$ 3,991,349	$ 39,312	$ 4,030,661
District's covered-employee payroll	1,587,212	118,005	1,705,217
District's proportionate share of the net pension liability as a percentage of covered-employee payroll	251.47%	33.31%	
Plan fiduciary net position as a percentage of the total pension liability	74.43%	85.48%	

** The amounts presented for the fiscal year were determined as of 6/30 of the prior year.

ARCATA FIRE PROTECTION DISTRICT

Schedules of Required Supplementary Information

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS

For the year ended June 30, 2016**

PENSION PLAN – Required supplementary information required by GASB 68 for a cost-sharing multiple-employer defined benefit plan:

	Safety Plan	Misc. Plan	Total
Contractually required contribution	$ 395,175	$ 8,005	$ 403,180
Contributions in relation to the Actuarially determined contribution	(395,175)	(8,005)	(403,180)
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 1,587,212	$ 118,005	$ 1,705,217
Contributions as a percentage of covered-employee payroll	24.89%	6.78%	

** The amounts presented for the fiscal year were determined as of 6/30 of the prior year.

ARCATA FIRE PROTECTION DISTRICT
OTHER POST-EMPLOYMENT BENEFITS PLAN
For the year ended June 30, 2016

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Asset Value (a)	Entry Age Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b)-(a)	Funded Ratio AVA (a)/(b)	Covered Payroll (c)	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll [(b)-(a)]/(c)
07/1/2009	$ -	$ 4,277,158	$ 4,277,158	$ -	$ 1,331,261	$ 321.3%
07/1/2012	-	5,669,066	5,669,066	-	1,283,821	433.8%
07/1/2015	-	7,936,281	7,936,281	-	1,601,891	495.4%

SCHEDULE OF OPEB COSTS CONTRIBUTED

Fiscal Year Ended	Annual OPEB Cost	Employer OPEB Contributions	% of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2013	$ 506,904	$ 153,531	30%	$1,428,373
6/30/2014	536,092	190,613	36%	1,773,852
6/30/2015	566,972	198,063	35%	2,142,761
6/30/2016	803,690	215,022	27%	2,731,429

Schedule of the Plan's Proportionate Share of the Net Pension Liability and the Schedule of the District's Contributions:

A. Changes in Benefit Terms: The figures shown in these schedules do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes). Employers who have done so may need to report this information as a separate liability in their financial statements as CalPERS considers such amounts to be separately financed employer-specific liabilities.

B. Changes in Assumptions: GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.5% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction for pension plan administrative expense.