FIVE CITIES FIRE AUTHORITY

AUDIT REPORT
For the Fiscal Year Ended June 30, 2018
FIVE CITIES FIRE AUTHORITY

AUDIT REPORT

For the Fiscal Year Ended June 30, 2018
FIVE CITIES FIRE AUTHORITY
AUDIT REPORT
Table of Contents
For the Fiscal Year Ended June 30, 2018

FINANCIAL SECTION
Independent Auditors’ Report.................................................................................................................. 1

Basic Financial Statements:
  Government-wide Financial Statements:
    Statement of Net Position ................................................................................................................ 3
    Statement of Activities ....................................................................................................................... 4
  Fund Financial Statements:
    Balance Sheet – Governmental Fund ................................................................................................ 5
    Reconciliation of the Balance Sheet of the Governmental Fund to the Statement of Net Position .... 6
    Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund.......... 7
    Reconciliation of the Statement of Revenues, Expenditures, and Changes in
    Fund Balance of the Governmental Fund to the Statement of Activities ............................................... 8
    Notes to Basic Financial Statements ................................................................................................. 9

REQUIRED SUPPLEMENTARY INFORMATION SECTION (unaudited)
  Budgetary Information – General Fund............................................................................................... 26
  Schedule of Changes in OPEB Liability ............................................................................................... 27
  Schedule of OPEB Contributions ......................................................................................................... 28
  Schedule of Proportionate Share of Net Pension Liability ............................................................... 29
  Schedule of Pension Contributions .................................................................................................... 30
FIVE CITIES FIRE AUTHORITY

FINANCIAL SECTION
INDEPENDENT AUDITORS' REPORT

Board of Directors
Five Cities Fire Authority
Arroyo Grande, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Five Cities Fire Authority (the Authority) as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority’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 Authority’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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 major fund of Five Cities Fire Authority, as of June 30, 2018, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.
Emphasis of Matter

Changes in Accounting Principles

As discussed in note 1 to the basic financial statements effective July 1, 2017, the Five Cities Fire Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the budgetary information on page 26, the schedule of changes in OPEB liability on page 27, the schedule of OPEB contributions on page 28, the schedule of proportionate share of net pension liability on page 29, and the schedule of pension contributions on page 30, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 9, 2019, on our consideration of the Five Cities Fire Authority’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority’s internal control over financial reporting and compliance.

Moss, Levy & Hausman LLP

Santa Maria, California
April 9, 2019
FIVE CITIES FIRE AUTHORITY  
STATEMENT OF NET POSITION  
June 30, 2018

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Governmental Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and investments</td>
<td>$ 1,069,067</td>
</tr>
<tr>
<td>Receivables:</td>
<td></td>
</tr>
<tr>
<td>Accounts</td>
<td>40,218</td>
</tr>
<tr>
<td>Interest</td>
<td>2,258</td>
</tr>
<tr>
<td>Capital assets:</td>
<td></td>
</tr>
<tr>
<td>Depreciable:</td>
<td></td>
</tr>
<tr>
<td>Vehicles and equipment</td>
<td>2,764,168</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(1,558,910)</td>
</tr>
<tr>
<td>Total assets</td>
<td>2,316,801</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>DEFERRED OUTFLOWS OF RESOURCES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension</td>
<td>1,646,847</td>
</tr>
<tr>
<td>OPEB</td>
<td>20,862</td>
</tr>
<tr>
<td>Total deferred outflows of resources</td>
<td>1,667,709</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>410,189</td>
</tr>
<tr>
<td>Accrued payroll</td>
<td>22,860</td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>1,054</td>
</tr>
<tr>
<td>Noncurrent liabilities:</td>
<td></td>
</tr>
<tr>
<td>Due within one year:</td>
<td></td>
</tr>
<tr>
<td>Capital lease</td>
<td>78,556</td>
</tr>
<tr>
<td>Due in more than one year:</td>
<td></td>
</tr>
<tr>
<td>Capital lease</td>
<td>666,980</td>
</tr>
<tr>
<td>Compensated absences</td>
<td>326,061</td>
</tr>
<tr>
<td>Net pension liability</td>
<td>2,689,117</td>
</tr>
<tr>
<td>Other postemployment benefits</td>
<td>1,015,060</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>5,209,877</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>DEFERRED INFLOWS OF RESOURCES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension</td>
<td>36,459</td>
</tr>
<tr>
<td>OPEB</td>
<td>124,858</td>
</tr>
<tr>
<td>Total deferred inflows of resources</td>
<td>161,317</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NET POSITION</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net investment in capital assets</td>
<td>459,722</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>(1,846,406)</td>
</tr>
<tr>
<td>Total net position</td>
<td>$ (1,386,684)</td>
</tr>
</tbody>
</table>

The notes to the basic financial statements are an integral part of this statement.
FIVE CITIES FIRE AUTHORITY
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Charges for Services</th>
<th>Operating Contributions and Grants</th>
<th>Capital Contributions and Grants</th>
<th>Net (Expense) Revenue and Changes in Net Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>$5,414,005</td>
<td>$5,029,090</td>
<td>$11,859</td>
<td></td>
<td>$ (373,056)</td>
</tr>
<tr>
<td>Fire protection services</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total governmental activities</td>
<td>$5,414,005</td>
<td>$5,029,090</td>
<td>$11,859</td>
<td></td>
</tr>
<tr>
<td>General Revenues:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Income</td>
<td></td>
<td></td>
<td></td>
<td>6,732</td>
</tr>
<tr>
<td>Change in net position</td>
<td></td>
<td></td>
<td></td>
<td>(366,324)</td>
</tr>
<tr>
<td>Net position at beginning of fiscal year</td>
<td>(271,056)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restatement</td>
<td>(749,304)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net position at beginning of fiscal year, restated</td>
<td>(1,020,360)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net position at end of fiscal year</td>
<td>$ (1,386,684)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The notes to the basic financial statements are an integral part of this statement.
FIVE CITIES FIRE AUTHORITY
GOVERNMENTAL FUND
BALANCE SHEET
June 30, 2018

ASSETS

Cash and investments
Receivables:
   Accounts
   Interest

Total assets

<table>
<thead>
<tr>
<th>General Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 1,069,067</td>
</tr>
<tr>
<td>40,218</td>
</tr>
<tr>
<td>2,258</td>
</tr>
</tbody>
</table>

$ 1,111,543

LIABILITIES AND FUND BALANCE

Liabilities:
   Accounts payable
   Accrued payroll
   Unearned revenue

Total liabilities

<table>
<thead>
<tr>
<th>General Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 410,189</td>
</tr>
<tr>
<td>22,860</td>
</tr>
<tr>
<td>1,054</td>
</tr>
</tbody>
</table>

434,103

Fund Balances:
   Assigned for equipment replacements
   Unassigned

Total fund balance

<table>
<thead>
<tr>
<th>General Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>327,039</td>
</tr>
<tr>
<td>350,401</td>
</tr>
</tbody>
</table>

677,440

Total liabilities and fund balance

<table>
<thead>
<tr>
<th>General Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 1,111,543</td>
</tr>
</tbody>
</table>

The notes to the basic financial statements are an integral part of this statement.
FIVE CITIES FIRE AUTHORITY
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION
For the Fiscal Year Ended June 30, 2018

Total fund balance - governmental fund $ 677,440

In the governmental fund, only current assets are reported. In the statement of net position all assets are reported, including capital assets and accumulated depreciation.

| Capital assets at historical cost | $ 2,764,168 |
| Accumulated depreciation | (1,558,910) |
| Net capital assets | 1,205,258 |

In the governmental fund, only current liabilities are reported. In the statement of net position all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

| Capital lease | $ 745,536 |
| Compensated absences | 326,061 |
| Net pension liability | 2,689,117 |
| Other postemployment benefits | 1,015,060 |
| Total long-term liabilities | (4,775,774) |

In governmental funds, pension obligations and OPEB obligations are deferred because they do not meet current financial obligations. However, in government-wide statement of net position, deferred outflows and deferred inflows of resources related to pensions and OPEB are recorded. The difference between deferred outflows of resources of $1,667,709 and deferred inflows of resources of $(161,317) is: 1,506,392

Total net position - governmental activities $ (1,386,684)

The notes to the basic financial statements are an integral part of this statement.
FIVE CITIES FIRE AUTHORITY  
GOVERNMENTAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
For the Fiscal Year Ended June 30, 2018

<table>
<thead>
<tr>
<th>REVENUES</th>
<th>General Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member contributions</td>
<td>$ 4,705,730</td>
</tr>
<tr>
<td>Use of money and property</td>
<td>6,732</td>
</tr>
<tr>
<td>Grant revenue</td>
<td>11,859</td>
</tr>
<tr>
<td>Charges for services</td>
<td>270,816</td>
</tr>
<tr>
<td>Other revenue</td>
<td>52,544</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td><strong>5,047,681</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENDITURES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and benefits</td>
<td>4,001,715</td>
</tr>
<tr>
<td>Services and supplies</td>
<td>588,376</td>
</tr>
<tr>
<td>Capital outlay</td>
<td>60,243</td>
</tr>
<tr>
<td>Debt Service:</td>
<td></td>
</tr>
<tr>
<td>Principal</td>
<td>77,228</td>
</tr>
<tr>
<td>Interest</td>
<td>23,969</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td><strong>4,751,531</strong></td>
</tr>
</tbody>
</table>

| Excess of revenue over/(under) expenditures | 296,150 |

| Fund balance, July 1, 2017 | 381,290 |
| Fund balance, June 30, 2018 | **$ 677,440** |

The notes to the basic financial statements are an integral part of this statement.
Total net change in fund balance - governmental fund $ 296,150

Capital outlays are reported in the governmental fund as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to capital outlay of $75,232 is less than depreciation expense of $250,803 in the period. (175,571)

In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In the governmental fund, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). For this fiscal year ended, vacation earned exceeded the amounts used by: (26,505)

In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This fiscal year, the difference between accrual-basis OPEB costs and actual employers contributions was: (95,276)

In governmental funds, repayments of long-term debt are reported as expenditures. In government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Payment of capital lease principal of $77,228. 77,228

In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: (442,350)

Change in net position - governmental activities $ (366,324)

The notes to the basic financial statements are an integral part of this statement.
FIVE CITIES FIRE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Five Cities Fire Authority (FCFA) has been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant FCFA’s accounting policies are described below:

A. Reporting Entity
FCFA was established on July 9, 2010, by a joint powers agreement between the Cities of Arroyo Grande, Grover Beach, and Oceano Community Services District. The FCFA governing board consists of one member appointed from each participating entity, as determined by the respective City Council or Board of Directors. All financial decisions are made by this three-member board. Each participating entity contributes its pro rata share of operating costs to FCFA based on a funding formula, calculated annually.

The reporting entity is the Five Cities Fire Authority. There are no component units in this report which meet the criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, as amended by GASB Statements No. 39, No. 61, and No. 80.

B. Basis of Accounting and Presentation
The accounts of FCFA are organized in one general fund. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of GASB.

The governmental general fund is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measureable and available. FCFA considers all revenues reported in the governmental general fund to be available if the revenues are collected within sixty days after the fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent that they have matured. Capital asset acquisitions are reported as expenditures in the general fund. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Non-exchange transactions, in which FCFA gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Other revenues susceptible to accrual include other taxes, intergovernmental revenues, interest, and charges for services.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, FCFA may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, either restricted and unrestricted fund balances or net position may be available to finance program expenditures/expenses. FCFA’s policy is to first apply restricted grant resources to such programs, followed by general revenues, if necessary.
NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

B. Basis of Accounting and Presentation – continued

Government-wide Statements
The Statement of Net Position and the Statement of Activities display information about FCFA. These statements include the financial activities of the overall FCFA government. Eliminations have been made to minimize the double counting of internal activities. Government activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the FCFA’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program, and (c) fees, grants, and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements
The fund financial statements provide information about the FCFA’s general fund.

C. Cash and Investments
FCFA pools its available cash for investment purposes. FCFA considers pooled cash and investments, with original maturities of three months or less, to be cash equivalents.

Certain proceeds of long-term debt, including certain resources set aside for repayment, are classified as restricted assets on the government-wide balance sheet, because their use is limited by applicable debt covenants. FCFA has classified additional assets as restricted to comply with laws and other agreements.

In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

D. Capital Assets
Capital assets are defined as costs related to the acquisition or purchase of property, plant, and equipment. Capital assets are reported in the applicable governmental activities columns in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair value on the date contributed. It is FCFA’s policy to capitalize all capital assets with costs exceeding $5,000 and with useful lives exceeding one year.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The purpose of depreciation is to spread the cost of capital assets equitable among all users over the life of these assets. The amount charged to depreciation expense each fiscal year represents that fiscal year’s pro rata share of the cost of capital assets. GASB Statement No. 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each fiscal year until the asset is fully depreciated. FCFA has assigned the useful lives listed below to capital assets:

<table>
<thead>
<tr>
<th>Assets</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structures and improvements</td>
<td>50 years</td>
</tr>
<tr>
<td>Equipment</td>
<td>5 – 25 years</td>
</tr>
</tbody>
</table>
FIVE CITIES FIRE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

E. Compensated Absences
In compliance with GASB Statement No. 16, FCFA has established a liability for accrued sick leave and vacation. All vacation is accrued when incurred in the government-wide statements. This liability is calculated for current employees at the current rates of pay. FCFA employees accrue vacation and sick leave that vary in amounts, based primarily on employment status and years of service. In the event of termination or retirement, employees are reimbursed for the total value of their accumulated vacation days and compensatory time. In the event of retirement, employees may choose to be paid 50% of their unused sick leave, to a maximum of 480 hours at the current rate of pay. In addition, unused accumulated sick leave may be converted to PERS retirement credit per the FCFA’s contract with PERS.

F. Deferred Outflows and Inflows of Resources
Pursuant to GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, FCFA recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by FCFA that is applicable to a future reporting period. FCFA has two items which qualify for reporting in this category; refer to Notes 5 and 6 for a detailed listing of the deferred outflows of resources FCFA has reported.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by FCFA that is applicable to a future reporting period. FCFA has two items which qualify for reporting in this category; refer to Notes 5 and 6 for a detailed listing of the deferred inflows of resources FCFA has reported.

G. Fund Balances and Net Position
Fund balance is the difference between the assets and liabilities reported in the governmental general fund. In compliance with GASB Statement No. 54, FCFA has established the following fund balance types:

Nonspendable – The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted – The restricted fund balance classification includes amounts that reflect constraints placed on the use of resources (other than non-spendable items) that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (legislation, resolution, ordinance, etc.) it employed to previously commit those amount. Committed fund balance should also incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – The assigned fund balance classification includes amounts that are constrained by the government’s intent to be used for specific purposes, but that are neither restricted nor committed. Such intent to be established by (a) the governing body itself or (b) a body or official to which the governing body had delegated the authority to assign amounts to be used for specific purposes.
NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

G. Fund Balances and Net Position – continued

*Unassigned* – The unassigned fund balance classification includes amounts that do not fall into one of the above four categories. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned for specific purposes within the General Fund. The General Fund is the only fund that should report this category of fund balance.

Governmental Accounting Standards Board Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified in the following categories:

*Net Investment in Capital Assets* – Net position that is net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by outstanding debt directly attributed to the acquisition, construction, or improvement of the assets.

*Restricted Net Position* – The restricted net position is the portion of net position that has external constraints placed on it by external creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation.

*Unrestricted Net Position* – The unrestricted net position classification is the amount remaining that does not fall into one of the above two categories.

FCFA’s policy that when an expenditure is incurred for which both restricted and unrestricted fund balances are available, the restricted fund balance be spent first followed by committed, then assigned, and, if applicable, unassigned.

H. Pensions

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

I. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Authority’s plan (OPEB Plan) and additions to/deductions from the Plans’ fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

J. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimations and assumptions that affect the reported amounts of assets, liabilities, revenues, expenditures or expenses as appropriate. Actual results could differ from those estimated.

K. Future Accounting Pronouncements

GASB Statements listed below will be implemented in future financial statements:

Statement No. 83  "Certain Asset Retirement Obligations"  The provisions of this statement are effective for fiscal years beginning after June 15, 2018.
NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

K. Future Accounting Pronouncements – continued

Statement No. 84 "Fiduciary Activities" The provisions of this statement are effective for fiscal years beginning after December 15, 2018.

Statement No. 87 "Leases" The provisions of this statement are effective for fiscal years beginning after December 15, 2019.

Statement No. 88 "Certain Disclosures Related to Debt, included Direct Borrowings and Direct Placements" The provisions of this statement are effective for fiscal years beginning after June 15, 2018.

Statement No. 89 "Accounting for Interest Cost Incurred before the End of a Construction Period" The provisions of this statement are effective for fiscal years beginning after December 15, 2019.

Statement No. 90 "Majority Equity Interests—an Amendment of GASB Statements No. 14 and No. 61" The provisions of this statement are effective for fiscal years beginning after December 15, 2018.

L. New Accounting Pronouncement

For the fiscal year ended June 30, 2018, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.” This Statement is effective for periods beginning after June 15, 2017. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. Implementation of the GASB Statements No. 75 and the impact on the Authority’s financial statements are explained in Note 6- Postemployment Benefits Other than Pensions and Note 10- Restatement.

NOTE 2 – CASH AND INVESTMENTS

The composition of cash and investments as of June 30, 2018, is as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash in bank and on hand</td>
<td>$593,233</td>
</tr>
<tr>
<td>Investments</td>
<td>475,834</td>
</tr>
<tr>
<td><strong>Total cash and investments, statement of net position</strong></td>
<td><strong>$1,069,067</strong></td>
</tr>
</tbody>
</table>

The Authority 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 the fair value of the asset. These principles recognize a three-tiered fair value hierarchy. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Authority had investments in the Local Agency Investment Fund, however, that external pool is not measured under Level 1, 2 or 3.

Investments Authorized by the California Government Code and FCFA’s Investment Policy

The table on the following page identifies the investment types that are authorized for FCFA by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.
FIVE CITIES FIRE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE 2 – CASH AND INVESTMENTS – continued

Investments Authorized by the California Government Code and FCFA's Investment Policy—continued

<table>
<thead>
<tr>
<th>Authorized Investment Type</th>
<th>Maximum Maturity</th>
<th>Maximum Percentage of Portfolio</th>
<th>Maximum Investment in One Issuer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Agency Bonds</td>
<td>5 years</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>U.S. Treasury Obligations</td>
<td>5 years</td>
<td>60%</td>
<td>None</td>
</tr>
<tr>
<td>U.S. Agency Securities</td>
<td>5 years</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Bankers' Acceptances</td>
<td>180 days</td>
<td>40%</td>
<td>30%</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>270 days</td>
<td>25%</td>
<td>10%</td>
</tr>
<tr>
<td>Negotiable Certificates of Deposit</td>
<td>5 years</td>
<td>20%</td>
<td>None</td>
</tr>
<tr>
<td>Repurchase Agreements</td>
<td>1 year</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Reverse Repurchase Agreements</td>
<td>92 days</td>
<td>20% of base value</td>
<td>None</td>
</tr>
<tr>
<td>Medium-Term Notes</td>
<td>5 years</td>
<td>30%</td>
<td>None</td>
</tr>
<tr>
<td>Mutual Funds</td>
<td>N/A</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>Mortgage Pass-Through Securities</td>
<td>5 years</td>
<td>20%</td>
<td>None</td>
</tr>
<tr>
<td>County Pooled Investment Fund</td>
<td>N/A</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Local Agency Investment Fund (LAIF)</td>
<td>N/A</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>JPA Pools (other investment pools)</td>
<td>N/A</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Guaranteed Investment Contract</td>
<td>15 months</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>

Disclosures Relating to Interest Rate Risk
Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that FCFA manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flows and liquidity needed for operations. Information about the sensitivity of the fair values of FCFA's investments to market interest rate fluctuations is provided below that shows the distribution of FCFA's investments by maturity:

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Carrying Amount</th>
<th>12 Months or Less</th>
<th>13-24 Months</th>
<th>25-60 Months</th>
<th>More than 60 Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Agency Investment Fund</td>
<td>$ 475,834</td>
<td>$ 475,834</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
</tbody>
</table>

Total                                   $ 475,834 $ 475,834 $ - $ - $ -

Disclosures Relating to Credit Risk
Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, FCFA's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type:

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Carrying Amount</th>
<th>Minimum Legal Rating</th>
<th>Exempt From Disclosure</th>
<th>Rating as of Fiscal Year End</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Agency Investment Fund</td>
<td>$ 475,834</td>
<td>N/A</td>
<td>$ -</td>
<td>AAA AA Not Rated</td>
</tr>
</tbody>
</table>

Total                                   $ 475,834 $ - $ - $ - $ 475,834
FIVE CITIES FIRE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE 2 – CASH AND INVESTMENTS – continued

Concentration of Credit Risk
The investment policy of FCFA contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total FCFA’s investments.

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

None of FCFA’s deposits with financial institutions in excess of the Federal Depository Insurance Corporation’s limits were held in uncollateralized accounts.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and FCFA’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government’s indirect investment in securities through the use of mutual funds or governmental investment pools (such as LAIF).

Investment in State Investment Pool
FCFA is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of FCFA’s investment in this pool is reported in the accompanying basic financial statements at the amounts based upon FCFA’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

NOTE 3 – CAPITAL ASSETS

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

<table>
<thead>
<tr>
<th></th>
<th>Balance June 30, 2017</th>
<th>Additions</th>
<th>Deletions</th>
<th>Transfers</th>
<th>Balance June 30, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nondepreciable capital assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction in progress</td>
<td>$ 554,275</td>
<td>$ -</td>
<td>$ -</td>
<td>$ (554,275)</td>
<td>$ -</td>
</tr>
<tr>
<td>Total nondepreciable capital assets</td>
<td>$ 554,275</td>
<td>$ -</td>
<td>$ -</td>
<td>$ (554,275)</td>
<td>$ -</td>
</tr>
<tr>
<td>Depreciable capital assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment</td>
<td>$ 213,414</td>
<td>$ 17,917</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 231,331</td>
</tr>
<tr>
<td>Vehicles</td>
<td>2,069,132</td>
<td>57,315</td>
<td>(147,885)</td>
<td>554,275</td>
<td>2,532,837</td>
</tr>
<tr>
<td>Total depreciable capital assets</td>
<td>2,282,546</td>
<td>75,232</td>
<td>(147,885)</td>
<td>554,275</td>
<td>2,764,168</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(1,455,992)</td>
<td>(250,803)</td>
<td>147,885</td>
<td></td>
<td>(1,558,910)</td>
</tr>
<tr>
<td>Net depreciable capital assets</td>
<td>$ 826,554</td>
<td>(175,571)</td>
<td>$ -</td>
<td>554,275</td>
<td>$ 1,205,258</td>
</tr>
<tr>
<td>Net capital assets</td>
<td>$ 1,380,829</td>
<td>(175,571)</td>
<td>$ -</td>
<td></td>
<td>$ 1,205,258</td>
</tr>
</tbody>
</table>
FIVE CITIES FIRE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE 4 — LONG-TERM DEBT

A. Changes in Long-Term Liabilities
Long-term liability activity for the fiscal year ended June 30, 2018, is as follows:

<table>
<thead>
<tr>
<th>Governmental Activities</th>
<th>Balance June 30, 2017</th>
<th>Additions</th>
<th>Deletions</th>
<th>Restatements</th>
<th>Balance June 30, 2018</th>
<th>Due Within One year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Lease</td>
<td>$ 822,764</td>
<td>$</td>
<td>$ 77,228</td>
<td>$</td>
<td>$ 745,536</td>
<td>$ 78,556</td>
</tr>
<tr>
<td>Compensated absences</td>
<td>299,556</td>
<td>193,213</td>
<td>166,708</td>
<td></td>
<td>326,061</td>
<td></td>
</tr>
<tr>
<td>Net pension liability</td>
<td>2,248,800</td>
<td>791,978</td>
<td>351,661</td>
<td></td>
<td>2,689,117</td>
<td></td>
</tr>
<tr>
<td>OPEB</td>
<td>274,476</td>
<td>131,181</td>
<td>160,180</td>
<td>769,583</td>
<td>1,015,060</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$ 3,645,596</td>
<td>$ 1,116,372</td>
<td>$ 755,777</td>
<td>$ 769,583</td>
<td>$ 4,775,774</td>
<td>$ 78,556</td>
</tr>
</tbody>
</table>

B. Compensated Absences
FCFA employees accumulate earned but unused vacation and sick pay benefits, which can be converted to cash at termination of employment. Since no means exists to reasonably estimate the amounts that might be liquidated with expendable and currently available financial resources, if any, they are reported as long-term debt on the Statement of Net Position. No expenditure is reported for these amounts in the general fund statement. The non-current portion of these vested benefits (payable in accordance with various collective bargaining agreements) at June 30, 2018, total $326,061.

C. Net Pension Liability
During the 2014-15 fiscal year, GASB issued Statement No. 68 which required FCFA to measure and report the liabilities associated with pension liability. See Note 5 for further detail.

D. Other Postemployment Benefits
In 2004, GASB issued Statement No. 45 which required FCFA to measure and report the liabilities associated with other post-employment benefits (OPEB). In 2017, GASB issued Statement No. 75 that updated the requirements for OPEB. FCFA's annual OPEB requirement was determined to be $1,015,060 at June 30, 2018. FCFA is currently funding the liability on a pay-as-you-go basis. See Note 6 for further detail.

E. Capital Lease
During the 2015-16 fiscal year, the Authority entered into a capital lease for the purchase of a new fire engine. The lease terms are for 10 years at an interest rate of 2.5% per annum, with the amount financed of $580,843. During the 2016-17 fiscal year, the Authority entered into a capital lease for the purchase of a new fire engine. The lease terms are for 10 years at an interest rate of 3.12% per annum, with the amount financed of $554,275. See Note 7 for further detail.

NOTE 5 — DEFINED BENEFIT PENSION PLAN

A. General Information about the Pension Plans
Plan Description, Benefits Provided and Employees Covered — The Five Cities Fire Authority’s defined pension plan, Public Employees' Retirement System (PERS), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is part of the Public Agency portion of the California Public Employees’ Retirement System (CalPERS), cost-sharing multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes with the Public Employees’ Retirement Law. FCFA selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance (other local methods). FCFA is enrolled in two plans; Miscellaneous and Safety. CalPERS issue a separate comprehensive annual financial report. Copies of the CalPERS’ annual financial report may be obtained from the CalPERS Executive Office – 400 P Street – Sacramento, CA 95814.
NOTE 5 – DEFINED BENEFIT PENSION PLAN - continued

A. General Information about the Pension Plans – continued

The defined benefit pension plan provisions and benefits at June 30, 2018, are summarized below:

<table>
<thead>
<tr>
<th></th>
<th>Prior to January 1, 2013</th>
<th>On or after January 1, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hire date</td>
<td>55</td>
<td>57</td>
</tr>
<tr>
<td>Benefit formula</td>
<td>2.5% @ 55</td>
<td>2.0% @ 62</td>
</tr>
<tr>
<td>Benefit vesting schedule</td>
<td>5 years of service</td>
<td>5 years of service</td>
</tr>
<tr>
<td>Benefit payments</td>
<td>Monthly for life</td>
<td>Monthly for life</td>
</tr>
<tr>
<td>Retirement age</td>
<td>8.00%</td>
<td>6.250%</td>
</tr>
<tr>
<td>Required employee contribution rates</td>
<td>24.550%</td>
<td>6.533%</td>
</tr>
<tr>
<td>Safety Plan</td>
<td>Prior to January 1, 2013</td>
<td>On or after January 1, 2013</td>
</tr>
<tr>
<td>Benefit formula</td>
<td>3.0% @ 55</td>
<td>2.7% @ 57</td>
</tr>
<tr>
<td>Benefit vesting schedule</td>
<td>5 years of service</td>
<td>5 years of service</td>
</tr>
<tr>
<td>Benefit payments</td>
<td>Monthly for life</td>
<td>Monthly for life</td>
</tr>
<tr>
<td>Retirement age</td>
<td>9.00%</td>
<td>11.500%</td>
</tr>
<tr>
<td>Required employee contribution rates</td>
<td>17.875%</td>
<td>11.990%</td>
</tr>
<tr>
<td>Required employer payment of unfunded liability</td>
<td>$70,353</td>
<td>$45</td>
</tr>
</tbody>
</table>

Contribution Description – Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS’ annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan’s actuarially determined rate is based on the estimated amount necessary to pay the Plan’s allocated share of the risk pool’s costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Contributions to the pension plan from FCFA during the 2017-18 fiscal year were $20,964 for the miscellaneous plan and $364,723 for the safety plan.

At June 30, 2018, FCFA reported a liability of $217,565 for the Miscellaneous plan and $2,471,552 for the Safety plan for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, which was updated for June 30, 2017 using standard procedures. FCFA’s proportion of the net pension liability was based on a projection of FCFA’s long-term share of contributions to the pension plan relative to the projected contributions of all pension plan participants, actuarially determined. At June 30, 2017, FCFA’s proportionate share of the net pension liability for each Plan as of June 30, 2016 and June 30, 2017 was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Miscellaneous</th>
<th>Safety</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportion-June 30, 2016</td>
<td>0.00603%</td>
<td>0.03937%</td>
</tr>
<tr>
<td>Proportion-June 30, 2017</td>
<td>0.00552%</td>
<td>0.04136%</td>
</tr>
<tr>
<td>Adjustment due to differences in proportions</td>
<td>-0.00051%</td>
<td>0.00199%</td>
</tr>
</tbody>
</table>
NOTE 5 – DEFINED BENEFIT PENSION PLAN - continued

B. Pension Liabilities, Deferred Outflows and Inflows, and Pension Expense Related to Pensions

For the fiscal year ended June 30, 2018, FCFA recognized pension expense of $901,695. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gains or losses, actuarial gains or losses, actuarial assumptions or method, and plan benefits. At June 30, 2018, FCFA reported deferred outflows and inflows of resources related to pension from the following resources:

<table>
<thead>
<tr>
<th>Deferred Outflows of Resources</th>
<th>$</th>
<th>Deferred Inflows of Resources</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension contributions subsequent to measurement date</td>
<td>$385,687</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Net difference between projected and actual earnings on pension plan investment</td>
<td>85,716</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Differences between expected and actual experience</td>
<td>21,930</td>
<td>6,391</td>
<td></td>
</tr>
<tr>
<td>Changes of assumptions</td>
<td>392,078</td>
<td>30,068</td>
<td></td>
</tr>
<tr>
<td>Adjustment due to differences in proportions</td>
<td>549,165</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Differences between employer’s contribution and the employer’s proportionate share of contributions</td>
<td>212,271</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$1,646,847</td>
<td>$36,459</td>
<td></td>
</tr>
</tbody>
</table>

The reported deferred outflows of resources related to pensions in the amount of $385,687 resulting from FCFA contributions subsequent to the measurement date will be recognized as a reduction of the pension liability in the 2018-19 fiscal year. The additional amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as pension expense as follows:

<table>
<thead>
<tr>
<th>Fiscal Year Ending June 30</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$561,639</td>
</tr>
<tr>
<td>2020</td>
<td>484,519</td>
</tr>
<tr>
<td>2021</td>
<td>228,754</td>
</tr>
<tr>
<td>2022</td>
<td>(50,211)</td>
</tr>
<tr>
<td>Total</td>
<td>$1,224,701</td>
</tr>
</tbody>
</table>

Actuarial Assumptions – The total pension liability for both the Miscellaneous and Safety plans in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

- Valuation Date: June 30, 2016
- Measurement Date: June 30, 2017
- Actuarial Cost Method: Entry Age Normal
- Actuarial Assumptions:
  - Discount Rate: 7.15%
  - Inflation: 2.75%
  - Salary Increases: Varies by Entry Age and Service
  - Investment Rate of Return: 7.5% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
  - Mortality Rate Table (1): 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

1 – The mortality table used was developed based on CalPERS’ specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2017 experience study report.
NOTE 5 – DEFINED BENEFIT PENSION PLAN - continued

B. Pension Liabilities, Deferred Outflows and Inflows, and Pension Expense Related to Pensions - continued

Change in Assumptions – In December 2016, as part of the Asset Liability Management (ALM) review cycle, the CalPERS Board approved to lower the financial reporting discount rate for PERF C 7.65% to 7.15%.

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

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns on all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (the first 10 years) and the long-term (11 to 60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Current Target Allocation</th>
<th>Real Return Years 1-10</th>
<th>Real Return Years 11+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Equity</td>
<td>47.0%</td>
<td>4.90%</td>
<td>5.38%</td>
</tr>
<tr>
<td>Global Fixed Income</td>
<td>19.0%</td>
<td>0.80%</td>
<td>2.27%</td>
</tr>
<tr>
<td>Inflation Sensitive</td>
<td>6.0%</td>
<td>0.60%</td>
<td>1.39%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>12.0%</td>
<td>6.60%</td>
<td>6.63%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>11.0%</td>
<td>2.80%</td>
<td>5.21%</td>
</tr>
<tr>
<td>Infrastructure and Forestland</td>
<td>3.0%</td>
<td>3.90%</td>
<td>5.36%</td>
</tr>
<tr>
<td>Liquidity</td>
<td>2.0%</td>
<td>-0.40%</td>
<td>-0.90%</td>
</tr>
</tbody>
</table>

1 – An expected inflation of 2.5% used for this period
2 – An expected inflation of 3.0% used for this period
B. Pension Liabilities, Deferred Outflows and Inflows, and Pension Expense Related to Pensions – continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following represents FCFA’s proportionate share of the net pension liability calculated using the discount rate of 7.15%, as well as what FCFA’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.15%) and one percentage point higher (8.15%) than the current rate:

<table>
<thead>
<tr>
<th>Plan’s Net Pension Liability</th>
<th>Discount Rate -1% (6.15%)</th>
<th>Current Discount Rate (7.15%)</th>
<th>Discount Rate +1% (8.15%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Miscellaneous</td>
<td>$310,136</td>
<td>$217,565</td>
<td>$140,896</td>
</tr>
<tr>
<td>Safety</td>
<td>3,674,042</td>
<td>2,471,552</td>
<td>1,488,577</td>
</tr>
<tr>
<td>Total</td>
<td>$3,984,178</td>
<td>$2,689,117</td>
<td>$1,629,473</td>
</tr>
</tbody>
</table>

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

C. Payable to the Pension Plan

At June 30, 2018, FCFA had no amount outstanding for contributions to the pension plan required for the 2016-17 fiscal year.

NOTE 6 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

FCFA provides post-retirement health benefits, in accordance with State statutes, to all employees retiring from FCFA and enrolled in an insurance program under the California Public Employees’ Medical and Hospital Care (PEMHCA). The CalPERS PEMHCA plan is a defined contribution, multiple employer, and healthcare plan providing benefits to active and retired employees.

Benefits Provided

FCFA participates in the CalPERS Health Benefit Program where all employee groups were under the equal contribution option. FCFA was required to contribute $128 per month during calendar year 2017 and $133 per month during calendar year 2018 towards the cost of the retiree health insurance, which is the same amount contributed toward active employee health insurance. The remaining balance of the premium is paid directly by the retirees to CalPERS. The mandatory employer contribution for active and retiree health insurance is increased annually in accordance with PEMHCA regulation. Beginning on January 1, 2019, the contribution amount will increase to $138 per month.

Employees Covered

Active plan members                                  18
Inactive employees or beneficiaries currently receiving benefits 5

Total                                               23

The Authority currently finances benefits on a pay-as-you go basis.

Net OPEB Liability

The Authority’s Net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the Net OPEB liability was determined by an actuarial valuation dated June 30, 2016, Standard actuarial update procedures were used to project/discount from valuation to measurement dates.
FIVE CITIES FIRE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE 6 — POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - continued

Actuarial assumptions. The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases 3.00%
Medical cost trend rate Pre-Medicare: 7.50%
Post-Medicare: 6.50%

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

Actuarial assumptions used in the June 30, 2017 valuation were based on a review of plan experience during the period July 1, 2015 to June 30, 2017.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. To achieve the goal set by the investment policy, plan assets will be managed to earn, on a long-term basis, a rate of return equal to or in excess of the target rate of return of 3.58 percent.

Change in assumptions. The discount rate was increased from 2.85 percent to 3.58 percent.

Discount rate. GASB 75 requires a discount rate that reflects the following:

a) The long-term expected rate of return on OPEB plan investments — to the extent that the OPEB plan's fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;

b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher — to the extent that the conditions in (a) are not met.

To determine a resulting single (blended) rate, the amount of the plan's projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payments. The discount rate used to measure the Authority's total OPEB liability is based on these requirements and the following information:

<table>
<thead>
<tr>
<th>Reporting Date</th>
<th>Measurement Date</th>
<th>Long Term Expected Return of Plan Investments</th>
<th>Municipal 20 Year High Grade Rate Index</th>
<th>Discount Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2018</td>
<td>June 30, 2017</td>
<td>3.58%</td>
<td>3.58%</td>
<td>3.58%</td>
</tr>
</tbody>
</table>
NOTE 6 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - continued

Changes in the OPEB Liability

<table>
<thead>
<tr>
<th></th>
<th>Total OPEB Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at June 30, 2017 (Valuation Date June 30, 2016)</td>
<td>$ 1,044,059</td>
</tr>
<tr>
<td>Changes recognized for the measurement period:</td>
<td></td>
</tr>
<tr>
<td>Service cost</td>
<td>98,895</td>
</tr>
<tr>
<td>Interest</td>
<td>32,286</td>
</tr>
<tr>
<td>Changes of assumptions</td>
<td>(139,901)</td>
</tr>
<tr>
<td>Contributions - employer</td>
<td></td>
</tr>
<tr>
<td>Net investment income</td>
<td></td>
</tr>
<tr>
<td>Benefit payments</td>
<td>(20,279)</td>
</tr>
<tr>
<td>Net Changes</td>
<td>(28,999)</td>
</tr>
<tr>
<td>Balance at June 30, 2018 (Measurement Date June 30, 2017)</td>
<td>$ 1,015,060</td>
</tr>
</tbody>
</table>

Sensitivity of the OPEB liability to changes in the discount rate. The following presents the OPEB liability, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current discount rate:

<table>
<thead>
<tr>
<th></th>
<th>1% Decrease 2.58%</th>
<th>Current Rate 3.58%</th>
<th>1% Increase 4.58%</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPEB Liability</td>
<td>$ 1,213,834</td>
<td>$ 1,015,060</td>
<td>$ 860,717</td>
</tr>
</tbody>
</table>

Sensitivity of the OPEB liability to changes in the healthcare trend rates. The following presents the OPEB liability, as well as what the OPEB liability would be if it were calculated using a healthcare cost trend rates that are 1-percentage point lower (4.00 percent) or 1-percentage-point higher (6.00 percent) than the current healthcare cost trend rates:

<table>
<thead>
<tr>
<th></th>
<th>1% Decrease (4.0%)</th>
<th>Healthcare Cost Trend Rate (5.0%)</th>
<th>1% Increase (6.0%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPEB Liability</td>
<td>$ 862,046</td>
<td>$ 1,015,060</td>
<td>$ 1,228,561</td>
</tr>
</tbody>
</table>
FIVE CITIES FIRE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE 6 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - continued

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

For the fiscal year ended June 30, 2018, the Authority recognized OPEB expense of $116,138. As of the fiscal year ended June 30, 2018, the Authority reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

<table>
<thead>
<tr>
<th>Deferred Outflows of Resources</th>
<th>Deferred Inflows of Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPEB contributions subsequent to measurement date</td>
<td>$ 20,862</td>
</tr>
<tr>
<td>Change in assumptions</td>
<td>$ 20,862</td>
</tr>
<tr>
<td>Total</td>
<td>$ 20,862</td>
</tr>
</tbody>
</table>

The reported deferred outflows of resources related to OPEB in the amount of $20,862 resulting from FCFA contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the 2018-19 fiscal year. The additional amounts reported as deferred outflows and inflows of resources will be recognized in OPEB expense as follows:

<table>
<thead>
<tr>
<th>Fiscal Year Ending June 30,</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$(15,043)</td>
</tr>
<tr>
<td>2020</td>
<td>$(15,043)</td>
</tr>
<tr>
<td>2021</td>
<td>$(15,043)</td>
</tr>
<tr>
<td>2022</td>
<td>$(15,043)</td>
</tr>
<tr>
<td>2023</td>
<td>$(15,043)</td>
</tr>
<tr>
<td>Thereafter</td>
<td>$(49,643)</td>
</tr>
<tr>
<td>Total</td>
<td>$(124,858)</td>
</tr>
</tbody>
</table>

NOTE 7 – CAPITAL LEASE

On February 23, 2016, the Authority entered into a capital lease agreement with JPMorgan Chase Bank, N.A. The lease proceeds were used for the purchase and acquisition of a new fire engine. The amount of the lease was $508,843 and accrued interest at 2.5 percent. The lease is secured by the fire engine itself and any and all proceeds thereof. Annual lease payments are due February 26 of each year, and commenced on February 26, 2017. Future minimum lease payments are as on the following page:
FIVE CITIES FIRE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE 7 – CAPITAL LEASE - continued

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>$ 66,366</td>
</tr>
<tr>
<td>2020</td>
<td>66,366</td>
</tr>
<tr>
<td>2021</td>
<td>66,366</td>
</tr>
<tr>
<td>2022</td>
<td>66,366</td>
</tr>
<tr>
<td>2023</td>
<td>66,366</td>
</tr>
<tr>
<td>2024-2026</td>
<td>199,102</td>
</tr>
</tbody>
</table>

Total minimum lease payments 530,932
Less amount representing interest (55,075)
Present value of net minimum lease payments $ 475,857

On February 13, 2017, the Authority entered into a capital lease agreement with JPMorgan Chase Bank, N.A. The lease proceeds were used for the purchase and acquisition of a new fire engine. The amount of the lease was $554,275 and accrued interest at 3.12 percent. The lease is secured by the fire engine itself and any and all proceeds thereof. An immediate principal reduction of $260,509 was recognized due to the pre-payment of the City of Arroyo Grande’s proportional share of the cost of the fire engine. Annual lease payments are due April 15 of each year, and commence on April 15, 2018. Future minimum lease payments are as follows:

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>$ 34,830</td>
</tr>
<tr>
<td>2020</td>
<td>34,830</td>
</tr>
<tr>
<td>2021</td>
<td>34,830</td>
</tr>
<tr>
<td>2022</td>
<td>34,830</td>
</tr>
<tr>
<td>2023</td>
<td>34,830</td>
</tr>
<tr>
<td>2024-2027</td>
<td>139,320</td>
</tr>
</tbody>
</table>

Total minimum lease payments 313,470
Less amount representing interest (43,791)
Present value of net minimum lease payments $ 269,679
FIVE CITIES FIRE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE 8 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess of expenditures over appropriations in individual funds is as follows:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Excess Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major Fund:</td>
<td></td>
</tr>
<tr>
<td>General Fund</td>
<td></td>
</tr>
<tr>
<td>Salaries and benefits</td>
<td>$ 238,115</td>
</tr>
</tbody>
</table>

NOTE 9 – CONTINGENCIES AND COMMITMENTS

There are no contingent liabilities are outstanding and no lawsuits are pending of real financial consequence as of the end of the fiscal year.

FCFA has received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under the term of the grants, it is believed that any required reimbursement will not be material.

NOTE 10 – RESTATEMENT

Due to the implementation of GASB Statement No. 75, an adjustment is required to the Authority’s Net OPEB liability of $(769,583) and Deferred Outflow relating to OPEB of $20,279 at June 30, 2017, as part of the net position in the governmental activities of the government-wide statement of net position.

<table>
<thead>
<tr>
<th>Governmental Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ending Net Position per prior fiscal year audit</td>
</tr>
<tr>
<td>Restatement, per GASB Statement No. 75</td>
</tr>
<tr>
<td>Net Position, restated July 1, 2017</td>
</tr>
</tbody>
</table>
REQUIRED SUPPLEMENTARY INFORMATION SECTION (unaudited)
## REVENUES

<table>
<thead>
<tr>
<th></th>
<th>Original</th>
<th>Final</th>
<th>Actual Amounts</th>
<th>Variance Over/(Under)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member contributions</td>
<td>$4,362,630</td>
<td>4,362,630</td>
<td>$4,705,730</td>
<td>$343,100</td>
</tr>
<tr>
<td>Use of money and property</td>
<td>700</td>
<td>1,300</td>
<td>6,732</td>
<td>5,432</td>
</tr>
<tr>
<td>Grant revenue</td>
<td>10,600</td>
<td>11,859</td>
<td>1,259</td>
<td>93,716</td>
</tr>
<tr>
<td>Charges for services</td>
<td>21,600</td>
<td>177,100</td>
<td>270,816</td>
<td>93,716</td>
</tr>
<tr>
<td>Other revenue</td>
<td>21,600</td>
<td>21,700</td>
<td>52,544</td>
<td>30,844</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>4,384,930</td>
<td>4,573,330</td>
<td>5,047,681</td>
<td>474,351</td>
</tr>
</tbody>
</table>

## EXPENDITURES

<table>
<thead>
<tr>
<th></th>
<th>Original</th>
<th>Final</th>
<th>Actual Amounts</th>
<th>Variance Over/(Under)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and benefits</td>
<td>3,608,100</td>
<td>3,763,600</td>
<td>4,001,715</td>
<td>(238,115)</td>
</tr>
<tr>
<td>Services and supplies</td>
<td>594,100</td>
<td>604,700</td>
<td>588,376</td>
<td>16,324</td>
</tr>
<tr>
<td>Capital outlay</td>
<td>81,500</td>
<td>150,900</td>
<td>60,243</td>
<td>90,657</td>
</tr>
<tr>
<td>Debt Service: Principal</td>
<td>77,228</td>
<td>77,228</td>
<td>77,228</td>
<td>33</td>
</tr>
<tr>
<td>Debt Service: Interest</td>
<td>24,002</td>
<td>24,002</td>
<td>23,969</td>
<td>33</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>4,384,930</td>
<td>4,620,430</td>
<td>4,751,531</td>
<td>(131,101)</td>
</tr>
<tr>
<td>Excess of revenue over expenditures</td>
<td>(47,100)</td>
<td>296,150</td>
<td>343,250</td>
<td></td>
</tr>
<tr>
<td>Fund balance, July 1, 2017</td>
<td>381,290</td>
<td>381,290</td>
<td>381,290</td>
<td></td>
</tr>
<tr>
<td>Fund balance, June 30, 2018</td>
<td>$381,290</td>
<td>$334,190</td>
<td>$677,440</td>
<td>$343,250</td>
</tr>
</tbody>
</table>
FIVE CITIES FIRE AUTHORITY
SCHEDULE OF CHANGES IN OPEB LIABILITY
Last 10 Years*
As of June 30, 2018

<table>
<thead>
<tr>
<th>Component</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total OPEB Liability</td>
<td></td>
</tr>
<tr>
<td>Service Cost</td>
<td>$98,895</td>
</tr>
<tr>
<td>Interest</td>
<td>32,286</td>
</tr>
<tr>
<td>Actual and expected experience difference</td>
<td></td>
</tr>
<tr>
<td>Changes in assumptions</td>
<td>(139,901)</td>
</tr>
<tr>
<td>Benefit payments</td>
<td>(20,279)</td>
</tr>
<tr>
<td>Net change in total OPEB Liability</td>
<td>(28,999)</td>
</tr>
<tr>
<td>Total OPEB liability - beginning</td>
<td>1,044,059</td>
</tr>
<tr>
<td>Total OPEB liability - ending</td>
<td>$1,015,060</td>
</tr>
</tbody>
</table>

* - Fiscal year 2018 was the 1st year of implantation, therefore only one year is shown.
The Authority's contribution for the fiscal year ended was $20,862. The Authority did not have an actuary calculate the Actuarially Determined Contribution for the fiscal year ended June 30, 2018, therefore the Authority does not need to comply with GASB 75's Required Supplementary Information requirements.

*- Fiscal year 2018 was the 1st year of implantation, therefore only one year is shown.
FIVE CITIES FIRE AUTHORITY
NET PENSION LIABILITY - SCHEDULE OF PROPORIONATE SHARE
Last Ten Fiscal Years*

<table>
<thead>
<tr>
<th>Fiscal Year End</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportion of the net pension liability</td>
<td>0.02712%</td>
<td>0.02599%</td>
<td>0.01632%</td>
<td>0.01888%</td>
</tr>
<tr>
<td>Proportionate share of the net pension liability</td>
<td>$ 2,689,117</td>
<td>$ 2,248,800</td>
<td>$ 1,119,860</td>
<td>$ 1,174,799</td>
</tr>
<tr>
<td>Covered payroll</td>
<td>$ 1,642,433</td>
<td>$ 1,682,511</td>
<td>$ 1,543,995</td>
<td>$ 1,617,249</td>
</tr>
<tr>
<td>Proportionate share of the net pension liability as</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>percentage of covered payroll</td>
<td>163.73%</td>
<td>133.66%</td>
<td>72.53%</td>
<td>72.64%</td>
</tr>
<tr>
<td>Plan's total pension liability</td>
<td>$ 37,161,348,332</td>
<td>$ 33,358,627,624</td>
<td>$ 31,771,217,402</td>
<td>$ 30,829,966,631</td>
</tr>
<tr>
<td>Plan's fiduciary net position</td>
<td>$ 27,244,095,376</td>
<td>$ 24,705,532,291</td>
<td>$ 24,907,305,871</td>
<td>$ 24,607,502,515</td>
</tr>
<tr>
<td>Plan's fiduciary net position as a percentage of the</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>plan's total pension liability</td>
<td>73.31%</td>
<td>74.06%</td>
<td>78.40%</td>
<td>79.82%</td>
</tr>
</tbody>
</table>

Notes to Schedule:

Change in Assumptions

In 2017, as part of the Asset Liability Management review cycle, the discount rate was changed from 7.65 percent to 7.15 percent.

In 2016, the discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected ages of general employees.

* - The 2014-15 fiscal year was the first year of implementation, therefore less than 10 years is shown.
# FIVE CITIES FIRE AUTHORITY
## SCHEDULE OF PENSION CONTRIBUTIONS
### Last Ten Fiscal Years *

<table>
<thead>
<tr>
<th>Fiscal Year End June 30</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarially determined contribution</td>
<td>$385,687</td>
<td>$351,661</td>
<td>$341,236</td>
<td>$376,592</td>
</tr>
<tr>
<td>Contributions in relation to the actuarially determined contribution</td>
<td>$(385,687)</td>
<td>$(351,661)</td>
<td>$(341,236)</td>
<td>$(376,592)</td>
</tr>
<tr>
<td>Contribution deficiency (excess)</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Covered - employee payroll</td>
<td>$1,789,707</td>
<td>$1,642,433</td>
<td>$1,682,511</td>
<td>$1,543,995</td>
</tr>
<tr>
<td>Contributions as a percentage of covered-employee payroll</td>
<td>21.55%</td>
<td>21.41%</td>
<td>20.28%</td>
<td>24.39%</td>
</tr>
</tbody>
</table>

### Notes to Schedule
- **Valuation Date June 30**: 2016, 2015, 2014, 2013
- **Actuarial Cost Method**: Entry Age Normal
- **Actuarial Assumptions:**
  - **Discount Rate**: 7.15%, 7.65%, 7.65%, 7.50%
  - **Inflation**: 2.75%, 2.75%, 2.75%, 2.75%
  - **Salary Increases**: Varies by Entry Age and Service
  - **Investment Rate of Return (Net of Pension Plan Investment and Administrative Expenses; includes Inflation)**: 7.15%, 7.65%, 7.65%, 7.50%
  - **Mortality Rate Table (1)**: Derived using CalPERS' Membership Data for all Funds Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter
  - **Post Retirement Benefit Increase**

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

* - The 2014-15 fiscal year was the first year of implementation, therefore less than 10 years is shown.