

**ARCATA FIRE PROTECTION DISTRICT**

**ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED**

**JUNE 30, 2022**



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# Arcata Fire District, California Annual Financial Report For the year ended June 30, 2022

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# Arcata Fire District, California Annual Financial Report For the year ended June 30, 2022

## Directory of officials

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### District Board of Directors

- Randal Mendosa, President
- Blaine Maynor, Vice President
- Nicole Johnson, Director
- David Rosen, Director
- Eric Loudenslager, Director

### District Officials

- Justin McDonald, Fire Chief
- Sean Campbell, Assistant Chief
- Becky Schuette, Business Manager/ Board Clerk

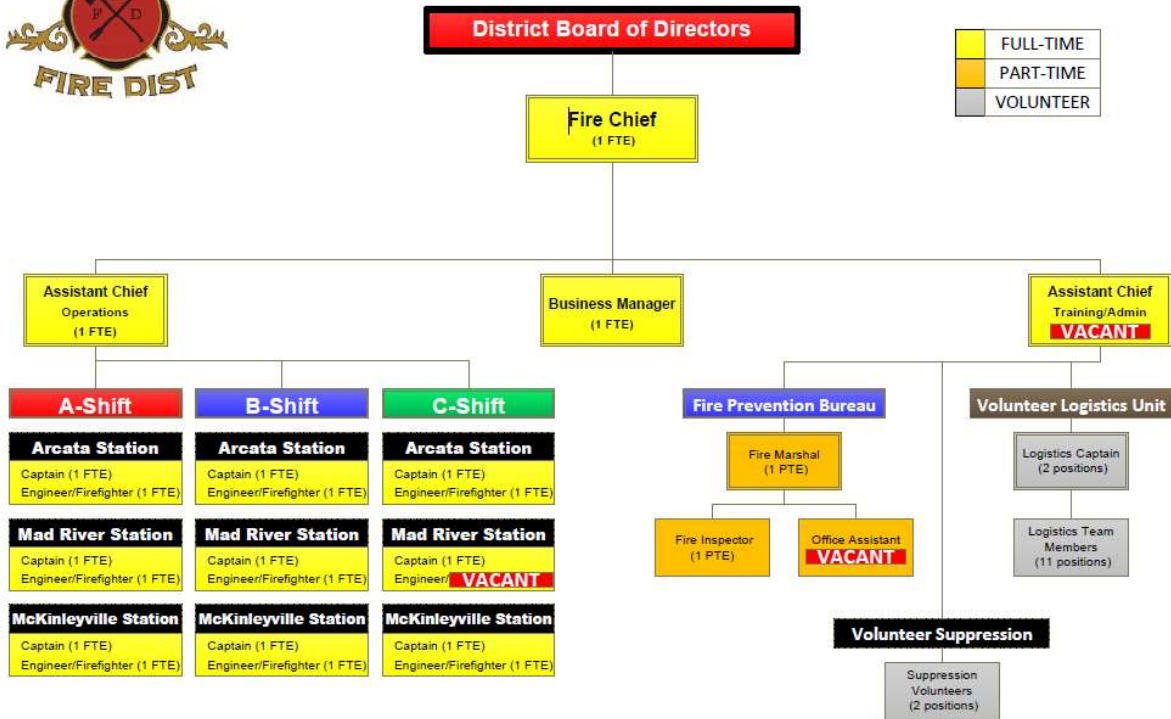


# Arcata Fire District, California Annual Financial Report For the year ended June 30, 2022

## Organizational Chart



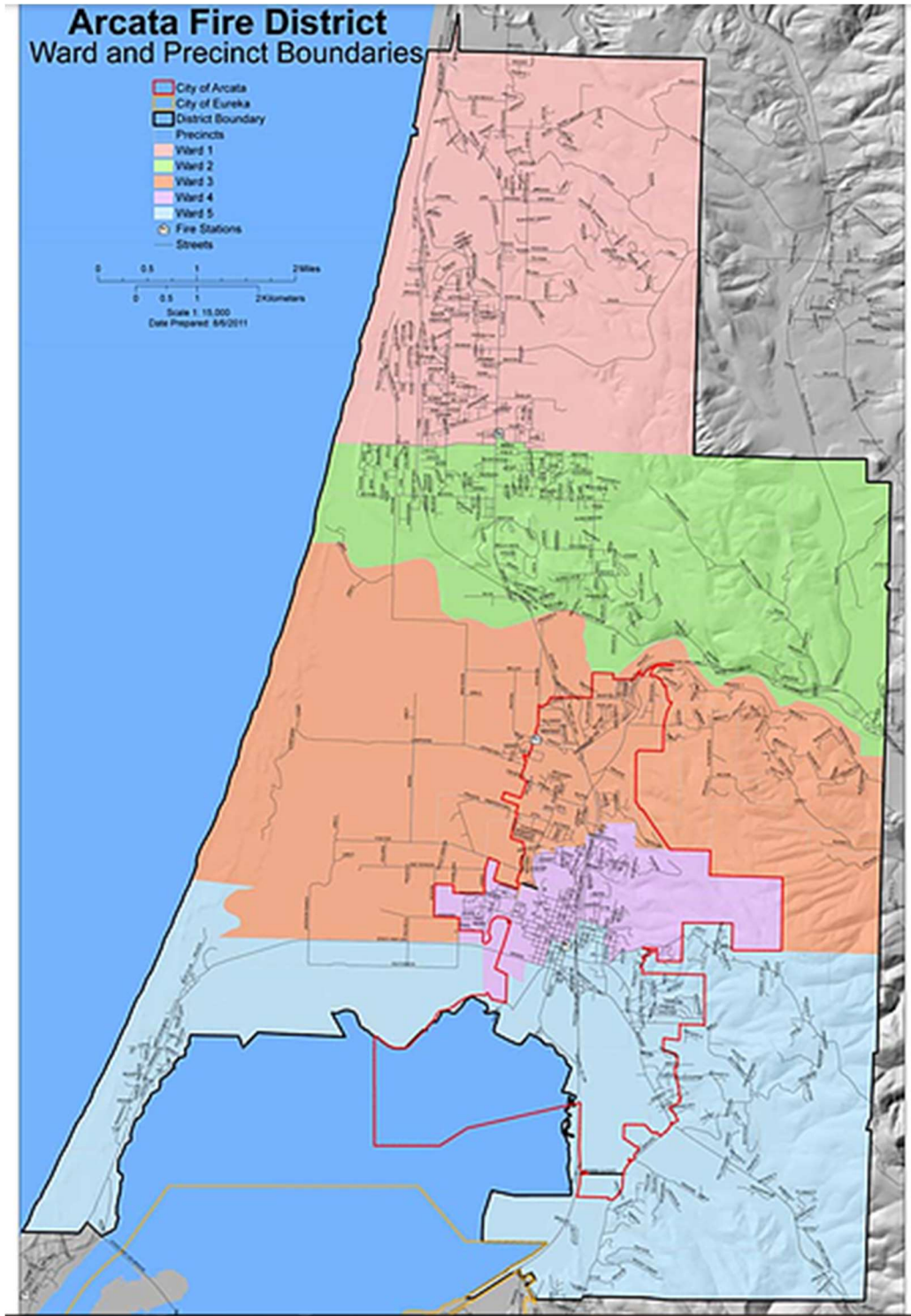
### ORGANIZATIONAL CHART 2022





# Arcata Fire District, California Annual Financial Report For the year ended June 30, 2022

## District Map







# Arcata Fire District, California Annual Financial Report For the year ended June 30, 2022

## Stations and facilities

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### **Arcata Station.**

631 9th Street, Arcata CA 95521



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### **Mad River Station.**

3235 Janes Road, Arcata CA 95521



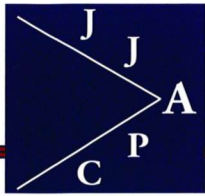
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### **McKinleyville Station & District Headquarters.**

2149 Central Avenue, McKinleyville CA 95519







**JJACPA, Inc.**

A Professional Accounting Services Corp.

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Chairman and District Board  
of the Arcata Fire Protection District  
Arcata, California

### Report on the Financial Statements

#### *Opinions*

We have audited the accompanying basic financial statements of the Arcata Fire Protection District (District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. The prior year summarized comparative information has been derived from the District's June 30, 2021 basic financial statements with our report dated October 20, 2021.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate remaining fund information of the District, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Management's Responsibility*

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

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

To the Honorable Chairman and District Board  
of the Arcata Fire Protection District  
Arcata, California

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***Auditor's Responsibility***

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

To the Honorable Chairman and District Board  
of the Arcata Fire Protection District  
Arcata, California

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***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the District's Schedule of Contributions on page 49, the Schedule of the District's proportionate Share of the Net Pension Liability on pages 50, the Schedule of Changes in the Net OPEB Liability and Related Ratios on page 51, and the Schedule of Contributions on page 52 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 the 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 opinions on the basic financial statements are 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 December 27, 2022 on our consideration of the District'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 District's internal control over financial reporting and compliance.

December 27, 2022

*JJACPA, Inc.*  
**JJACPA, Inc.**  
**Dublin, California**

**BASIC FINANCIAL STATEMENTS**



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**Arcata Fire District**  
**Statements of Net Position**

June 30, 2022

(with comparative balances for June 30, 2021)

	<b>Governmental Activities</b>	
	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and investments	\$ 6,413,333	\$ 4,195,323
Receivables, net	79,567	98,361
Prepaid Expense	32,487	25,482
<b>Total current assets</b>	<u>6,525,387</u>	<u>4,319,166</u>
<b>Noncurrent assets:</b>		
Capital assets, net	3,059,161	3,241,859
<b>Total noncurrent assets</b>	<u>3,059,161</u>	<u>3,241,859</u>
<b>Total assets</b>	<u>9,584,548</u>	<u>7,561,025</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to pensions	6,111,831	1,289,855
Deferred outflows related to OPEB	1,352,988	808,883
<b>Total assets and deferred outflows</b>	<u>\$ 17,049,367</u>	<u>\$ 9,659,763</u>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$ 51,440	\$ 91,969
Salaries and benefits payable	108,844	113,003
Interest payable	54,275	-
Compensated absences - current portion	11,031	7,866
Current portion of long-term liabilities	261,000	-
<b>Total current liabilities</b>	<u>486,590</u>	<u>212,838</u>
<b>Noncurrent liabilities:</b>		
Net pension liability	3,772,833	6,133,346
Compensated absences	104,551	97,015
Net OPEB liability	10,931,227	9,807,737
Sterling National Bank	4,493,000	-
<b>Total noncurrent liabilities</b>	<u>19,301,611</u>	<u>16,038,098</u>
<b>Total liabilities</b>	<u>19,788,201</u>	<u>16,250,936</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to pensions	2,526,458	46,819
Deferred inflows related to OPEB	1,734,731	2,024,771
<b>NET POSITION</b>		
Net investment in capital assets	3,059,161	3,241,859
Unrestricted (deficit)	<u>(10,059,184)</u>	<u>(11,904,622)</u>
<b>Total net position (deficit)</b>	<u>(7,000,023)</u>	<u>(8,662,763)</u>
<b>Total liabilities, deferred inflows, and net position</b>	<u>\$ 17,049,367</u>	<u>\$ 9,659,763</u>

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



**Arcata Fire District**  
**Statement of Activities**

For the year ended June 30, 2022

(with comparative totals for the year ended June 30, 2021)

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	2022	2021
<b>Governmental activities:</b>					
Fire protection - operations	\$ 4,776,678	\$ 73,069	\$ 127,779	\$ (4,575,830)	\$ (4,637,650)
Debt service	161,150	-	-	(161,150)	(3,794)
<b>Total governmental activities</b>	<b>\$ 4,937,828</b>	<b>\$ 73,069</b>	<b>\$ 127,779</b>	<b>\$ (4,736,980)</b>	<b>\$ (4,641,444)</b>
General revenues:					
Taxes:					
Property taxes				6,261,015	4,244,426
State timber yield tax				766	890
Investment earnings				45,341	36,217
Other Revenues				92,598	397,097
Total general revenues				6,399,720	4,678,630
Change in net position				1,662,740	37,186
Net position:					
Net position - beginning				(8,662,763)	(8,699,949)
Net position - ending				<u>\$ (7,000,023)</u>	<u>\$ (8,662,763)</u>

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



**FUND FINANCIAL STATEMENTS**





**Arcata Fire District  
Balance Sheet**

General Fund  
June 30, 2022

(With comparative totals for June 30, 2021)

	<b>Major Fund</b>	
	<b>General Fund</b>	
	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
Cash and investments	\$ 6,413,333	\$ 4,195,323
Receivables:		
Interest	75,000	30,000
Other receivable	4,567	68,361
Prepaid items	32,487	25,482
<b>Total assets</b>	<b>\$ 6,525,387</b>	<b>\$ 4,319,166</b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 51,440	\$ 91,969
Salaries and benefits payable	108,844	113,003
Interest payable	54,275	-
Compensated absences	11,031	7,866
<b>Total liabilities</b>	<b>225,590</b>	<b>212,838</b>
<b>Deferred inflows: Unavailable revenue</b>	<b>-</b>	<b>62,500</b>
<b>Fund balances:</b>		
Nonspendable for prepaid items	32,487	25,482
Unassigned	6,267,310	4,018,346
<b>Total fund balances</b>	<b>6,299,797</b>	<b>4,043,828</b>
<b>Total liabilities, deferred inflows and fund balances</b>	<b>\$ 6,525,387</b>	<b>\$ 4,319,166</b>

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



**Arcata Fire District**  
**Reconciliation of the General Fund Balance Sheet**  
**to the Statement of Net Position**

June 30, 2022

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**Total fund balances reported on the governmental fund balance sheet** **\$ 6,299,797**

Amounts reported for governmental activities in the Statement of Net Position are different from those reported in the Governmental Funds due to the following:

**CAPITAL ASSETS**

Capital assets amount reported in governmental activities are not current assets or financial resources and therefore are not reported in the Governmental Funds balance sheet. 3,059,161

**LONG-TERM ASSETS AND LIABILITIES**

Pension and OPEB liabilities result in deferred outflows and inflows of resources associated with the actuarial value of contributions, assets, and liabilities

Deferred outflows	7,464,819	
Deferred inflows	(4,261,189)	3,203,630

Long-term liabilities is not due and payable in the current period and therefore is not reported in the Governmental Funds balance sheet.

Net pension obligation	(3,772,833)	
Compensated absences	(104,551)	
Net OPEB obligation	(10,931,227)	
Long term debt	(4,754,000)	(19,562,611)

<b>Net position of governmental activities</b>		<b>\$ (7,000,023)</b>
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The accompanying notes are an integral part of these basic financial statements.



**Arcata Fire District**  
**Reconciliation of Fund Basis Balance Sheet to Government-wide**  
**Statement of Net Position**

Governmental Activities

June 30, 2022

<b>ASSETS</b>	General Fund Balance Sheet	Reclass	Changes in GAAP	Statement of Net Position
<b>Current assets:</b>				
Cash and investments	\$ 6,413,333	\$ -	\$ -	\$ 6,413,333
Receivables (net)	79,567	-	-	79,567
Other assets	32,487	-	-	32,487
<b>Total current assets</b>	<u>6,525,387</u>	<u>-</u>	<u>-</u>	<u>6,525,387</u>
<b>Noncurrent assets:</b>				
Capital assets, net	-	-	3,059,161	3,059,161
<b>Total noncurrent assets</b>	<u>-</u>	<u>-</u>	<u>3,059,161</u>	<u>3,059,161</u>
<b>Total assets</b>	<u>6,525,387</u>	<u>-</u>	<u>3,059,161</u>	<u>9,584,548</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions	-	-	6,111,831	6,111,831
Deferred outflows related to OPEB	-	-	1,352,988	1,352,988
<b>Total assets and deferred outflows</b>	<u>\$ 6,525,387</u>	<u>\$ -</u>	<u>\$ 10,523,980</u>	<u>\$ 17,049,367</u>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable & accrued liabilities	\$51,440	\$ -	\$ -	\$ 51,440
Salaries and benefits payable	108,844	-	-	108,844
Interest payable	54,275	-	-	54,275
Compensated absences	11,031	-	-	11,031
Current portion of long-term liabilities	-	-	261,000	261,000
<b>Total current liabilities</b>	<u>225,590</u>	<u>-</u>	<u>261,000</u>	<u>486,590</u>
<b>Noncurrent liabilities:</b>				
Net pension liabilities	-	-	3,772,833	3,772,833
Compensated absences	-	-	104,551	104,551
Net OPEB liabilities	-	-	10,931,227	10,931,227
Due after one year	-	-	4,493,000	4,493,000
<b>Total noncurrent liabilities</b>	<u>-</u>	<u>-</u>	<u>19,301,611</u>	<u>19,301,611</u>
<b>Total liabilities</b>	<u>225,590</u>	<u>-</u>	<u>19,562,611</u>	<u>19,788,201</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions	-	-	2,526,458	2,526,458
Deferred inflows related to OPEB	-	-	1,734,731	1,734,731
	<u>-</u>	<u>-</u>	<u>4,261,189</u>	<u>4,261,189</u>
<b>FUND BALANCES/NET POSITION</b>				
<b>Fund balances:</b>				
Restricted	32,487	(32,487)	-	-
Unassigned	6,267,310	(6,267,310)	-	-
<b>Net position:</b>				
Net investment in capital assets	-	-	3,059,161	3,059,161
Unrestricted	-	6,299,797	(16,358,981)	(10,059,184)
<b>Total fund balances/net position</b>	<u>6,299,797</u>	<u>-</u>	<u>(13,299,820)</u>	<u>(7,000,023)</u>
<b>Total liabilities, deferred inflows, and net position</b>	<u>\$ 6,525,387</u>	<u>\$ -</u>	<u>\$ 10,523,980</u>	<u>\$ 17,049,367</u>

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



**Arcata Fire District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**General Fund**

For the year ended June 30, 2022  
(with comparative totals for the year ended June 30, 2021)

	<b>Major Fund</b>	
	<b>General Fund</b>	
	<b>2022</b>	<b>2021</b>
<b>REVENUES:</b>		
Property taxes	\$ 6,261,015	\$ 4,244,426
State timber yield tax	766	890
Use of money and property	45,341	36,217
Intergovernmental	127,779	128,906
Charges for services	73,069	60,389
Other revenues	92,598	347,097
<b>Total revenues</b>	<b>6,600,568</b>	<b>4,817,925</b>
<b>EXPENDITURES:</b>		
Fire protection:		
Salaries	1,772,903	1,516,967
Retirement	860,702	712,253
Group Insurance	750,573	661,182
Worker's Compensation	68,043	49,840
Uniforms	14,367	13,115
Communication	29,684	102,188
Food	5,787	682
Household Expense	7,642	8,070
Insurance	35,221	23,335
Management Equipment	133,590	131,702
Maintenance-Electronics	1,847	1,793
Transportation and travel	56,062	31,889
Utilities	34,754	32,763
Maintenance-Structure	83,628	6,949
Medical Supplies	5,667	4,208
Dues & Subscription	1,997	1,708
Miscellaneous	1,924	4,408
Office supplies	2,522	3,281
Postage and shipping	491	139
Professional and Specialized service	164,880	133,753
Publications and Notices	1,770	112
Copies	7,079	6,986
Leases - Equipment	108,000	96,000
Special District expense	83,516	120,273
Small tools and equipment	21,923	26,063
<b>Total Fire protection</b>	<b>4,254,572</b>	<b>3,689,659</b>

(continued)

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



**Arcata Fire District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**General Fund, continued**

For the year ended June 30, 2022

(With comparative totals for the year ended June 30, 2021)

Debt service:		
Principal	-	152,095
Interest expense	93,353	3,794
Debt issuance costs	67,797	-
<b>Total expenditures</b>	<u>4,415,722</u>	<u>3,845,548</u>
<b>REVENUES OVER EXPENDITURES</b>	<u>2,184,846</u>	<u>972,377</u>
<b>OTHER FINANCING SOURCES (USES):</b>		
Proceeds from long-term debt	4,754,000	-
CalPERS Unfunded Liability Payment	(4,686,203)	-
Proceeds from sales of assets	3,326	50,000
<b>Total other financing sources</b>	<u>71,123</u>	<u>50,000</u>
<b>Net change in fund balances</b>	2,255,969	1,022,377
<b>FUND BALANCES:</b>		
Beginning of year	4,043,828	3,021,451
End of year	<u>\$ 6,299,797</u>	<u>\$ 4,043,828</u>

(concluded)

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



**Arcata Fire District**  
**Reconciliation of Fund Based Statements to**  
**Government-wide Statement of Activities**

For the year ended June 30, 2022

<b>Functions/Programs</b>	<b>Fund Based Totals</b>	<b>Debt Service/ Compensated Absences</b>	<b>Depreciation</b>
<b>Governmental activities:</b>			
Fire protection - operations	\$ 4,254,572	\$ 7,536	\$ 231,059
Debt service	161,150	-	-
<b>Total governmental activities</b>	<b>\$ 4,415,722</b>	<b>\$ 7,536</b>	<b>\$ 231,059</b>

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





**Arcata Fire District**  
**Reconciliation of Fund Based Statements to**  
**Government-wide Statement of Activities, continued**  
 For the year ended June 30, 2022

<b>Capital Asset (Additions)/ Retirements</b>	<b>OPEB</b>	<b>Pension</b>	<b>Government- wide Totals</b>
\$ (48,361)	\$ 289,345	\$ 42,527	\$ 4,776,678
-	-		161,150
<u>\$ (48,361)</u>	<u>\$ 289,345</u>	<u>\$ 42,527</u>	<u>\$ 4,937,828</u>

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



**Arcata Fire District**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds to the**  
**Statement of Activities**

For the year ended June 30, 2022

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**Net change in fund balances - total governmental funds** \$ 2,255,969

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

**CAPITAL ASSET TRANSACTIONS**

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense:

Proceeds from sales of assets	(3,326)	
Depreciation expense	(231,059)	
Capital asset retirements	48,361	(186,024)

**LONG TERM DEBT PAYMENTS**

Issuance of long term debt is an other financing source in the governmental funds, but in the Statement of Net Position the issuance increases long term liabilities:

Sterling National Bank		(4,754,000)
CalPERS Unfunded Liability Payment		4,686,203

**CHANGES IN NON-CURRENT LIABILITIES AND DEFERRED INFLOWS**

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:

Change in net pension obligation	(42,527)	
Change in long-term compensated absences	(7,536)	
Change in Net OPEB obligation	(289,345)	(339,408)

**Change in net position of governmental activities** \$ 1,662,740

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



**Arcata Fire District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget to Actual - General Fund**  
 For the year ended June 30, 2022

	Original Budget	Amended Budget	Actual	Variance With Amended Positive (Negative)
<b>REVENUES:</b>				
Property taxes	\$ 6,226,000	\$ 6,297,470	\$ 6,261,015	\$ (36,455)
State timber yield tax	530	530	766	236
Use of money and property	42,000	42,000	45,341	3,341
Intergovernmental	72,000	73,000	127,779	54,779
Charges for services	62,000	62,000	73,069	11,069
Other revenues	700	15,700	92,598	76,898
<b>Total revenues</b>	<b>6,403,230</b>	<b>6,490,700</b>	<b>6,600,568</b>	<b>109,868</b>
<b>EXPENDITURES:</b>				
Fire protection:				
Salaries	2,108,000	2,194,000	1,772,903	421,097
Benefits	1,483,600	1,524,000	1,611,034	(87,034)
Retiree health insurance	5,000	5,000	68,284	(63,284)
Service and supplies	824,000	912,000	802,351	109,649
Debt service:				
Principal	-	-	-	-
Interest	-	39,000	93,353	(54,353)
Debt issuance costs	-	-	67,797	(67,797)
<b>Total expenditures</b>	<b>4,420,600</b>	<b>4,674,000</b>	<b>4,415,722</b>	<b>258,278</b>
<b>REVENUES OVER EXPENDITURES</b>	<b>1,982,630</b>	<b>1,816,700</b>	<b>2,184,846</b>	<b>368,146</b>
<b>OTHER FINANCING SOURCES:</b>				
Proceeds from long-term debt	-	-	4,754,000	(4,754,000)
CalPERS Unfunded Liability Payment	-	-	(4,686,203)	4,686,203
Proceeds from sales of assets	-	-	3,326	3,326
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>71,123</b>	<b>(64,471)</b>
<b>Net change in fund balances</b>	<b>1,982,630</b>	<b>1,816,700</b>	<b>2,255,969</b>	<b>303,675</b>
<b>FUND BALANCES:</b>				
Beginning of year	3,194,364	3,194,364	4,043,828	(849,464)
End of year	<b>\$ 5,176,994</b>	<b>\$ 5,011,064</b>	<b>\$ 6,299,797</b>	<b>\$ (545,789)</b>

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**Arcata Fire District**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2022**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting principles. On June 15, 1987, GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The District applies all GASB pronouncements to its activities.

**A. Description of the Reporting Entity**

The Arcata Fire Protection District (District) was incorporated on June 1, 1944 as a Special District under the laws and regulations of the State of California (State). The District was formed with the approval of the Humboldt County Board of Supervisors, to provide more efficient fire protection and emergency medical services. The principal act that governs the District is the Fire Protection District Law of 1987.

The District provides fire protection, rescue, and emergency medical services to the area surrounding the City of Arcata, including McKinleyville, Manilla, and Bayside. A five-member board of directors, elected by voters, governs the District.

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

**B. Basis of Presentation**

*Government-Wide Financial Statements*

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Amounts reported as *program revenues* include 1) charges to residents for fire protection services, or privileges provided by a given function or segment 2) grants and contributions for fire protection services. All taxes and internally dedicated resources are reported as *general revenues* rather than program revenues.

**Arcata Fire District**  
**Notes to Basic Financial Statements, continued**  
**For the year ended June 30, 2022**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**B. Basis of Presentation, continued**

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

Net investment in capital assets - consists of capital assets, net of accumulated depreciation, reduced by balance 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.

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*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized by governmental category. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least ten percent of the corresponding total for all funds of that category or type; and,
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least five percent of the corresponding total for all governmental funds combined.

**C. Measurement Focus**

Measurement focus is a term used to describe which transactions are recorded within the various financial statements.

On the government-wide Statement of Net Position and the Statement of Activities, governmental and business-type activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with activities are reported. Fund equity is classified as Net Position, which serves as an indicator of financial position.

**Arcata Fire District**  
**Notes to Basic Financial Statements, continued**  
**For the year ended June 30, 2022**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*Governmental Fund Financial Statements, continued*

**C. Measurement Focus, continued**

In the fund financial statements, the “current financial resources” measurement focus is used for governmental funds. Only current financial assets and liabilities are generally included on the balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

**D. Basis of Accounting**

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means the amount is collectible within the current period or soon enough thereafter to pay current liabilities. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year end, with the exception of grant revenues. Grant revenues are considered to be available if collected within 180 days of the end of the current fiscal period.

Property taxes, fire flow taxes, permits, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

**E. Cash Deposits and Investments**

The District’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The District pools cash and investments from all funds for the purpose of increasing income through investment activities. Highly liquid money 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 in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Market value is used as fair value for those securities for which market quotations are readily available.



**Arcata Fire District**  
**Notes to Basic Financial Statements, continued**  
**For the year ended June 30, 2022**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**F. Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables

and payables between funds within governmental activities are eliminated in the Statement of Net Position. The District currently reports no interfund transactions, including receivables and payables at year-end.

**G. Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include property taxes, fire flow taxes, intergovernmental subventions or grants, interest earnings, and expense reimbursements.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property tax, fire flow tax, and intergovernmental subventions since they are usually both measurable and available. Non-exchange transactions collectible but not available, such as property tax, are deferred in the fund financial statements in accordance with the modified accrual basis, but not deferred in the government-wide financial statements in accordance with the accrual basis.

Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. The District estimates and records an allowance for doubtful accounts based on prior experience.

**H. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. In the governmental fund financial statements, prepaid items are offset with nonspendable fund balance to indicate they do not constitute current resources available for appropriation.

**I. Capital Assets**

The District's capital assets are valued at historical cost or estimated historical cost, if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Policy has set the capitalization threshold for reporting at \$5,000 and with a useful life greater than one year.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over assets estimated useful life using the straight-line method of depreciation. No depreciation is recorded in the year of disposition.

**Arcata Fire District**  
**Notes to Basic Financial Statements, continued**  
**For the year ended June 30, 2022**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**I. Capital Assets, continued**

The range of estimated useful lives by type of asset is as follows:

Buildings and improvement	30 years
Vehicles	10-25 years
Equipment	5-15 years

*Fund Financial Statements*

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

**J. Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District reports deferred outflows of resources for its pension plan and other post-employment benefits (OPEB).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred inflows of resources for its pension plan and other post-employment benefits (OPEB).

*Government-Wide Statements*

**K. Compensated Absences**

Employees accrue vacation, sick, holiday, administrative leave and compensatory time off benefits. District employees have vested interests in the amount of accrued time off, with the exception of sick leave and administrative leave, and are paid on termination. 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. Also, annually employees may carry over between 50 to 75 days to the next calendar year. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements and is currently payable. The general fund is used to liquidate compensated absences.

**Arcata Fire District**  
**Notes to Basic Financial Statements, continued**  
**For the year ended June 30, 2022**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*Government-Wide Statements, Continued*

**L. Pensions**

The District recognizes a net pension liability, which represents the District's proportionate share of the excess of the total pension liability over the fiduciary net position of the Plan reflected in an actuarial report provided by California Public Employees' Retirement System (CalPERS).

The net pension liability is measured as of the District's prior Plan year-end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change in the liability. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

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

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition.

**M. Equity Classification**

Equity is classified as net position and is displayed in three components:

- a. *Net investment in capital assets* – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**Arcata Fire District**  
**Notes to Basic Financial Statements, continued**  
**For the year ended June 30, 2022**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**M. Equity Classification, continued**

- b. *Restricted net position* – consists of net position with constraints placed on the use by external groups such as creditors, grantors, contributors, or by laws or regulations of other governments or law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* – all other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

*Fund Financial Statements*

Governmental fund equity is classified as fund balance. Fund balance is classified as nonspendable, restricted, committed, assigned, or unassigned. The classifications for governmental funds are defined as follows by the District’s Fund Balance Policy:

***Nonspendable Fund Balance***

- Assets that will never convert to cash (prepaid items, inventory)
- Assets that will not convert to cash soon enough to affect the current period (long-term notes or loans receivable).
- Resources that must be maintained intact pursuant to legal or contractual requirements (the principal of an endowment).

***Restricted Fund Balance***

- Resources that are subject to externally enforceable legal restrictions imposed by parties altogether outside the government (creditors, grantors, contributors and other governments).
- Resources that are subject to limitations imposed by law through constitutional provisions or enabling legislation.

***Committed Fund Balance***

- Self-imposed limitations set in place prior to the end of the period (encumbrances, economic contingencies and uncertainties).
- Limitation at the highest level of decision-making (Board) that requires formal action at the same level to remove.
- Board Resolution is required to be taken to establish, modify, or rescind a fund balance commitment.

**Arcata Fire District**  
**Notes to Basic Financial Statements, continued**  
**For the year ended June 30, 2022**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**M. Equity Classification, Continued**

***Assigned Fund Balance***

- Amounts in excess of nonspendable, restricted, and committed fund balance in funds other than the general fund automatically are reported as assigned fund balance.
- Fund Balance committed to pay for the subsequent year's budget deficit. The amount is equal to the projected excess of budgeted expenditures over budgeted revenues by fund.
- Assigned amounts for a specific purpose are as authorized by the District's Fire Chief or Administrative Services Director through its fund balance policy.

***Unassigned Fund Balance***

- Residual net resources.
- Total fund balance in the general fund in excess of nonspendable, restricted, committed and assigned fund balance (surplus).
- Excess of nonspendable, restricted, and committed fund balance over total fund balance (deficit).

***Fund Balance Policy***

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain unrestricted fund balance in its District funds sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed and unassigned fund balances are considered unrestricted.

The purpose of the District's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

**N. Program Revenues**

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**Arcata Fire District**  
**Notes to Basic Financial Statements, continued**  
**For the year ended June 30, 2022**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**O. Property Tax**

The County of Humboldt is responsible for assessing, collecting and apportioning property taxes for the District. Under California law, property taxes are assessed and collected by the County up to 1% of the full cash value of taxable property, plus other increases approved by the voters and distributed in accordance with statutory formulas. The District recognizes property taxes when the individual installments are due, provided they are collected within 60 days after year-end.

Secured property taxes are levied on or before the first day of September of each year. They become a lien on real property on March 1 preceding the fiscal year for which taxes are levied. These taxes are paid in two equal installments; the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. Secured property taxes, which are delinquent and unpaid as of June 30, are declared to be tax defaulted and are subject to redemption penalties, cost, and interest when paid. If the

delinquent taxes are not paid at the end of five years, the property is sold at public auction and the proceeds are used to pay the delinquent amounts due. Any excess is remitted, if claimed, to the taxpayer. Additional tax liens are created when there is a change in ownership of property or upon completion of new construction. Tax bills for these new tax liens are issued throughout the fiscal year and contain various payments and delinquent dates but are generally due within one year. If the new tax liens are lower, the taxpayer receives a tax refund rather than a tax bill. Unsecured personal property taxes are not a lien against real property. These taxes are due on March 1, and become delinquent, if unpaid on August 31.

The District participates in an alternative method of distribution of property tax levies and assessments known as the "Teeter Plan." The State Revenue and Taxation Code allow counties to distribute secured real property, assessment, and supplemental property taxes on an accrual basis resulting in full payment to taxing agencies each fiscal year. Any subsequent delinquent payments and penalties and interest during a fiscal year will revert to the County.

**P. Budgetary Accounting**

The District Board of Directors establishes budgets for the General Fund. Budgetary control is legally maintained at the fund level for these funds. The budget includes appropriations (budgeted expenditures) on a line-item basis and the means of financing them (budgeted revenues.) The coordinators of the Budget are the Fire Chief and the Business Manager or designee(s), with direct support from each division in the District.

Budget development begins with a mid-year Budget review in January or during a month selected by the Fire Chief. The mid-year review is a detailed analysis of District revenue and expenditure line items for the current fiscal year. The District fiscal year is from July 1 through June 30 of the next calendar year.

**Arcata Fire District**  
**Notes to Basic Financial Statements, continued**  
**For the year ended June 30, 2022**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**P. Budgetary Accounting, continued**

The mid-year review is published and distributed to the Board, staff and general public for consideration during the month of January or during a month selected by the Fire Chief. The mid-year financial analysis provides the starting point for next fiscal year's Budget.

Administrators receive a written Budget Packet and a written Budget Timeline in February that provides detailed instructions and deadlines for the Budget process. Administrators meet with the Fire Chief or designated representative and submit the following for the next fiscal year: 1) goals and objectives, 2) preliminary Budget requests, 3) personnel requests and 4) capital equipment requests. During this time, revenue sources are projected by the Fire Chief and Accountant.

A draft Budget is compiled for review by the Fire Chief, Business Manager or designated representative(s). Individual meetings with each division are held with the Fire Chief or designated representative as deemed necessary by the Fire Chief. Programs, projects and staffing are reviewed in these sessions and approval is dependent on available funding and Fire Chief's recommendation.

Recommendations and revisions from division review sessions are incorporated into the Proposed Budget. The Proposed Budget is submitted to the Board in May for detailed review, public comment and Board direction in a public meeting. Public requests and concerns are considered during this time.

After deliberation and final changes, the Budget is adopted by the Board of Directors. Preferably the Budget is adopted in June, prior to the beginning of the next fiscal year. In the event of unusual circumstances, the Budget may be adopted after the beginning of the fiscal year. Regardless, in accordance with Health and Safety Code Section 13895, the final Budget is adopted by October 1 of each fiscal year.

Formal budgetary integration is employed as a management control device during the year for all funds. Budgeted and actual revenues and expenditures are reviewed monthly by the Board and budget amendments and transfers are made as needed. The Accountant monitors appropriations on a division basis and conveys this information to the Fire Chief who can approve appropriation transfers so long as appropriations in total by fund do not change.

This approach allows the Fire Chief to hold division heads accountable. The District reports expenditures and appropriations on a line-item basis to the Board.

Only the Board may approve amendments to appropriations in total by fund. This approach allows the Board to hold the Fire Chief accountable for the overall District operations.

Budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. Budgeted amounts presented in the financial statements are as originally adopted and as amended by the Board. Supplemental amendments to the budget were adopted by the Board and have been included in the budget to actual statement.

**Arcata Fire District**  
**Notes to Basic Financial Statements, continued**  
**For the year ended June 30, 2022**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**Q. Use of Estimates**

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

**R. Other Post Employment Benefit Plans**

The District recognizes a net OPEB liability, which represents the District's proportionate share of the excess of the total OPEB liability over the fiduciary net position of the Plan. The net OPEB liability is measured as of the District's prior Plan year-end. Changes in the net OPEB liability are recorded, in the period incurred, as expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change in the liability.

**S. Comparative Data**

Comparative data for the prior year has been presented in the accompanying Management, Discussion, and Analysis in order to provide an understanding of changes in the government's financial position and operations.



**Arcata Fire District**  
**Notes to Basic Financial Statements, continued**  
**For the year ended June 30, 2022**

**2. CASH AND INVESTMENTS**

At June 30, 2022, the District's pooled cash and investments, classified by maturity, consisted of the following stated at fair market value:

	Balance June 30, 2022
Cash in bank	\$ 417,346
Liquid assets	100,308
Cash with County	5,634,660
Coast Central - Savings	15,793
Trust funds	245,226
Total cash equivalents and investments pooled	<u>6,413,333</u>
Restricted cash with fiscal agent	-
Total cash and investments	<u><u>\$ 6,413,333</u></u>

California statutes authorize cities to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. During the year ended June 30, 2022, the District's permissible investments included the following instruments:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	50%	50%
Bankers' Acceptances	180 days	40%	30%
High-Grade Commercial Paper	270 days	15%	10%
Negotiable Certificates of Deposit	5 years	30%	30%
LAIF	N/A	None	None
Local Government Investment Pools	N/A	None	None
Medium-term Corporate Notes	5 years	30%	30%
Money Market Mutual Funds	N/A	20%	10%
Collateralized Negotiable Investments	5 years	50%	50%

**Arcata Fire District**  
**Notes to Basic Financial Statements, continued**  
**For the year ended June 30, 2022**

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**3. ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following at June 30, 2022:

Receivables	
Grants	\$ 4,567
Interest	<u>75,000</u>
	<u>\$ 79,567</u>

These amounts resulted in the following concentrations in receivables:

Governments	6%
Financial Institutions	94%

Amounts do not indicate a significant concentration (greater than 25%) with any single customer or agency.

**4. PREPAID ITEMS**

The prepaid expenses consist of expendable supplies held for consumption and are recorded as expenses when consumed. As of June 30, 2022, the District has reported \$32,487 of prepaid expense.

**Arcata Fire District**  
**Notes to Basic Financial Statements, continued**  
**For the year ended June 30, 2022**

**5. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2022, was as follows:

	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022
<b>Governmental activities:</b>				
<b>Nondepreciable assets:</b>				
Land	\$ 224,630	\$ -	\$ -	\$ 224,630
<b>Total nondepreciable assets</b>	<u>224,630</u>	<u>-</u>	<u>-</u>	<u>224,630</u>
<b>Depreciable assets:</b>				
Buildings	2,329,697	65,788	-	2,395,485
Equipment	3,345,681		(30,249)	3,315,432
<b>Total depreciable assets</b>	<u>5,675,378</u>	<u>65,788</u>	<u>(30,249)</u>	<u>5,710,917</u>
<b>Total</b>	<u>5,900,008</u>	<u>65,788</u>	<u>(30,249)</u>	<u>5,935,547</u>
<b>Accumulated depreciation:</b>				
Buildings	(2,658,149)	(231,059)	12,822	(2,876,386)
<b>Total accumulated depreciation</b>	<u>(2,658,149)</u>	<u>(231,059)</u>	<u>12,822</u>	<u>(2,876,386)</u>
<b>Total net capital assets</b>	<u>\$ 3,241,859</u>	<u>\$ (165,271)</u>	<u>\$ (17,427)</u>	<u>\$ 3,059,161</u>

Depreciation expense for capital assets was charged to categories as follows:

	Fiscal Year Ended June 30, 2022
Building and Improvements	\$ 60,985
Equipements	29,446
Vehicles	140,628
<b>Total</b>	<u>\$ 231,059</u>

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities consisted of the following at June 30, 2022:

	Balance June 30, 2022
Accounts payable and accrued liabilities	\$ 51,440
Accrued payroll and benefits	108,844
<b>Total</b>	<u>\$ 160,284</u>

**Arcata Fire District**  
**Notes to Basic Financial Statements, continued**  
**For the year ended June 30, 2022**

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES, Continued**

These amounts resulted in the following concentrations in payables:

Vendors 30%                      Employees 70%

Amounts do not indicate a significant concentration (greater than 25%) with any single vendor or employee.

**7. LONG-TERM LIABILITIES**

The District's balance on long-term liabilities was \$115,582. The following is a summary of changes in long-term liabilities for governmental activities for the year ended June 30, 2022:

	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022	Due Within One Year
Sterling National Bank	\$ -	\$ 4,754,000	\$ -	\$ 4,754,000	\$261,000
Compensated absences	104,881	18,567	(7,866)	115,582	11,031
Total long-term liabilities	<u>\$ 104,881</u>	<u>\$ 4,772,567</u>	<u>\$ (7,866)</u>	<u>\$ 4,869,582</u>	<u>\$272,031</u>

**Series 2021 Financing Agreement**

On October 1, 2021, the District entered into a financing agreement with Sterling National Bank in the amount of \$4,754,000. Of the proceeds, \$4,686,203 was used to pay down the majority of the outstanding UAL projected by CalPERS. Interest is payable semi-annually on February 1 and August 1 of each year, commencing February 1, 2022. The bonds mature in 2036 and the principal is payable on August 1 each year, commencing August 1, 2022. The interest rate for the financing agreement is 2.74%.

**Compensated Absences**

The District records employee absences, such as vacations, illness, deferred overtime, and holidays, for which it is expected that employees will be paid compensated absences. As at June 30, 2022, the District had a compensated absences balance net of \$115,582.

**8. NET POSITION/FUND BALANCES**

**Net Position**

As of June 30, 2022, net position is as follows:

<u>Net Position</u>	<u>June 30, 2022</u>
Net investment in capital assets	\$3,059,161
Unrestricted (deficit)	(10,059,184)
Total	<u>\$ (7,000,023)</u>

Restricted balances are for the same purposes as fund balance restrictions because external restriction requirements are the same. See descriptions of the restrictions below.

**Arcata Fire District**  
**Notes to Basic Financial Statements, continued**  
**For the year ended June 30, 2022**

**8. NET POSITION/FUND BALANCES, Continued**

**Fund Balance**

As of June 30, 2022, the District's Restricted and Committed fund balances are as follows:

<u>Fund Balances</u>	<u>June 30, 2022</u>
Nonspendable for prepaid items	\$ 32,487
Unassigned	6,267,310
Total	\$ 6,299,797

The District considers restricted amounts to have been spent prior to unrestricted amounts when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Committed, assigned, and unassigned amounts, in this order, are considered to have been spent when an expenditure is incurred for which amounts in any of those unrestricted fund balance classifications could be used.

**9. 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 natural disasters.

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-crime 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 ended June 30, 2022, the annual premium to FAIRA was \$35,221.

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 ended June 30, 2022, was \$68,043 (\$72,353 less credit from the previous year of \$4,310).

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

**Arcata Fire District**  
**Notes to Basic Financial Statements, continued**  
**For the year ended June 30, 2022**

**10. PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

**A. General Information about the Pension Plans**

**Plan Descriptions** - All qualified full-time employees are eligible to participate in the District's Miscellaneous First Tier Plan, Safety Plans, Safety PEPRA and Miscellaneous PEPRA Plan (The Plans), agent multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**Benefits Provided** - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2022, are summarized as follows:

	Miscellaneous Plan	
	First Tier	PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2% to 3%	1.0% to 2.5%
Required employee contribution rates	7%	6.5%
Required employer contribution rates	12.21%	6.8%

**Arcata Fire District**  
**Notes to Basic Financial Statements, continued**  
**For the year ended June 30, 2022**

**10. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS), Continued**

	Safety Plan		
	First Tier	Second Tier	PEPRA
Hire date	Prior to January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	3% @ 50	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 50	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	2% to 2.7%	2.4% to 3%	2% to 2.7%
Required employee contribution rates	8.99%	8.99%	7.00%
Required employer contribution rates	22.35%	20.42%	12.97%

**Contributions** - Section 20814(c) of the California Public Employees' Retirement Law 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. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is based on the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

***Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions***

For the year ended June 30, 2022, the contributions recognized as part of pension expense for the Plan were as follows:

	Miscellaneous	
	Miscellaneous	Safety
Contributions - employer	\$ 69,989	\$ 5,364,797
Contributions - employee (paid employer)	-	-

As of June 30, 2022, the District reported a net pension liability for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous First Tier	\$ 23,035
Safety	3,749,798
<b>Total Net Pension Liability</b>	<b>\$ 3,772,833</b>

**Arcata Fire District**  
**Notes to Basic Financial Statements, continued**  
**For the year ended June 30, 2022**

**10. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS), Continued**

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2021, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. 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 plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2022 was as follows:

	Miscellaneous	Safety	Total
Proportion- June 30, 2021	0.00188%	0.09087%	0.05637%
Proportion- June 30, 2022	0.00121%	0.10685%	0.06976%
Change-Increase/( Decrease)	-0.00067%	0.01598%	0.01339%

For the year ended June 30, 2022, the District recognized pension expense of \$731,887. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected economic experience	\$ 643,233	\$ -
Changes in assumptions	-	-
Differences between Projected and Actual Investment Earnings	-	2,251,959
Differences between Employer's Contributions and Proportionate Share of Contributions	19,936	262,451
Change in Employer's Proportion	13,926.00	12,048
Pension Contributions Subsequent to Measurement Date	5,434,736	-
Total	\$ 6,111,831	\$ 2,526,458

\$5,434,736 reported as deferred outflows of resources related to contributions subsequent to the measurement date and other contribution differences, which will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.



**Arcata Fire District**  
**Notes to Basic Financial Statements, continued**  
**For the year ended June 30, 2022**

**10. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS), Continued**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

June 30,	Miscellaneous	Safety	Total
2023	(3,891)	(305,923)	(309,814)
2024	(3,985)	(398,003)	(401,988)
2025	(4,078)	(513,752)	(517,830)
2026	(5,557)	(614,174)	(619,731)
2027	-	-	-
Thereafter	-	-	-
	(17,511)	(1,831,852)	(1,849,363)

**Actuarial Assumptions** – The June 30, 2020, valuation was rolled forward to determine the June 30, 2021 total pension liability, based on the following actuarial methods and assumptions.

Actuarial Assumptions	
Actuarial cost method	Entry-age normal cost method
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.75%
Salary increases	Varies by entry age and service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funs
Post-retirement benefit increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter.

The underlying 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, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2014 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 can be obtained at CalPERS' website under Forms and Publications.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the 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. The tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate, and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount

**Arcata Fire District**  
**Notes to Basic Financial Statements, continued**  
**For the year ended June 30, 2022**

**10. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS), Continued**

rate of 7.15 percent is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. 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 expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF 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 equal 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. The target allocation shown was adopted by the Board effective on July 1, 2014.

Asset Class	Current Target Allocation	Real Return Years 1 - 10 <sup>1</sup>	Real Return Year 11+ <sup>2</sup>
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.55%	-90.00%

(1) An expected inflation of 2.5% used for this period.

(2) An expected inflation of 3.0% used for this period.

**Arcata Fire District**  
**Notes to Basic Financial Statements, continued**  
**For the year ended June 30, 2022**

**10. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS), Continued**

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate  
The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Discount Rate-1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Miscellaneous	\$ 87,616	\$ 23,035	\$ (30,353)
Safety	6,634,052	3,749,798	1,380,740
Total	<u>\$ 6,721,668</u>	<u>\$ 3,772,833</u>	<u>\$ 1,350,387</u>

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

***Payable to the Pension Plans*** - At June 30, 2022, the District reported a payable of \$33,062 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2022.

**11. OTHER POST EMPLOYMENT BENEFITS (OPEB)**

***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.

Medical coverage is currently provided through CalPERS as permitted under the Public Employees' Medical and Hospital Care Act (PEMHCA). Retirees who are age 50 (age 52, if a miscellaneous employee new to PERS on or after January 1, 2013) with 5 years of State or public agency service or (b) an approved disability retirement; or over are eligible to obtain medical coverage.

**Arcata Fire District**  
**Notes to Basic Financial Statements, continued**  
**For the year ended June 30, 2022**

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**11. OTHER POST EMPLOYMENT BENEFITS, Continued**

The District provides continuation of medical and dental coverage to its retiring employees. These benefits create the following types of OPEB liabilities:

- **Explicit subsidy liabilities:** An “explicit subsidy” exists when the employer contributes directly toward the cost of retiree healthcare. In this program, the District contributes a portion of retiree medical premiums for qualifying retirees. The Patient Protection and Affordable Care Act (ACA) includes a 40% excise tax on high-cost employer-sponsored health coverage. Any portion of such future excise tax paid by the employer is also a form of explicit subsidy.
- **Implicit subsidy liabilities:** An “implicit subsidy” exists when the premiums charged for retiree coverage are lower than the expected retiree claims for that coverage. In the CalPERS medical program, the same monthly premiums are charged for active employees and for pre-Medicare retirees. CalPERS has confirmed that the claims experience of these members is considered together in setting premium rates. For Medicare-eligible members different monthly premiums are charged. CalPERS has confirmed that only the claims experience of Medicare eligible members is considered in setting Medicare-eligible premium rates.

***Employees Covered by benefit terms***

At June 30, 2022, the following employees were covered by the benefit terms:

Active employees	16
Inactive employees or beneficiaries currently receiving benefits	18
Inactive employees entitled to, but not yet receiving benefits	-
Total Number of participants	34

***District Contribution to the Plan***

District contributions to the Plan may occur as benefits are paid to retirees and/or to an irrevocable OPEB trust. Benefit payments may occur in the form of direct payments for premiums and taxes (“explicit subsidies”) and/or indirect payments to retirees in the form of higher premiums for active employees (“implicit subsidies”).

**Arcata Fire District**  
**Notes to Basic Financial Statements, continued**  
**For the year ended June 30, 2022**

**11. OTHER POST EMPLOYMENT BENEFITS, Continued**

The charts below show the benefits paid by the District on behalf of retirees (a) during the measurement period and (b) during the year following the measurement period but prior to the end of fiscal year ending 2022.

Employer Contributions During the Measurement Period, July 1, 2020 through June 30, 2021.	
Employer Contributions to the Trust	\$ -
Employer Contributions in the Form of Direct Benefit Payments (not reimbursed by trust)	290,181
Implicit contributions	21,994
<b>Total Employer Contributions During the Measurement Period</b>	<b>\$ 312,175</b>
Employer Contributions Subsequent to the Measurement Date, July 1, 2021 through June 30, 2022	
Employer Contributions to the Trust	\$ -
Employer Contributions in the Form of Direct Benefit Payments (not reimbursed by trust)	299,603
Implicit contributions	8,648
<b>Total Employer Contributions Subsequent to the Measurement Date</b>	<b>\$ 308,251</b>

**Net OPEB Liability**

The District's net OPEB liability was measured as of June 30, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2021 that was rolled forward to determine the June 30, 2022 total OPEB liability, based on the following actuarial methods and assumptions:

<b>Actuarial Assumptions:</b>	
Discount Rate	2.18%
Inflation	2.50%
Salary Increases	3.00% per annum
Investment Rate of Return	7.00%
Mortality Rate <sup>(1)</sup>	Derived using CalPERS' Membership Data for all funds
Pre-Retirement Turnover <sup>(2)</sup>	Derived using CalPERS' Membership Data for all funds
Healthcare Trend Rate	3.9% - 5.6%

**Arcata Fire District**  
**Notes to Basic Financial Statements, continued**  
**For the year ended June 30, 2022**

**11. OTHER POST EMPLOYMENT BENEFITS, Continued**

Notes:

(1) Pre-retirement mortality information was derived from data collected during 1997 to 2011 CalPERS Experience Study dated January 2014 and post-retirement mortality information was derived from the 2007 to 2011 CalPERS Experience Study. The Experience Study Reports may be accessed on the CalPERS website [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.

(2) The pre-retirement turnover information was developed based on CalPERS' specific data. For more details, please refer to the 2007 to 2011 Experience Study Report. The Experience Study Report may be accessed on the CalPERS website [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.

**Discount Rate**

The District has been and continues to finance its OPEB liability on a pay-as-you-go basis. With the District's approval, the discount rates used in this valuation are based on the S&P Municipal Bond 20 Year High Grade Index. As of the beginning and end of the Measurement Period, this index indicates discount rates of 2.66% as of June 30, 2021, and 2.18% as of June 30, 2022.

**Changes in the OPEB Liability**

The changes in the net OPEB liability for the Plan are as follows:

	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Balance at Fiscal Year Ending June 30, 2021 <i>Measurement date 6/30/2020</i>	\$ 9,807,737	\$ -	\$ 9,807,737
<b>Change During the Period:</b>			
Service Cost	451,576	-	451,576
Interest Cost	268,746	-	268,746
Employer Contributions	-	312,175	(312,175)
Benefit Payments	(312,175)	(312,175)	-
Assumption Changes	399,582	-	399,582
Plan Experience	315,761	-	315,761
<b>Net Changes in the Fiscal Year 2021-2022</b>	<b>1,123,490</b>	<b>-</b>	<b>1,123,490</b>
<b>Balance at Fiscal Year Ending June 30, 2022</b> <i>Measurement date 6/30/2021</i>	<b>\$ 10,931,227</b>	<b>\$ -</b>	<b>\$ 10,931,227</b>

**Arcata Fire District**  
**Notes to Basic Financial Statements, continued**  
**For the year ended June 30, 2022**

**11. OTHER POST EMPLOYMENT BENEFITS, Continued**

***Sensitivity of the Net OPEB Liability to Changes in the Discount Rate***

The discount rate used for the fiscal year end 2022 is 2.18%. The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2021:

Change in Discount Rate	Current - 1% 1.18%	Current 2.18%	Current + 1% 3.18%
Total OPEB Liability	12,987,460	10,931,227	9,331,646

***Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates***

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2021 (Healthcare Cost Trend Rate was assumed to start at 5.6% and grade down to 3.9% for years 2075 and thereafter):

Change in Health Cost Trend Rate	Current - 1%	Current Trend	Current + 1%
Total OPEB Liability	9,215,309	10,931,227	13,147,917

***Recognition of Deferred Outflows and Deferred Inflows of Resources***

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 years
All other amounts	Expected average remaining service lifetime (EARSL) (7.09 Years at June 30, 2022)

**Arcata Fire District**  
**Notes to Basic Financial Statements, continued**  
**For the year ended June 30, 2022**

**11. OTHER POST EMPLOYMENT BENEFITS, Continued**

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

For the fiscal year ended June 30, 2022, the District recognized OPEB expense of \$464,058. As of fiscal year, ended June 30, 2022, the District reported deferred outflows of resources related to OPEB from the following sources:

	Outflows of Resources	Inflows of Resources
Change in assumptions	\$ 773,512	\$ 368,110
Net difference between projected and actual	271,225	1,366,621
Net difference between projected and actual		
Earnings on Investments	(26,077)	-
Deferred Contributions	334,328	-
<b>Total</b>	<b>\$ 1,352,988</b>	<b>\$ 1,734,731</b>

The \$334,328 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2021, measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

For the Fiscal Year Ending June 30,	Recognized Net Deferred Outflows (Inflows) of Resources
2022	(223,621)
2023	(223,621)
2024	(223,621)
2025	(223,621)
2026	(223,621)
Thereafter	(409,958)



**Arcata Fire District**  
**Notes to Basic Financial Statements, continued**  
**For the year ended June 30, 2022**

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**12. NEW ACCOUNTING PRONOUNCEMENTS**

The GASB has issued Statement No. 87, "Leases." The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The District has implemented this statement, as applicable, to its financial statements for the year ending June 30, 2022.

The GASB has issued Statement No. 90, "Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61." The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The District implemented this statement, as applicable, to its financial statements for the year ending June 30, 2022.

The GASB has issued Statement No. 91, "Conduit Debt Obligations." The requirements of this Statement are effective for reporting periods beginning after December 15, 2022. Earlier application is encouraged. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The District will implement this statement, as applicable, to its financial statements for the year ending June 30, 2022.

Statement No. 93, Replacement of Interbank Offered Rates" – This statement will enhance the comparability of accounting and financial reporting requirements and improve consistency of authoritative literature. This will improve the usefulness of information for users of state and local government financial statements. The London Interbank Offered Rate (LIBOR) is expected to cease to exist at the end of 2022. Some governments have agreements with variable payments dependent on an Interbank Offered Rate (IBOR) – most notably, LIBOR. This is prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates.

**Arcata Fire District**  
**Notes to Basic Financial Statements, continued**  
**For the year ended June 30, 2022**

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**12. NEW ACCOUNTING PRONOUNCEMENTS, continued**

The GASB has issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Section 457 Deferred Compensation Plan – An Amendment of GASB Statement No. 14 and No. 84, and Suppression of GASB Statement No. 32.” The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

This Statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or another employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform.

This Statement also requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. The District has implemented this statement, as applicable, to its financial statements for the year ending June 30, 2022.

**13. SUBSEQUENT EVENTS**

The District has evaluated subsequent events occurring after the Statement of Net Position through the date of December 27, 2022, which is the date the financial statements were available to be issued. On April 12, 2022, the District entered into a Series 2022A Installment Loan Purchase Agreement (the “Loan Agreement”) with the California Municipal Public Financing Authority to acquire a new truck in the principal amount of \$734,619 (the “Series 2022 Loan Obligations”). The Series 2022 Loan Obligations bear interest at rate of 2.75% per annum until February 1, 2029. The loan proceeds were sent by the lender directly to Golden State Fire Apparatus, Inc., the vendor. The truck was not delivered as of fiscal year-end June 30, 2022.

**Required Supplementary Information**

**Arcata Fire District**  
**Required Supplementary Information - Schedule of Contributions**

<b>Miscellaneous Plan</b>						
Last 10 Fiscal Years*	2021	2020	2019	2018	2017	2016
Contractually required contribution (actuarially determined)	69,989	13,129	11,378	11,921	9,108	9,094
Contributions in relation to the actuarially determined contributions	<u>(69,989)</u>	<u>(13,129)</u>	<u>(11,378)</u>	<u>(11,921)</u>	<u>(9,108)</u>	<u>(9,094)</u>
Contribution deficiency (excess)	-	-	-	-	-	-
Covered-employee payroll	73,450	51,791	49,672	47,265	44,695	59,882
Contribution as a percentage of covered-employee payroll	95.29%	25.35%	22.91%	25.22%	20.38%	15.19%
<b>Safety Plan</b>						
Last 10 Fiscal Years*	2021	2020	2019	2018	2017	2016
Contractually required contribution (actuarially determined)	678,544	594,885	775,734	725,811	658,858	607,694
Contributions in relation to the actuarially determined contributions	<u>(678,544)</u>	<u>(594,885)</u>	<u>(775,734)</u>	<u>(725,811)</u>	<u>(658,858)</u>	<u>(597,511)</u>
Contribution deficiency (excess)	-	-	-	-	-	10,183.00
Covered-employee payroll	1,593,588	1,325,047	1,654,285	2,052,968	1,852,085	1,902,694
Contribution as a percentage of covered-employee payroll	42.58%	44.90%	46.89%	35.35%	35.57%	31.94%

Notes to Schedule

1) Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation and pensionable compensation that would possibly go into the determination of retirement benefits are included.

\*- Due to change in CalPERS reporting information, only three years were available. Additional years will be presented as they become available.

**Arcata Fire District**  
**Required Supplementary Information - Schedule of the District's Proportionate**  
**Share of the Net Pension Liability**

Miscellaneous Plan Last 10 Fiscal Years*	2021	2020	2019	2018	2017	2016
Plan's Proportion of the Net Pension Liability/(Asset)	0.00121%	0.00188%	0.00179%	0.00169%	0.00173%	0.00170%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 23,035	\$ 79,192	\$ 71,753	\$ 63,659	\$ 68,269	\$ 57,351
Plan's Covered-Employee Payroll	\$ 73,450	\$ 51,791	\$ 49,672	\$ 47,265	\$ 44,695	\$ 59,882
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	31.36%	152.91%	144.45%	134.69%	152.74%	95.77%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	120.40%	120.40%	119.08%	117.84%	79.99%	80.66%
Plan's Proportionate Share of Aggregate Employer Contribution	\$ 69,989	\$ 13,129	\$ 15,582	\$ 13,596	\$ 10,325	\$ 8,909
Safety Plan Last 10 Fiscal Years*	2021	2020	2019	2018	2017	2016
Plan's Proportion of the Net Pension Liability/(Asset)	0.10685%	0.09087%	0.09072%	0.09138%	0.09060%	0.09290%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$3,749,798	\$6,054,154	\$5,663,144	\$5,361,483	\$ 5,413,649	\$ 4,812,049
Plan's Covered-Employee Payroll	\$ 1,593,588	\$ 1,325,047	\$ 1,654,285	\$ 2,052,968	\$ 1,852,085	\$ 1,902,694
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	235.31%	456.90%	342.33%	261.16%	292.30%	252.91%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	71.15%	71.15%	71.97%	72.16%	70.75%	70.28%
Plan's Proportionate Share of Aggregate Employer Contribution	\$ 678,544	\$ 594,885	\$ 653,416	\$ 599,812	\$ 451,888	\$ 393,111

**Notes to Schedule**

1) Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of retirement benefits are included.

\*- Due to change in CalPERS reporting information, only three years were available. Additional years will be presented as they become available.

**Arcata Fire District**  
**Required Supplementary Information - Schedule of Changes**  
**in the Net OPEB Liability and Related Ratios**  
for the Measurement Periods Ended June 30,

	2022	2021	2020	2019	2018
<b>Total OPEB Liability</b>					
Service Cost	\$ 451,576	\$ 423,184	\$ 517,153	\$ 481,847	\$ 524,580
Interest on the total OPEB liability	268,746	264,495	323,085	313,852	275,938
Differences between expected and actual experience	315,761	-	(2,001,274)	-	-
Changes of assumptions	399,582	203,864	174,713	255,819	(760,555)
Benefit payments	(312,175)	(281,447)	(281,304)	(263,236)	(269,146)
<b>Total OPEB liability - beginning</b>	<b>9,807,737</b>	<b>9,197,641</b>	<b>10,465,268</b>	<b>9,676,986</b>	<b>9,906,169</b>
<b>Total OPEB liability - ending (a)</b>	<b>\$ 10,931,227</b>	<b>\$ 9,807,737</b>	<b>\$ 9,197,641</b>	<b>\$ 10,465,268</b>	<b>\$ 9,676,986</b>
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 312,175	\$ 281,447	\$ 281,304	\$ 263,236	\$ 269,146
Benefit payments	(312,175)	(281,447)	(281,304)	(263,236)	(269,146)
<b>Net change in plan fiduciary net position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Plan fiduciary net position - beginning</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net OPEB liability - ending (a) - (b)</b>	<b>\$ 10,931,227</b>	<b>\$ 9,807,737</b>	<b>\$ 9,197,641</b>	<b>\$ 10,465,268</b>	<b>\$ 9,676,986</b>
Covered-employee payroll	\$ 1,547,390	\$ 1,802,560	\$ 2,155,428	\$ 1,785,379	\$ 1,848,645
Net OPEB liability as a percentage of covered-employee payroll	706.43%	544.10%	426.72%	586.17%	523.46%

**Notes to Schedule**

1) GASB 75 requires presentation of the 10-year history of changes in the Net OPEB Liability. However, since this is the third year of implementation, only two years were available

## Arcata Fire District

### Required Supplementary Information - Schedule of Contributions

June 30, 2021

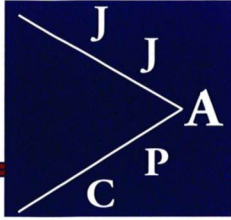
Fiscal Year Ended June 30,	2021	2020	2019	2018	2017
Actuarially Determined Contribution (ADC)	\$ 312,175	\$ 281,447	\$ 281,304	\$ 263,236	\$ 269,146
Contributions in relation to the ADC	(312,175)	(281,447)	(281,304)	(263,236)	(269,146)
Contribution deficiency ( excess)	-	-	-	-	-
Covered-employee payroll	\$ 1,547,390	\$ 1,802,560	\$ 2,155,428	\$ 1,785,379	\$ 1,848,645
Contributions as a percentage of covered-employee payroll	20.17%	15.61%	13.05%	14.74%	14.56%

#### Notes to Schedule

1) GASB 75 requires presentation of the 10-year history of changes in the Net OPEB Liability. Additional years will be presented as they become available.

#### Actuarial Methods and Assumptions

Valuation Date	June 30, 2021
Funding Method	Entry Age Normal Cost, level percent of pay
Asset Valuation Method	Market value of assets (\$0; plan is not yet funded)
Discount Rates	2.66% on June 30, 2021 2.79% on June 30, 2020
Participants Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Salary Increase	3.00% per year; since benefits do not depend on salary, this is used only to allocate the cost of benefits between service years.
Assumed Wage Inflation	2.50% per year; used to determine amortization payments if developed on a level percent of pay basis.
Inflation Rate	2.50%



JJACPA, Inc.

A Professional Accounting Services Corp.

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

**Independent Auditor's Report**

The Board of Directors  
Arcata Fire Protection District  
Arcata, California

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparison information of the Arcata Fire Protection District (District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 27, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

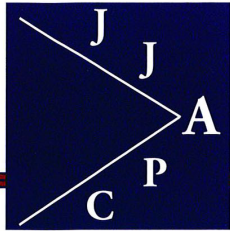
December 27, 2022

*JJACPA, Inc.*

**JJACPA, Inc.**

**Dublin, CA**

**ARCATA FIRE DISTRICT**  
**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE AND**  
**COMMUNICATION OF INTERNAL CONTROL RELATED MATTERS**  
**JUNE 30, 2022**



**JJACPA, Inc.**

A Professional Accounting Services Corp.

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December 27, 2022

To the Board of Directors  
Arcata Fire District  
Arcata, California

We have audited the financial statements of the Arcata Fire District (District) as of and for the year ended June 30, 2022 and have issued our report thereon dated December 27, 2022. Professional standards require that we advise you of the following matters relating to our audit.

#### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated June 7, 2022, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

#### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

## **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during fiscal year ended June 30, 2022. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are useful lives of capital assets ("useful lives").

Management's estimate of the useful lives is based on experience with and observation of capital assets, by category (e.g. infrastructure) as well as industry standards, when applicable (i.e. buildings). We evaluated the key factors and assumptions used to develop the useful lives and determined that it is reasonable in relation to the basic financial statements taken as a whole.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District's financial statements relate to commitments and contingencies.

## **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

## **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole or applicable opinion units.

## **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

## **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated December 27, 2022.

## **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

## **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

## **Other Information in Documents Containing Audited Financial Statements**

Pursuant to professional standards, our responsibility as auditors for other information in documents containing the District's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have read the Management's Discussion and Analysis and considered whether such information or the manner of its presentation was materially inconsistent with its presentation in the financial statements.

## Communication of Internal Control Related Matters

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Very truly yours,

*Joseph J. Arch*  
JOSEPH J. ARCH, CPA  
President/CEO  
JJACPA, INC.



December 27, 2022

JJACPA, Inc.  
7080 Donlon Way, Suite #204  
Dublin, CA 94568

Dear Mr. Arch:

This representation letter is provided in connection with your audit of the financial statements of Arcata Fire Protection District (District) as of June 30, 2022 and for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of the various opinion units of the District in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of October 27, 2022.

### Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated July 28, 2022, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
2. The financial statements referred to above have been fairly presented in accordance with U.S. GAAP and include all properly classified funds, required supplementary information, and notes to the basic financial statements.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. With regard to nonaudit services performed by you, we acknowledge and our responsibility to:
  - a. Assume all management responsibilities;
  - b. Oversee the services by designating an individual who possesses suitable skill, knowledge, or experience;
  - c. Evaluate the adequacy and results of the services performed; and
  - d. Accept responsibility for the results of the services.
6. Significant assumptions used by us in making accounting estimates are reasonable.
7. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
8. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
9. The effects of uncorrected misstatements summarized in the attached schedule<sup>6</sup> and aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the applicable opinion units and to the financial statements as a whole.
10. We are not aware of any pending or threatened litigation, claims, or assessments, or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements which codifies FASB Accounting Standards Codification<sup>TM</sup> (ASC) 450, Contingencies, and we have not consulted a lawyer concerning litigation, claims, or assessments.



11. With regard to items reported at fair value:
  - a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
  - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
  - c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
  - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
12. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
13. All funds and activities are properly classified.
14. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
15. All net position components and fund balance classifications have been properly reported.
16. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
17. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
18. All interfund and intra-entity transactions and balances have been properly classified and reported.
19. Special items and extraordinary items have been properly classified and reported.
20. Deposit and investment risks have been properly and fully disclosed.
21. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
22. All required supplementary information is measured and presented within the prescribed guidelines.
23. Nonexchange and exchange financial guarantees, either written or oral, under which it is more likely than not that a liability exists have been properly recorded, or if we are obligated in any manner, are disclosed.

#### **Information Provided**

24. We have provided you with:
  - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
  - b. Additional information that you have requested from us for the purpose of the audit; and
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
25. All transactions have been recorded in the accounting records and are reflected in the financial statements.
26. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
27. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - a. Management;
  - b. Employees who have significant roles in internal control; or
  - c. Others where the fraud could have a material effect on the financial statements.
28. We have no knowledge of any instances, that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance, whether communicated by employees, former employees, vendors, regulators, or others.
29. We have no knowledge of any instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that has a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
30. We have no knowledge of any instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
31. We have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that you have reported to us.
32. We have a process to track the status of audit findings and recommendations.

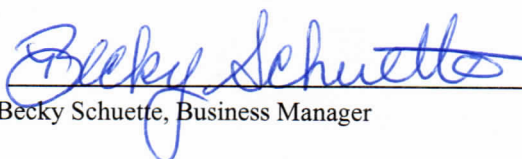


33. We have identified for you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
34. We have provided views on your reported audit findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
35. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
36. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
37. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
38. The District has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
39. We have disclosed to you all guarantees, whether written or oral, under which the District is contingently liable.
40. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
41. There are no:
  - a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
  - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
42. The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
43. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
44. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB-62. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.



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Justin McDonald, Fire Chief



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Becky Schuette, Business Manager