

**STANISLAUS CONSOLIDATED FIRE  
PROTECTION DISTRICT**

Audited Financial Statements and  
Compliance Report

June 30, 2018

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STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

Audited Financial Statements and Compliance Report

June 30, 2018

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550 Howe Avenue, Suite 210  
Sacramento, California 95825

Telephone: (916) 564-8727  
FAX: (916) 564-8728

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Stanislaus Consolidated Fire Protection District  
Riverbank, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the major fund and aggregate remaining fund information of the Stanislaus Consolidated Fire Protection District (the District) of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

To the Board of Directors  
Stanislaus Consolidated Fire Protection District

### **Basis for Modified Opinion**

The District has included land in the depreciable basis of several fire stations and has depreciated the land with the related buildings since the purchase date rather than reporting the land as non-depreciable capital assets. Also, the District did not record two developer contributed fire stations at the fair value at the acquisition date and instead has not assigned a value to those fire stations within capital assets. The changes necessary to report capital assets in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, could be material to the financial statements.

### **Opinions**

In our opinion, except for the effects of not adjusting the capital assets to report land as nondepreciable capital assets and not recording contributed fire stations at fair value as described in the Basis for Modified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of the District as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller’s Office and state regulations governing special districts.

### **Correction of Error**

As described in Note M to the financial statements, the District corrected an error in the June 30, 2017 financial statements. Our opinion is not modified with respect to that matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and required supplementary information related to the District’s pension and other postemployment benefits plans, as listed in the accompanying table of contents, 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.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2019 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

To the Board of Directors  
Stanislaus Consolidated Fire Protection District

accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Richardson & Company, LLP*

August 29, 2019

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Stanislaus Consolidated Fire Protection District  
3324 Topeka Street  
Riverbank, CA 95367  
(209) 869-7470  
Fax (209) 869-7475

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Fiscal Year Ending June 30, 2018**

This discussion and analysis of the performance of the Stanislaus Consolidated Fire Protection District ("SCFPD") provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. It is management's view of the District's financial condition with the Independent Auditor's Report, the basic financial statements and the accompanying notes to those financial statements.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The basic financial statements include two types of statements that present different views of the District:

The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are fund-level financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.

These two kinds of statements report the District's net position and fund balance and changes in them. Net position in the government-wide statements and fund balance in the fund statements is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Generally, over time, increases and decreases in the district's net position and fund balance are one indicator of whether its financial health is improving or deteriorating.

The financial statements also include notes that explain some of the information in the statements and required supplementary information that further explains and supports the information in the financial statements. The notes are considered to be an integral part of the financial statements and should be considered with them when looking at the District's financial picture.

## FINANCIAL ANALYSIS OF DISTRICT AS A WHOLE

The condensed balance sheets as of June 30, 2018 and 2017 were as follows:

### CONDENSED BALANCE SHEETS

	June 30,		Change	%
	2018	2017		
Current and other assets	\$ 8,117,682	\$ 9,051,049	\$ (933,367)	-10%
Capital assets, net	8,065,916	6,851,639	1,214,277	18%
Total assets	16,183,598	15,902,688	280,910	2%
Deferred outflows of resources	5,643,292	5,098,968	544,324	11%
Total assets and deferred outflows of resources	\$ 21,826,890	\$ 21,001,656	\$ 825,234	4%
Long-term liabilities	\$ 26,366,406	\$ 15,582,502	\$ 10,783,904	69%
Other liabilities	1,073,137	1,142,599	(69,462)	-6%
Total liabilities	27,439,543	16,725,101	10,714,442	64%
Deferred inflows of resources	846,067	734,880	111,187	15%
<b>NET POSITION</b>				
Net investment in capital assets	6,175,750	6,851,639	(675,889)	-10%
Restricted	761,813	715,256	46,557	7%
Unrestricted	(13,396,283)	(4,025,220)	(9,371,063)	233%
Total net position	(6,458,720)	3,541,675	(10,000,395)	-282%
Total liabilities, deferred inflows of resources and net position	\$ 21,826,890	\$ 21,001,656	\$ 825,234	4%

Cash decreased, long-term liabilities increased and capital assets increased due to the Station 24 Replacement project. The District obtained a lease purchase agreement of \$1.5 million for the project. Deferred outflows of resources increased \$544,000 due to the implementation of GASB Statement No. 75 (GASB 75), which resulted in recording deferred outflows related to the District other postemployment benefits (OPEB) plan and deferred outflows increasing due to CalPERS decreasing the discount rate on the District's pension plan, which was deferred. Long-term liabilities increased due to the \$1.5 million Station 24 lease purchase agreement, the issuance of a capital lease for a Rosenbauer Engine of \$576,000, compensated absences increasing \$517,000, a \$1.77 million increase in the net pension liability, a \$7.34 million increase in the OPEB liability due to the implementation of GASB 75, offset by payments made on the District's long-term liabilities. Other liabilities decreased due to the payment of liabilities on the Station 24 construction contract.

The decline in unrestricted net position of \$10.0 million is the result of the restatement to the District's net OPEB liability to implement GASB 75 of \$(6.91) million and a \$(3.16) million change in net position, as described below. The implementation of GASB 75 had a similar effect on the net position of many other agencies.

## FINANCIAL ANALYSIS OF DISTRICT AS A WHOLE- continued

The condensed statements of activities as of June 30, 2018 and 2017 were as follows:

### CONDENSED STATEMENTS OF ACTIVITIES

	June 30,		Change	%
	2018	2017		
<b>REVENUES</b>				
Program revenues:				
Charges for services	\$ 4,289,150	\$ 4,565,582	\$ (276,432)	-6%
Operating grants and contributions	140,824	238,152	(97,328)	-41%
Capital grants and contributions		106,416	(106,416)	-100%
General revenues:				
Special assessments	6,795,251	6,513,498	281,753	4%
Property taxes	2,985,464	2,992,111	(6,647)	0%
RDA pass-through revenue	134,777	135,652	(875)	-1%
Other revenues	316,124	399,705	(83,581)	-21%
Total revenues	14,661,590	14,951,116	(289,526)	-2%
<b>EXPENSES</b>				
Public safety	17,751,664	14,883,412	2,868,252	19%
Change in net position	(3,090,074)	67,704	(3,157,778)	-4664%
Net position, beginning of year	3,541,675	1,968,142	1,573,533	80%
Restatement	(6,910,321)	1,505,829	(8,416,150)	-559%
Net position, beginning of year - as restated	(3,368,646)	3,473,971	(6,842,617)	-197%
Net position, end of year	\$ (6,458,720)	\$ 3,541,675	\$ (10,000,395)	-282%

The District completed the year with a decrease in net position of \$10.0 million, including a restatement to implement GASB 75 of \$(6,910,000) and a change in net position from operations of \$(3,156,000). The change in net position was the result of decreases in charges for services, operating grants and contributions and capital grants and contributions, property taxes and other revenues, offset by an increase in special assessments and an increase in expenses of \$2.93 million. The decrease in charges for services is due to a decrease in fire services contract payments from the City of Oakdale and Oakdale Fire Protection District, which was mainly due to a one-time reimbursement from the City of Oakdale of \$226,389 for SCBA equipment in 2018. Operating grants and contributions increased due to a full year of SAFER grant payments from FEMA. The District was awarded a SAFER Grant by FEMA that ended during the middle of the fiscal year, resulting in lower grant revenues during the year. The purpose of the grant was to hire three new fire fighters for the City of Oakdale, beginning January 15, 2016 through January 2018. The Grant was for salary and benefits

Expenditures increased due to a \$2.96 million increase in salaries and benefits, including \$96,000 in additional overtime that occurred from participation in strike teams, a \$74,000 increase in medical insurance, a \$154,000 increase in cash pension contributions, a \$1.57 million non-cash increase in the pension liability and related deferred inflows and outflows, a \$774,000 non-cash increase in the OPEB liability and related deferred inflows and outflows and an \$19,000 non-cash increase in the compensated absences liability, and other smaller changes. Services and supplies decreased by \$137,000, largely due to a

new charge from the County of \$118,287 for SR911 dispatch fee's, \$50,894 for the paramedic program and \$226,389 of SCBA equipment purchased that was reimbursed by the City of Oakdale in 2017 that declined in 2018.

## **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

On December 11, 2014, the Board of Directors approved District Resolution 2014-11 dissolving specific County of Stanislaus account designations and authorizing the transfer of funds from County accounts to newly designated District accounts and directed the District Staff to update the District Finance Policy. On March 12, 2015, the District adopted a new Finance Policy. The Policy established five separate components of fund balances:

**Non-spendable Funds** – inherently non-spendable. The District's non-spendable funds consist of a long-term receivable from the City of Waterford for Station 24 off-site improvements.

**Restricted Funds** – externally enforceable limitations on use, imposed by law or constraints by creditors, grantors or contributors. The District currently has five restricted accounts:

1) District Fire Suppression Assessment-funds shall be expended only for the maintenance, operation, and servicing of fire suppression services and apparatus equipment. All fire suppression funds were spent at year-end.

2) Waterford/Hickman Impact Fee Fund-All Waterford/Hickman Impact Fees (Unincorporated Waterford and Hickman) must be deposited in this account. These funds can only be spent on facilities and other capital purchases that benefit the Waterford/Hickman service area.

3) Waterford CEQA Fee Fund– All City of Waterford CEQA Fees must be deposited in this account. These funds can only be spent on facilities and other capital purchases that benefit the City of Waterford service area.

4) Riverbank Impact Fee Fund-All Riverbank Impact Fees (Unincorporated Riverbank) must be deposited in this account. These funds can only be spent on facilities and other capital purchases that benefit the Riverbank service area.

5) Riverbank CEQA Fee Fund- All City of Riverbank CEQA Fees must be deposited in this account. These funds can only be spent on facilities and other capital purchases that benefit the City of Riverbank service area.

**Committed Funds** – The Board of Directors may commit a fund balance for specific purposes pursuant to constraints imposed by formal actions taken through an ordinance or resolution. These committed amounts cannot be used for any other purpose unless the Board removes or changes the specific use through the same type of formal action taken to establish the commitment. Board action to commit fund balance must occur within the

## **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS-continued**

fiscal reporting period; however, the amount or amounts can be determined subsequently. The District has no committed funds.

**Assigned Funds** – limitation resulting from intended use. Amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. The Fire Chief has the authority to assign amounts for specific purposes of reporting these amounts in the annual financial statements. Examples of assigned fund balance may include but not limited to:

The following are Assigned Funds:

- 1) Employers Benefit Fund – Annually, the District conducts a study to determine the amount of funds required to cover all employee accrued leave balances. Annually, as part of the district budget process, this fund should be reviewed and revised to ensure adequate funds are available to cover accrued leave liabilities;
- 2) Facilities Fund – This fund is utilized to address capital facility upgrades, maintenance and replacement projects. During the year ended June 30, 2017 the entire \$1,030,327 of the facilities fund was utilized for capital improvements.
- 3) General Contingency Fund – These funds have two specific purposes: 1) to be used as a contingency for unforeseen District costs that cannot be funded through the normal budgetary funding allocation. 2) As a dry period fund that allows the District to operate prior to receiving the semi-annual tax allocations. If used during dry periods, the contingency fund shall be replenished after semi-annual tax allocations.
- 4) Vehicle Apparatus Fund – This fund is to address vehicle & apparatus replacement.

**Unassigned Funds** – The District's General Fund falls under this category. Annual operating costs are funded out of this account. Payroll, supplies, non-capital equipment and professional services are funded by this account. As a result of the Finance Policy, \$348,798 was transferred from Unassigned Funds to Assigned Fund during the fiscal year ending June 30, 2017.

The continued improvement in the District's economy resulted in a net increase of \$67,704 over the previous year. The CEQA and Development fees collected for Riverbank fiscal year ending June 30, 2017 was \$18,604, of this amount \$1,386 was earned interest. The CEQA and Development fees collected for Waterford fiscal year ending June 30, 2017 was \$14,265, of this amount \$821 was earned interest.

In 2011 the state legislators mandated the dissolution of the Redevelopment Agencies (RDA), which took effect in February 2012. The proceeds of this dissolution are distributed to taxing agencies based on their percentage of tax collected. For the fiscal year ended June 30, 2018 the District collected \$134,777, which was approximately the same as the previous year. It is important to note that these proceeds represent one-time revenues to the District. The amount and/or timing of future RDA proceeds in the future cannot be predicted.

## **ANALYSIS OF THE DISTRICT'S CAPITAL ASSETS**

Capital assets were as follows at June 30, 2018 and 2017:

	Balance at June 30, 2018	Balance at June 30, 2017	Change	%
Capital assets, not being depreciated:				
Land	\$ 280,000	\$ 280,000		
Work in process	623,254		\$ 623,254	0.0%
Construction in process		2,494,688	(2,494,688)	-100.0%
Buildings and improvements	4,609,927	1,108,153	3,501,774	316.0%
Vehicles	2,091,116	2,422,777	(331,661)	-14.0%
Furniture and equipment	461,619	546,021	(84,402)	-15.0%
	<u>\$ 8,065,916</u>	<u>\$ 6,851,639</u>	<u>\$ 1,214,277</u>	<u>18.0%</u>

The district continued to replace aging equipment and made improvements to its facilities with purchase of:

Station 24 replacement	\$ 1,116,571
Rosenbauer Engine	576,490
Station 23 SCBA air compressor	46,764
Ford Escape	23,630
Station 21 auto gate	5,124
Station 21 repaving	6,613
	<u>\$ 1,775,192</u>

In addition to the above acquisitions, The District identified obsolete and surplus equipment and will dispose of them in such a manner that best services the interest of the District.

## **ANALYSIS OF THE GENERAL FUND BUDGET**

The statement of revenues, expenditures and changes in fund balance -budget and actual on page 15 of the financial statements shows the District's original and final budgets and a comparison of the final budget with actual results. Changes between the original and final budget were due to increases in strike team revenue, property taxes and the district's special assessment. During the same year there were also faced with increases in the areas of capital expenses, personnel staffing overtime, health insurance and professional services. Differences between the final budget and actual results were due to revenue shortfalls due to over budgeting in the district's special assessment, development fees and property taxes during final budget adjustments. There were also increases in the area of services and supplies due to unforeseen apparatus maintenance and repairs.

## **FACTORS BEARING ON THE DISTRICT'S FINANCIAL FUTURE**

Call volumes, services, and mandates have increased to the point where a review of the District's fire assessments became necessary in 2004. To maintain and increase the level

of service, provide funding for personnel, operating equipment and facilities, a new special assessment was implemented 2005. The revenue generated by the special assessment has increased the District's ability to provide effective fire protection currently and in the future. The special assessment is not all encompassing and does not absolve the District from being fiscally responsible.

Secured and unsecured property taxes collections increased by \$254,187 over the previous fiscal year. Special assessments decreased \$168,381 over the previous year. Effective September 1, 2014 Stanislaus Consolidated Fire Protection District (District) entered into a five-year contract to provide services to the City of Oakdale (Oakdale) and the Oakdale Fire Protection District (OFPD). On the first day of each month, Oakdale Fire Protection District agrees to remit to the District one twelfth of the fiscal year budget beginning September 2014. The City of Oakdale transferred apparatus and equipment to the District. Oakdale is responsible for maintenance, repair and replacement of the transferred apparatus and equipment. In addition, the City of Oakdale shall maintain an equipment and apparatus replacement program with annual funding allocations to ensure funds are available to replace equipment and apparatus when they reach the end of their service life.

The City of Oakdale will maintain ownership of Fire Stations 27, 28 and Fire Station 28 Training Annex. The District shall bear all the costs of normal preventative maintenance and repair of the facilities. The actual costs of any Public Project repair or facility equipment replacement will be the responsibility of The City of Oakdale. The City of Oakdale shall maintain a capital facilities maintenance program with annual funding allocations to ensure funds are available for the actual costs required to replace and /or repair facility equipment and components (e.g. roofs, HVAC Systems, exterior/interior paint) that are Public Projects.

The Oakdale Fire Protection District shall provide use of all emergency equipment, vehicles and apparatus. Oakdale Fire Protection District shall be responsible for maintenance, repair and replacement of transferred apparatus and equipment. In addition, Oakdale Fire Protection District shall maintain an equipment and apparatus replacement program with annual funding allocations to ensure funds are available to replace equipment and apparatus when they reach the end of their service life. Oakdale Fire Protection District will maintain ownership of Stations 1, 29 and 30. Oakdale Fire Protection District shall maintain a capital facilities maintenance program with annual funding allocations to ensure funds are available for the actual costs required to replace and /or repair facility equipment and components (e.g. roofs, HVAC Systems, exterior/interior paint) that are Public Projects.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the revenues it receives. If you have any questions regarding this report or need additional information, contact the Stanislaus Consolidated Fire Protection District, 3324 Topeka Street, Riverbank, CA 95367.

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2018

	General Fund	Non-major Special Revenue Funds	
		CEQA Funds	
		Riverbank	Waterford Hickman
<b>ASSETS</b>			
Cash and investments	\$ 6,793,540		
Restricted cash and investments	1,257	\$ 668,488	\$ 6,435
Accounts receivable	15,972		
Due from other governments	447,741		
Due from the City of Waterford in less than one year	24,654		
Due from the City of Waterford in more than one year	73,962		
Capital assets:			
Non-depreciable			
Depreciable, net			
<b>TOTAL ASSETS</b>	<u>7,357,126</u>	<u>668,488</u>	<u>6,435</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension plan			
Other postemployment benefit plan			
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 7,357,126</u>	<u>\$ 668,488</u>	<u>\$ 6,435</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 60,432		
Accrued payroll	537,017		
Unearned revenue	435,941		
Interest payable			
Long-term liabilities:			
Compensated absences due within one year			
Debt due within one year			
Compensated absences due in more than one year			
Debt due in more than one year			
Other postemployment benefits liability			
Net pension liability			
<b>TOTAL LIABILITIES</b>	<u>1,033,390</u>		
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	396,126		
Pension plan			
Net other postemployment benefit liability			
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>396,126</u>		
<b>FUND BALANCES/NET POSITION</b>			
Fund balance:			
Restricted for debt service	1,257		
Restricted for CEQA and development fees projects		\$ 668,488	\$ 6,435
Assigned	3,681,216		
Unassigned	2,245,137		
<b>TOTAL FUND BALANCES</b>	<u>5,927,610</u>	<u>668,488</u>	<u>6,435</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 7,357,126</u>	<u>\$ 668,488</u>	<u>\$ 6,435</u>
<b>Net position:</b>			
Net investment in capital assets			
Restricted for CEQA and development fees projects			
Unrestricted			
<b>TOTAL NET POSITION</b>			

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



Non-major Special Revenue Funds		Total Non-major Special Revenue Funds	Total Governmental Funds	Adjustments (Note K)	Statement of Net Position
Development Fees Funds	Waterford Hickman				
Riverbank	Hickman				
\$ 74,655	\$ 10,978	\$ 760,556	\$ 6,793,540		\$ 6,793,540
			761,813		761,813
			15,972		15,972
			447,741		447,741
			24,654		24,654
			73,962		73,962
				\$ 903,254	903,254
				7,162,662	7,162,662
<u>74,655</u>	<u>10,978</u>	<u>760,556</u>	<u>8,117,682</u>	<u>8,065,916</u>	<u>16,183,598</u>
				5,502,486	5,502,486
				140,806	140,806
				5,643,292	5,643,292
<u>\$ 74,655</u>	<u>\$ 10,978</u>	<u>\$ 760,556</u>	<u>\$ 8,117,682</u>	<u>13,709,208</u>	<u>21,826,890</u>
			\$ 60,432		60,432
			537,017		537,017
			435,941		435,941
				39,747	39,747
				679,254	679,254
				567,372	567,372
				1,370,397	1,370,397
				3,057,194	3,057,194
				8,230,483	8,230,483
				12,461,706	12,461,706
			<u>1,033,390</u>	<u>26,406,153</u>	<u>27,439,543</u>
			396,126	(396,126)	
				295,721	295,721
				550,346	550,346
			<u>396,126</u>	<u>449,941</u>	<u>846,067</u>
			1,257	(1,257)	
\$ 74,655	\$ 10,978	\$ 760,556	760,556	(760,556)	
			3,681,216	(3,681,216)	
			<u>2,245,137</u>	<u>(2,245,137)</u>	
<u>74,655</u>	<u>10,978</u>	<u>760,556</u>	<u>6,688,166</u>	<u>(6,688,166)</u>	
<u>\$ 74,655</u>	<u>\$ 10,978</u>	<u>\$ 760,556</u>	<u>\$ 8,117,682</u>	<u>20,167,928</u>	<u>28,285,610</u>
				6,175,750	6,175,750
				761,813	761,813
				(13,396,283)	(13,396,283)
				<u>\$ (6,458,720)</u>	<u>\$ (6,458,720)</u>

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT  
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE

For the Year Ended June 30, 2018

	General Fund	Non-major Special Revenue Funds	
		CEQA Funds	
		Riverbank	Waterford Hickman
<b>PROGRAM REVENUES</b>			
Charges for services			
Oakdale coverage	\$ 3,530,189		
Reimbursements from other agencies	555,745		
Fire investigation unit	160,902		
Development fees			
CEQA Fees		\$ 23,490	\$ 5,157
Operating grant revenue	140,824		
Capital reimbursement from City of Waterford for Station 24	24,654		
TOTAL PROGRAM REVENUES	4,412,314	23,490	5,157
<b>EXPENDITURES/EXPENSES</b>			
Current:			
Salaries and benefits	13,218,024		
Services and supplies	1,947,256		
Capital outlay	1,775,192		
Depreciation			
Debt service:			
Principal	485,024		
Interest	98,195		
TOTAL EXPENDITURES/EXPENSES	17,523,691		
<b>NET PROGRAM REVENUES (EXPENSES)</b>	(13,111,377)	23,490	5,157
<b>GENERAL REVENUES</b>			
Special assessments	6,795,251		
Property taxes	3,006,727		
RDA pass-through revenue	134,777		
Investment earnings	22,391	430	1,089
Miscellaneous	161,965	8	8
Gain on disposal of capital assets			
TOTAL GENERAL REVENUES	10,121,111	438	1,097
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	(2,990,266)	23,928	6,254
<b>OTHER FINANCING SOURCES/(USES)</b>			
Issuance of capital leases	2,076,490		
Proceeds from insurance	155,700		
TOTAL OTHER FINANCING SOURCES/(USES)	2,232,190		
EXCESS OF REVENUES AND EXPENDITURES OVER (UNDER) OTHER FINANCING SOURCES/(USES)	(758,076)	23,928	6,254
<b>CHANGE IN NET POSITION</b>			
Fund balance/net position, beginning of year - as previously reported	6,685,686	644,560	181
Restatement			
Fund balance/net position, beginning of year - as restated	6,685,686	644,560	181
<b>FUND BALANCE/NET POSITION, AT END OF YEAR</b>	<b>\$ 5,927,610</b>	<b>\$ 668,488</b>	<b>\$ 6,435</b>

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

Non-major Special Revenue Funds		Total Non-major Special Revenue Funds	Total Governmental Funds	Adjustments (Note K)	Statement of Activities
Development Fees Funds	Waterford Hickman				
Riverbank					
			\$ 3,530,189		\$ 3,530,189
			555,745		555,745
			160,902		160,902
\$ 5,233	\$ 8,434	\$ 13,667	13,667		13,667
		28,647	28,647		28,647
			140,824		140,824
			24,654	\$ (24,654)	
<u>5,233</u>	<u>8,434</u>	<u>42,314</u>	<u>4,454,628</u>	<u>(24,654)</u>	<u>4,429,974</u>
			13,218,024	1,954,494	15,172,518
			1,947,256	7,800	1,955,056
			1,775,192	(1,775,192)	
				532,740	532,740
			485,024	(485,024)	
			98,195	(6,845)	91,350
			<u>17,523,691</u>	<u>227,973</u>	<u>17,751,664</u>
5,233	8,434	42,314	(13,069,063)	(252,627)	(13,321,690)
			6,795,251		6,795,251
			3,006,727	(21,263)	2,985,464
			134,777		134,777
(5)	2,047	3,561	25,952		25,952
626	40	682	162,647		162,647
				127,525	127,525
<u>621</u>	<u>2,087</u>	<u>4,243</u>	<u>10,125,354</u>	<u>106,262</u>	<u>10,231,616</u>
5,854	10,521	46,557	(2,943,709)	(146,365)	(3,090,074)
			2,076,490	(2,076,490)	
			155,700	(155,700)	
			<u>2,232,190</u>	<u>(2,232,190)</u>	
5,854	10,521	46,557	(711,519)	711,519	
				(3,090,074)	(3,090,074)
68,801	457	713,999	7,399,685	(3,858,010)	3,541,675
				(6,910,321)	(6,910,321)
<u>68,801</u>	<u>457</u>	<u>713,999</u>	<u>7,399,685</u>	<u>(10,768,331)</u>	<u>(3,368,646)</u>
<u>\$ 74,655</u>	<u>\$ 10,978</u>	<u>\$ 760,556</u>	<u>\$ 6,688,166</u>	<u>\$ (13,146,886)</u>	<u>\$ (6,458,720)</u>

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended June 30, 2018

	Budgeted Amounts		(Budgetary Basis) Actual	Variance With Final Budget
	Original	Final	Amounts	
<b>REVENUES</b>				
Oakdale coverage	\$ 3,937,845	\$ 4,064,774	\$ 3,530,189	\$ (534,585)
Reimbursements from other agencies	340,000	564,448	555,745	(8,703)
Fire investigation unit	165,000	165,000	160,902	(4,098)
Operating grant revenue	226,561	226,561	140,824	(85,737)
Special assessments	6,890,435	6,765,435	6,795,251	29,816
Property taxes	3,093,816	3,093,816	3,006,727	(87,089)
RDA pass-through revenue	75,000	75,000	134,777	59,777
Use of money and property		32,671	22,391	(10,280)
Miscellaneous	138,624	138,624	161,965	23,341
Capital reimbursement from City of Waterford for Station 24			24,654	24,654
<b>TOTAL REVENUES</b>	<u>14,867,281</u>	<u>15,126,329</u>	<u>14,533,425</u>	<u>(592,904)</u>
<b>EXPENDITURES</b>				
Current				
Salaries and benefits	12,529,602	12,893,260	13,218,024	(324,764)
Services and supplies	1,663,031	1,791,759	1,947,256	(155,497)
Capital outlay	1,986,212	1,961,212	1,775,192	186,020
Debt service:				
Principal	298,700	298,700	485,024	(186,324)
Interest	98,053	98,053	98,195	(142)
<b>TOTAL EXPENDITURES</b>	<u>16,575,598</u>	<u>17,042,984</u>	<u>17,523,691</u>	<u>(480,707)</u>
<b>OTHER FINANCING SOURCES/(USES)</b>				
Issuance of capital leases			2,076,490	2,076,490
Proceeds from insurance		137,533	155,700	18,167
<b>TOTAL OTHER FINANCING SOURCES/(USES)</b>		<u>137,533</u>	<u>2,232,190</u>	<u>2,094,657</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u><u>\$ (1,708,317)</u></u>	<u><u>\$ (1,779,122)</u></u>	<u>(758,076)</u>	<u><u>\$ 1,021,046</u></u>
Fund balance, beginning of year			<u>6,685,686</u>	
<b>FUND BALANCE AT END OF YEAR</b>			<u><u>\$ 5,927,610</u></u>	

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

# STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Background: The Stanislaus Consolidated Fire Protection District, (the District) was formed on March 3, 1995 by the reorganization of the Riverbank, Waterford-Hickman and the Empire Fire Protection Districts. The District is governed by a five-member Board of Directors serving four-year terms. Three members of the Board of Directors are appointed by Stanislaus County (the County) Board of Supervisors from the community of Empire, County Board of Supervisors District 1 and County Board of Supervisors District 2 and the other two members are appointed by the Cities of Riverbank and Waterford. The District is currently subject to various State of California statutes including Health and Safety Code Sections 13800-13960 "The Fire Protection District Law of 1987" and others. The District provides direct fire protection and related services within its boundaries and provides coordinated non-emergency fire services support to all other fire protection districts through the County. The District's boundaries are detailed on the official records of Stanislaus County.

Basis of Presentation – Government-wide financial statements: The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. The District has only governmental activities which are supported primarily by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) operating and capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Interest, taxes, internally dedicated resources and other items not properly included among program revenues are reported instead as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities (whether current or noncurrent), as well as deferred outflows and inflows of resources, associated with the District's activities are reported. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year which they are levied. Exchange transactions are reported when the exchange takes place. Nonexchange transactions in which the District gives or receives value without directly receiving or giving equal value in exchange include grants and entitlements. Revenues from nonexchange transactions are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Basis of Presentation – Fund Financial Statements: The accounts of the District are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions, or limitations.

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers all revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual basis accounting except for debt service expenditures, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured and are payable from current financial resources. General capital asset acquisitions are reported as expenditures in governmental funds.

When both restricted and unrestricted net position/fund balance are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The District reports the following major governmental fund:

General Fund – The General Fund is the general operating fund of the District and accounts for revenues collected to provide services and finance the fundamental operations of the District. The fund is charged with all costs of operations.

The District also reports four nonmajor special revenue funds: The Riverbank and Waterford-Hickman CEQA Special Revenue Funds and the Riverbank and Waterford-Hickman Development Fees Funds. These funds are maintained to account for fees collected on new development as Fire Protection Facilities Fees under the authority of California Government Code 66000 et. Seq. and Stanislaus County Ordinance Code (County Code) Section 364(1) (part) 1991, which added Title 24, Fire Protection Facilities Fees, to the County Code. Development fees are collected only on those development projects not subject to the California Environment Quality Act (CEQA). These funds are held for the "construction, expansion or improvement of fire protection facilities" per Title 24, Chapter 24.01.010 of the County Code. Fire protection facility, as defined in the County Code, includes public improvements, public services and community amenities pertaining to fire protection.

Budgetary Accounting: An annual appropriated budget is adopted for the General Fund and special revenue funds by July 1 each year. Budgets are adopted on a basis consistent with generally accepted accounting principles. Budgetary control is exercised by major object and fund. All budgetary changes during the fiscal year require the approval of the District's Board of Directors. Unencumbered budget appropriations lapse at the end of the fiscal year. Expenditures of the General Fund exceeded the budget during the year ended June 30, 2018.

Restricted Assets: The District has restricted cash and investments in the CEQA and development fee funds that are restricted to certain capital improvements under the related agreements and has fiscal agent cash and investments that is restricted for debt service payments on the District's Pension Obligation Bond.

Prepaid Costs: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid costs in both government-wide and fund financial statements. Prepaid costs of governmental funds are offset by a nonspendable portion of fund balance to indicate they do not represent resources available for future appropriation.

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Due from the City of Waterford: The amount reported as due from the City of Waterford represents the amount due under an agreement requiring the City to reimburse the District for the cost of certain improvements to Fire Station 24, which was under construction as of the balance sheet date. Under the agreement, the City will pay the District \$24,654 each July from July 2018 through July 2021. No interest is due under the agreement.

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 government-wide statement of net position.

Capital Assets: Capital assets for governmental fund types are not capitalized in the funds used to acquire or construct them. Capital acquisitions are reflected as expenditures in the governmental fund, and the related assets are reported in the government-wide financial statements. Capital assets owned by the District are stated at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are recorded at the acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date.

Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 with at least five years expected life. Costs of assets sold or retired are eliminated from the accounts in the year of sale or retirement and the resulting gain or loss is included in the operating statement. In governmental funds, the sale of general capital assets is included in the statement of revenues, expenditures and changes in fund balances as proceeds from sale. Depreciation is recorded using the straight-line method over the useful lives of the assets as follows:

Buildings	15-40 years
Equipment	3-20 years
Vehicles	7-25 years
Furniture	10 years

Deferred Outflows and Inflows of Resources: In addition to assets and liabilities, the balance sheet will sometimes report separate sections for deferred outflows and inflows of resources. Deferred outflows of resources represent a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources represent an acquisition of net position that is applicable to a future reporting period. These amounts will not be recognized as an outflow of resources (expense) or and inflow of resources (revenue) until the earnings process is complete. Deferred outflows and inflows of resources include amounts deferred related to the District’s pension plan and other postemployment benefits plan as described in Note E and F, respectively. Unavailable revenues in governmental funds arise when a potential revenue source does not meet both the “measurable” and “available” criteria for recognition in the current period. Revenues unavailable because they were not received in the availability period are recognized for the government-wide presentation.

Compensated Absences: Employees accumulate vacation and sick time in accordance with the employee’s respective “Memorandum of Understanding.” The amount of vacation and sick time vested

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

and accrued depends on the years of service, employee classification, and date of hire and all vacation hours are payable at termination. The maximum number of vacation hours that may be accrued is 756 hours for employees who work 56 hours per week and 600 hours for employees who work 40 hours per week. Sick leave may be accrued with no limit. Sick leave is payable up to 25% of hours accrued if the employee terminates employment for a reason other than retirement, death or merger of the District and the remaining amount is forfeited. For employees who terminate from the District due to retirement, death or merger, sick leave may be converted to service credit for the District's pension plan, converted to health insurance benefits in retirement (OPEB) or cashed out up to a maximum percentage of hours accrued based on the employees' date of hire. The maximum percentage of accrued hours that may be cashed out is 25% if the employee was hired on or before July 1, 2017, 20% for employees hired between July 1, 2017 and December 31, 2019 and 10% for employees hired on or after January 1, 2020. The hours converted to service credit in the District's pension plan are included in the pension liability and the hours converted to health insurance benefits in retirement are included in the OPEB liability. Only the percentage of hours cashed out are included in the compensated absences liability. The current portion of the compensated absences liability is estimated based on historical trends. The cost of compensated absences is recognized in the period it is earned and is liquidated in the General Fund.

Unearned Revenues: Unearned revenues arise when resources are received by the District before it has legal claim to them (i.e., when grant monies are received prior to the incurrence of qualifying expenditures). Unearned revenues consist of payments received from Oakdale Fire Protection District and the City of Oakdale on the District's agreements to provide fire services prior to incurring qualifying expenditures. The unearned revenues are credited against future billings under the agreements.

Long-term Liabilities: In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities. In the fund financial statements, the face amount of the debt issued is reported as other financing sources when received and principal and interest payments are reported as expenditures. Issuance costs are expensed when incurred.

Fund Equity: In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned and unassigned balances.

Nonspendable Funds – Fund balance should be reported as nonspendable when the amounts cannot be spent because they are either not in spendable form, or are legally or contractually required to be maintained intact. Nonspendable balances are not expected to be converted to cash within the next operating cycle, such as prepaid costs and long-term receivables. The District had no nonspendable fund balance.

Restricted Funds – Fund balance should be reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Amounts reported as restricted fund balance represent fiscal agent cash and investments held for future bond payments as well as CEQA fees and development fees collected for future capital expenditures.

Committed Funds – Fund balance should be reported as committed when the amounts can only be used for specific purposes pursuant to constraints imposed by a Resolution of the Board of Directors. These amounts cannot be used for any other purpose unless the Board modifies, or removes the fund balance commitment with another Resolution. The District had no committed fund balance.



STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned Funds – Fund balance should be reported as assigned when the amounts are constrained by the government’s intent to be used for specific purposes but are neither restricted nor committed. The Board of Directors provides authority to create an assignment of fund balance to the Fire Chief under the Finance Policy. The District’s assigned fund balance represents amounts set aside for accrued leave balances and an amount set aside as an operating contingency reserve.

Unassigned Funds – Unassigned fund balance is the residual fund balance and includes all spendable amounts that have not been restricted, committed, or assigned to specific purposes.

Net Position: The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets – This category groups all capital assets into one component of net position. The outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category represents net position of the District not restricted for any project or other purpose.

Property Taxes and Special Assessments: Secured property taxes are recognized during the period when levied. The levy date is July 1. Under California law, property taxes are assessed up to 1% of the value of taxable property, plus other increases approved by the voters. The County is responsible for assessing and collecting secured property taxes for the District in accordance with enabling state legislation. The county apportions secured taxes to the district under the “Teeter plan” – California Revenue and Taxation Code Sections 4701-4717. A complex allocation formula is used to distribute secured and supplemental taxes to the County and its districts. The District is credited with 100 percent of its apportionments regardless of the actual collections and delinquencies and accordingly, penalties and interest collected by the County are not allocated to the District. Apportionments are distributed according to the following schedule:

<u>Action</u>	<u>Date</u>	<u>Percent</u>
1st Apportionment	by December 25th	55 Percent
2nd Apportionment	by April 25th	40 Percent
3rd Apportionment	by June 25th	5 Percent

Supplemental unsecured property taxes and special assessments are considered measurable and available when collected. The District assesses supplemental unsecured property taxes and special assessments on real property per California Government Code Section 50078. These assessments are not based on property values but on usage and are levied by parcel, square footage, dwelling unit, and/or space in accordance with Proposition 218. The assessments are remitted to the County for collection with secured property tax billings. The County deposits collections in the District’s County treasury account. The County does not maintain separate accounts receivable by year but remits past due amounts upon collection. The special assessments are for the purpose of obtaining, furnishing, operating and

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

maintaining fire suppression equipment or apparatus or for the purpose of paying the salaries and benefits of firefighting personnel, or both, whether or not fire suppression services are actually used by or upon a parcel, improvement or property.

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

Other Postemployment Benefits Plan (OPEB): For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. The District has no investments in its OPEB plans.

Interfund Transfers: Resources are reallocated between funds by reporting them as interfund transfers. For the purposes of the statement of activities, all interfund transfers within individual governmental funds have been eliminated. See Note E for more information about interfund transfers.

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 expenditures. Actual results could differ from those estimates.

New Pronouncements: In June 2015, the GASB issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)", replaces the requirements of GASB Statement No. 45 and requires governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria to report a net OPEB liability, which is the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments, on the face of the financial statements. Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan. Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. This Statement also requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. This Statement is effective beginning the year ended June 30, 2018.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset (example is decommissioning a water treatment plant). A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement requires that recognition occur when the liability

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The best estimate should include probability weighting of all potential outcomes, when such information is available or can be obtained at reasonable cost. The requirements of this Statement are effective for periods beginning after June 15, 2018.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). Topics include criteria for an enterprise fund to blend a component unit, measuring certain money market investments at amortized cost, timing of pension and OPEB liabilities and expenditures under the current financial resources measurement focus, presenting payroll related measures in RSI for OPEB plans, classifying employer paid member contributions for OPEB plans, accounting and financial reporting for multiple-employer defined benefit OPEB Plans. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

In June 2017, the GASB issued Statement No. 87, *Leases*. 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. 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. A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the lease guidance, unless specifically excluded in this Statement. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

The District is currently analyzing the impact of the required implementation of these new statements.

NOTE B – CASH AND INVESTMENTS

At June 30, 2018, the District's cash and investments consisted of the following:

Cash and investments	\$ 6,793,540
Restricted cash and investments	<u>761,813</u>
	<u>\$ 7,555,353</u>
Deposits in financial institutions	\$ 2,598,178
Money market mutual funds	1,257
Investment in County of Stanislaus investment pool	<u>4,955,918</u>
Total cash and investments	<u>\$ 7,555,353</u>

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018

NOTE B – CASH AND INVESTMENTS (Continued)

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

The County of Stanislaus (the County) maintains a cash and investments pool and allocates interest to the various funds quarterly based upon the average daily balances. Investments in the County pool are available on demand and are stated at fair value. The fair value of the County's cash and investment pool is determined by the fair value of the underlying investments. Information about the County pool may be obtained from the notes to the County's financial statements at [www.stancounty.com/auditor](http://www.stancounty.com/auditor).

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2018, the weighted average maturity of the investments contained in the County's investment pool and money market mutual fund was approximately 244 and less than 30 days, respectively.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating issued by a nationally recognized statistical rating organization. The County's investment pool does not have a rating provided by a nationally recognized statistical rating organization. The money market mutual fund was rated AAA at June 30, 2018.

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

At June 30, 2018, the carrying amount and balance per bank of the District's bank deposits were \$2,598,178 and \$3,087,464, respectively. Of the balance per bank, \$250,000 was covered by federal depository insurance and the remaining amount was collateralized by the pledging financial institution's investment securities, which were not in the name of the District.

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018

NOTE C – CAPITAL ASSETS

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

	Balance at June 30, 2017	Additions	Retirements	Reclassifications	Balance at June 30, 2018
Capital assets, not being depreciated:					
Land	\$ 280,000				\$ 280,000
Work in process		\$ 623,254			623,254
Construction in process	2,494,688	1,116,571		\$ (3,611,259)	
Total capital assets being depreciated	<u>2,774,688</u>	<u>1,739,825</u>		<u>(3,611,259)</u>	<u>903,254</u>
Capital assets, being depreciated:					
Buildings and improvements	1,651,946	11,737	\$ (92,208)	3,611,259	5,182,734
Vehicles	5,197,748	23,630			5,221,378
Furniture and equipment	2,003,402				2,003,402
Total capital assets being depreciated	<u>8,853,096</u>	<u>35,367</u>	<u>(92,208)</u>	<u>3,611,259</u>	<u>12,407,514</u>
Less accumulated depreciation:					
Building and improvements	(543,793)	(93,047)	64,033		(572,807)
Vehicles	(2,774,971)	(355,291)			(3,130,262)
Furniture and equipment	(1,457,381)	(84,402)			(1,541,783)
Total accumulated depreciation	<u>(4,776,145)</u>	<u>(532,740)</u>	<u>64,033</u>		<u>(5,244,852)</u>
Total capital assets being depreciated, net	<u>4,076,951</u>	<u>(497,373)</u>	<u>(28,175)</u>	<u>3,611,259</u>	<u>7,162,662</u>
Capital assets, net	<u>\$ 6,851,639</u>	<u>\$ 1,242,452</u>	<u>\$ (28,175)</u>	<u>\$ -</u>	<u>\$ 8,065,916</u>

Total depreciation expense for the year ended June 30, 2018 was \$532,740. Buildings and improvements above include the cost of land acquired with fire stations. The District is researching the cost of land to reclassify as nondepreciable assets. The District recorded two fire stations at no value rather than at the fair value at the date of acquisition as required by generally accepted accounting principles. The District is researching the value of the fire stations.

The land included in the table above represents the value of land acquired from the City of Waterford in a land swap to provide land for the Station 24 Replacement project reported as part of construction in progress above. The District provided land with a value of \$280,000 to the City for a parcel of land valued at \$205,000 and \$76,025 in development fee credits, of which \$75,000 were capitalized.

NOTE D – LONG-TERM LIABILITIES

The following is a summary of long-term liabilities activity for the year ended June 30, 2018:

	Balance June 30, 2017	Additions	Repayments	Balance June 30, 2018	Due Within One Year	Due in More Than One Year
Pension obligation bond	\$ 2,033,100		\$ (298,700)	\$ 1,734,400	\$ 328,100	\$ 1,406,300
Bank loan		\$ 1,500,000	(62,966)	1,437,034	132,523	1,304,511
Capital lease		576,490	(123,358)	453,132	106,749	346,383
Compensated absences	1,867,401	801,187	(618,937)	2,049,651	679,254	1,370,397
	<u>\$ 3,900,501</u>	<u>\$ 2,877,677</u>	<u>\$ (1,103,961)</u>	<u>\$ 5,674,217</u>	<u>\$ 1,246,626</u>	<u>\$ 4,427,591</u>

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018

NOTE D – LONG-TERM LIABILITIES (Continued)

Pension Obligation Bond: On May 26, 2011 the District’s Board of Directors authorized the issuance of the 2011 Taxable Pension Obligation Bonds to refinance outstanding side fund obligations of the District’s pension plan with the California Public Employee’s Retirement System (CalPERS) in the amount of \$3,209,800. Principal and interest payments are due each January 15 and July 15 through July 15, 2022. Principal and interest payments range from \$163,589 to \$231,753 annually. The bond is payable at a fixed 5% interest rate per annum unless in default when the rate would increase to 8%. Upon default, the trustee may declare all payments immediately due and payable.

Bank Loan: On October 1, 2017, the District entered into a \$1,500,000 lease purchase agreement with a bank to finance a portion of the improvements on Station 24 in Waterford, California. The agreement is structured as a sale by the District to the bank and lease-back by the District of two 2016 Pierce/Velocity Engines (Engines #26 and #21) and a 2013 Pierce/Velocity Engine, secured by a lien on the engines. Since the agreement has provisions that limit the transfer of risks and rewards of ownership to the bank, the agreement is accounted for as a secured financing under GASB Statement No. 62. Principal and interest payments will range from \$80,236 to 85,030 and are due each April 1 and October 1 from April 1, 2018 to October 1, 2027. The loan is payable at a fixed interest rate of 2.33% per annum unless in default when the rate would increase to 12%.

Capital Lease: On May 10, 2018, the District entered into a \$576,490 master equipment lease purchase agreement with a bank to purchase a 2018 Rosenbauer Engine. The lease is secured by a lien on the engine. Principal and interest payments of \$124,758 are due on each June 1 from June 1, 2018 to June 1, 2022 at approximately 4% unless in default when the rate would increase to 10%. The District would also be liable for any unpaid lease payments not covered by the repossession of the leased asset and the bank may declare all payments immediately due and payable under default provisions. The leased asset had a cost of \$576,490 and no accumulated amortization at June 30, 2018.

Future payments on the bond, bank loan and capital lease will be as follows:

Year Ended June 30,	Pension Bond			Bank Loan		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 328,100	\$ 82,758	\$ 410,858	\$ 132,523	\$ 32,743	\$ 165,266
2020	359,300	65,970	425,270	140,479	29,582	170,061
2021	392,700	47,595	440,295	143,770	26,289	170,059
2022	428,200	27,525	455,725	147,141	22,920	170,061
2023	226,100	5,652	231,752	150,589	19,472	170,061
2024-2028				722,532	42,737	765,269
	<u>\$ 1,734,400</u>	<u>\$ 229,500</u>	<u>\$ 1,963,900</u>	<u>\$ 1,437,034</u>	<u>\$ 173,743</u>	<u>\$ 1,610,777</u>

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018

NOTE D – LONG-TERM LIABILITIES (Continued)

	Capital Lease		
	Principal	Interest	Total
2019	\$ 106,749	\$ 18,009	\$ 124,758
2020	110,991	13,767	124,758
2021	115,403	9,356	124,759
2022	119,989	4,769	124,758
	<u>\$ 453,132</u>	<u>\$ 45,901</u>	<u>\$ 499,033</u>

NOTE E – DEFINED BENEFIT PENSION PLAN

Plan Descriptions: All qualified permanent and probationary employees are eligible to participate in the District’s cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS). The District participates in CalPERS PERF C Plan, which is made up of the Miscellaneous and Safety cost sharing pools and the following rate plans:

Miscellaneous Classic Rate Plan	Safety Fire Rate Plan
Miscellaneous PEPRA Rate Plan	Safety Fire PEPRA Rate Plan

Benefit provisions under the Plan are established by State statute and resolution of the Board of Directors. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at [www.calpers.ca.gov](http://www.calpers.ca.gov).

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 (52 for PEPRA Miscellaneous rate plan) 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 1959 Survivor Benefit level 4 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, 2018 are summarized as follows:

	Miscellaneous Pool		Safety Pool	
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
CalPERS membership date				
Benefit formula (at full retirement)	2.7% @ 55	2% @ 62	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50-67	52-67	50-55	50-57
Monthly benefits, as a % of eligible compensation	2% to 2.7%	1% to 2.5%	3.00%	2.0% to 2.7%
Final average compensation period	1 year	3 years	1 year	3 years
Required employer contributions rates	11.675%	6.533%	19.723%	11.990%
Required employee contributions rates	8.000%	6.250%	9.000%	11.500%

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

The Miscellaneous Classic and Safety Fire rate plans are closed to new members that were not CalPERS eligible participants as of December 31, 2012.

**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 Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is 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.

For the year ended June 30, 2018, the contributions made to the Plan were as follows:

	Miscellaneous Pool	Safety Pool	Total
Actual contribution - employer	\$ 43,990	\$ 1,706,006	\$ 1,749,996

**Net Pension Liability:** As of June 30, 2018, the District reported a net pension liability for its proportionate share of the net pension liability of each risk pool as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous Pool	\$ 423,280
Safety Fire Pool	<u>12,038,426</u>
Total Net Pension Liability	<u><u>\$ 12,461,706</u></u>

The District’s net pension liability for each risk pool is measured as the proportionate share of the net pension liability. The net pension liability of each of the risk pools is measured as of June 30, 2017, and the total pension liability for each risk pool used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 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 risk pools relative to the projected contributions of all participating employers, actuarially determined. The District’s proportionate share of the net pension liability for each risk pool as of June 30, 2018 and 2017 was as follows:

	<u>Miscellaneous</u>	<u>Safety Fire</u>
Proportion - June 30, 2017	0.01053%	0.19932%
Proportion - June 30, 2018	<u>0.01074%</u>	<u>0.20147%</u>
Change - Increase (Decrease)	<u><u>0.00021%</u></u>	<u><u>0.00215%</u></u>

**Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:** For the year ended June 30, 2018, the District had pension expense of \$2,679,694 for the Plan. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:



STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

	Miscellaneous Pool		Safety Pool		Totals	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 43,990		\$ 1,706,006		\$ 1,749,996	
Changes in Assumptions	69,306	\$ (5,285)	1,987,310	\$ (152,472)	2,056,616	\$ (157,757)
Difference between expected and actual experience	559	(8,003)	137,032	(35,728)	137,591	(43,731)
Difference between employer's contributions and the employer's proportionate share of contributions		(18,420)	397,418	(29,581)	397,418	(48,001)
Change in employer's proportion	16,881	(128)	694,999	(46,104)	711,880	(46,232)
Net differences between projected and actual earnings on plan investments	15,674		433,311		448,985	
Total	<u>\$ 146,410</u>	<u>\$ (31,836)</u>	<u>\$ 5,356,076</u>	<u>\$ (263,885)</u>	<u>\$ 5,502,486</u>	<u>\$ (295,721)</u>

The \$1,749,996 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as pension expense as follows:

Fiscal Year Ended	
June 30	
2019	\$ 1,123,215
2020	1,593,096
2021	1,003,312
2022	(262,854)
	<u>\$ 3,456,769</u>

Actuarial Assumptions: The total pension liability in the June 30, 2016 actuarial valuations for each of the risk pools were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	Varies by Entry Age and Service
Projected Salary Increase	3.2% - 20% (1)
Investment Rate of Return	7.375%
Mortality	Derived using CalPERS Membership Data for all Funds

(1) Depending on age, service and type of employment

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an April 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

Change of Assumptions: During the year ended June 20, 2018, the discount rate was lowered to 7.15%.

Discount Rate: The discount rate used to measure the total pension liability was 7.15% in the June 30, 2017 accounting valuation for each risk pool. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each risk pool, CalPERS stress tested risk pools that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested risk pools run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all risk pools in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

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

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

Asset Class	New Strategic Allocation	Real Return Years 1-10(a)	Real Return Years 11+(b)
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
Total	100.00%		

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

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

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018

NOTE E – DEFINED BENEFIT PENSION PLAN (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 each risk pool, calculated using the discount rate for each risk pool, 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:

	<u>Miscellaneous</u>	<u>Safety Fire</u>	<u>Total</u>
1% Decrease	6.15%	6.15%	6.15%
Net Pension Liability	\$ 651,734	\$ 18,603,674	\$ 19,255,408
Current Discount Rate	7.15%	7.15%	7.15%
Net Pension Liability	\$ 423,280	\$ 12,038,426	\$ 12,461,706
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability	\$ 234,070	\$ 6,671,663	\$ 6,905,733

Pension Plan Fiduciary Net Position: Detailed information about each risk pool’s fiduciary net position is available in the separately issued CalPERS financial reports.

Payables to the Plan: Contributions payable to the Plan were \$86,408 at June 30, 2018.

NOTE F – OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description: The District’s other postemployment benefits (OPEB) plan (the Plan) is a single-employer defined benefit healthcare plan administered by the District. The Plan provides access to healthcare benefits for eligible retirees and their dependents. Employees are eligible to participate in the District’s Retiree Healthcare Plan if they have accrued sick leave. The Board of Directors has the authority to establish and amend the benefit provisions of the Plan subject to collective bargaining arrangements. The District’s Plan does not issue separate financial statements. No assets are accumulated in a trust fund that meets the criteria in paragraph 4 of GASB Statement No. 75.

Funding Policy: The District provides retiree medical benefits through the California Public Employees’ Medical and Hospital Care Act (PEMHCA). The District pays the PEMHCA minimum contribution for active employees up to a limit related to a percentage of accrued sick leave the employee has at the date of retirement. Participants are not required to contribute to the Plan. The District allows retired employees to use the value of 25% of their accrued sick leave to pay medical insurance premiums in retirement at the District’s health plan premium rate rather than taking a cash payment for sick leave. The District funds the benefits on a pay-as-you-go basis. No trust has been established to hold plan assets. In May 2014, the Actuarial Standards Board released revisions to ASOP 6 requiring that the implied subsidy for claims in excess of premiums be valued for community rated plans such as PEMHCA.

Employees Covered by Benefit Terms: At June 30, 2017 valuation date, the following employees were covered by the Plan’s benefit terms:

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018

NOTE F – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

Active employees	79
Inactive employees or beneficiaries currently receiving benefit payments	9
	<u>88</u>

Contributions: The contribution requirements of Plan members and the District are established and may be amended by the District’s Board of Directors subject to the District’s Memorandums of Understanding with bargaining units. The required contribution is based on the actual retiree health insurance premium stipend required under the Plan. For the year ended June 30, 2018, the District contributed \$140,806 to the Plan through pay-as-you-go health and dental insurance benefit payments on behalf of Plan members. Plan members did not make any contributions to the Plan and the Plan is unfunded. The District does not contribute to a trust fund on behalf of employees.

Net OPEB Liability: The District’s net OPEB liability of \$8,230,483 was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017.

Actuarial Assumptions: The net OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2017
Measurement date	June 30, 2017
Actuarial cost method	Entry-age normal cost method
Actuarial assumption:	
Discount rate	3.58%
Inflation	2.75%
Aggregate salary increase	3.00%
Healthcare cost trend rates	Non-Medicare - 7.5% for 2020, decreasing to 4.0% in 2076 and later years. Medicare - 6.5% for 2020, decreasing to 4.0% in 2076 and later years.
Dental and vision trend rate	3.00%
Mortality, Retirement, Disability, Termination	Deriving using CalPERS 1997-2015 Experience Study
Contribution Policy	No pre-funding
Participation rates	Active medial 100%; dental 0% and vision current election.

Mortality improvements were based on a Society of Actuaries table. Short-term medial trend was developed based on consultation with a healthcare actuary. Long-term medical trend was developed using the Society of Actuaries Getzen Model of Long-Run Medical Cost Trends. CalPERS experience study reports may be accessed on the CalPERS website at [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.

Discount Rate: The discount rate used to measure the total OPEB liability was 3.58%. The discount rate is based on a Bond Buyer 20-bond Index: The 20-Bond index consist of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody’s Investors Service’s Aa2 rating and Standard & Poor’s Corp.’s AA.

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018

NOTE F – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

Changes in the OPEB Liability:

	<u>Total and Net OPEB Liability</u>
Balance at June 30, 2017	\$ 7,910,417
Changes for the year:	
Service cost	787,560
Interest on the total OPEB liability	246,283
Assumption changes	(600,837)
Benefit payments	<u>(112,940)</u>
Net changes	<u>320,066</u>
Balance at June 30, 2018	<u>\$ 8,230,483</u>

Sensitivity of the OPEB Liability to Changes in the Discount Rate: The following presents the total OPEB liability of the District, as well as what the District’s total OPEB 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 discount rate:

	1% Decrease	Current Discount Rate	1% Increase
	<u>2.58%</u>	<u>3.58%</u>	<u>4.58%</u>
Total OPEB liability	\$ 9,063,581	\$ 8,230,483	\$ 7,469,914

Sensitivity of the OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that is 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total OPEB liability	\$ 7,316,555	\$ 8,230,483	\$ 9,322,896

OPEB Plan Fiduciary Net Position: The Plan does not have fiduciary net position as the District does not contribute to a qualified trust fund on behalf of the participants.

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018

NOTE F – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources: For the year ended June 30, 2018, the District recognized OPEB expense of \$983,352. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions		\$ 550,346
Employer contributions made subsequent to the measurement date	<u>\$ 140,806</u>	
Total	<u>\$ 140,806</u>	<u>\$ 550,346</u>

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability during the following fiscal year. Other amount reported as deferred outflows of resources and deferred inflow of resources related to OPEB will be recognized in OPEB expenses as follows:

Year Ended June 30	
2019	\$ (50,591)
2020	(50,591)
2021	(50,591)
2022	(50,591)
2023	(50,591)
Thereafter	<u>(297,391)</u>
	<u>\$ (550,346)</u>

NOTE G – RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance to cover claims and judgements against it. The District also participates in two Joint Powers Authorities (JPA), which are public entity risk pools that provide worker’s compensation insurance coverage, risk management and excess insurance.

Fire Agencies Self Insurance System: The District participates in the Fire Agencies Self Insurance System (FASIS) for worker’ compensation insurance coverage. FASIS was created pursuant to a Joint Powers Agreement between several California fire districts. FASIS exists to provide a program to pool worker’s compensation coverage for participating agencies. Each agency pays an annual premium to the system based on the number of personnel, estimated payroll and an experience factor, which is adjusted to reflect actual payroll and experience. FASIS reinsures through the Local Agency Excess Worker’s

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018

NOTE G – RISK MANAGEMENT (Continued)

Compensation Authority, a joint powers authority, for claims in excess of \$750,000 per insured event. The District has no self-insured retention under the policy. Withdrawal from FASIS may be made only at the end of the fiscal year, and with twelve months’ notice. Separate financial statements are available at [www.fasisjpa.org](http://www.fasisjpa.org).

**SDRMA:** The District participates in the Special Districts Risk Management Authority (SDRMA) for general and auto liability, public officials’ and employees’ errors and omissions, employment practices, employee dishonesty, property loss, boiler and machinery, public officials’ personal liability and comprehensive and collision coverage. SDRMA is a risk-pooling self-insurance authority created under the provisions of the California Government Code Sections 6500 et. seq. Its purpose is to provide a full risk management program for California local governments. The District pays and annual premium based on its pro-rata share of charges for the pooled risk, claims adjusting, legal costs and administrative costs to operate the SDRMA.

The District’s deductible and coverage for SDRMA are as follows:

	<u>Coverage</u>	<u>Deductible</u>
General and auto liability (includes errors and omissions)	\$ 2,500,000	\$ 500-1,000
Employee dishonesty	1,000,000	none
Property loss	1 billion	1,000
Boiler and machinery	100,000,000	1,000
Public officials personal liability	500,000	1,000
Comprehensive and collision	fully insured	250-1,000

The District has not had any claims exceed insurance coverage and has not had any reductions of insurance coverage during the past three years.

NOTE H – COMMITMENTS AND CONTINGENCIES

**Contingencies:** The District is a party to claims and lawsuits arising in the normal course of business. The District’s management does not believe that the ultimate liability, if any, arising from these claims will have a material adverse impact on the financial position of the District.

The District has agreements to provide fire services to the City of Oakdale and Oakdale Fire Protection District (jurisdictions). The District shares overhead with the jurisdictions under the agreements. In addition, the District hired a number of employees from these jurisdictions to provide services under the agreements whose salaries and benefits are covered by payments under the agreements. The jurisdictions terminated the contracts effective June 30, 2019 and the District laid off 25 fire protection employees as a result of this action. The employees were hired by another local agency.

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018

NOTE I – REGIONAL FIRE TRAINING COST SHARING AGREEMENT

Stanislaus Consolidated Fire Protection District is part of an agreement between Stanislaus County, City of Modesto and the Yosemite Community College District for construction and operation of the Regional Fire Training Center (RFTC) located in Modesto, California. There are approximately fifteen districts involved in this agreement. In the past, the county fire agencies’ portion of the Regional Fire Training Center agreement was paid individually by each signatory agency. With the approval to use Less Than County-Wide dollars to fund the county fire agency portion of the contract, each agency will no longer need to individually budget for reimbursement.

NOTE J - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Amounts reported for governmental activities in the governmental funds balance sheet are being adjusted to arrive at the statement of net position. The adjustments are as follows at June 30, 2018:

Fund balances - total governmental funds	\$ 6,688,166
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	8,065,916
Deferred outflows of resources related to the pension and OPEB plans will reduce the pension and OPEB liability in the future.	
Pension deferred outflows	5,502,486
OPEB deferred outflows	140,806
Long-term liabilities are not due and payable in the current period and accordingly are not reported in governmental funds. All liabilities, both current and long-term, are reported in the statement of net position. Those liabilities consist of:	
Interest payable	(39,747)
Compensated absences	(2,049,651)
Debt	(3,624,566)
Other postemployment benefits liability	(8,230,483)
Net pension obligation	(12,461,706)
Long-term receivables are not available to pay current period expenditures and, therefore, are not recognized in the governmental funds. This amount represents deferred inflows of resources related to unavailable revenues recognized.	396,126
Deferred inflows of resources related to the pension and OPEB plans will be reflected in the pension and OPEB liability in the future.	
Pension deferred inflows	(295,721)
OPEB deferred inflows	<u>(550,346)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (6,458,720)



STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018

NOTE J – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS  
(CONTINUED)

Amounts reported for governmental activities in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances are adjusted to arrive at the Statement of Activities for Government-wide presentation. The adjustments for the fiscal year ended June 30, 2018 are as follows:

Net change in fund balance - Governmental Funds \$ (711,519)

The change in net position for governmental activities in the statement of activities is different because:

Some receivables that are deferred in governmental funds because the amounts do not represent current financial resources are recognized in the statement of net position. This amount represents the change in deferred inflows of resources - unavailable revenues. (53,717)

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:

Capital outlay	1,775,192
Depreciation	(532,740)

Governmental funds report proceeds from disposal of capital assets as revenues. However, in the government-wide statement of activities only the gain or (loss) on the sale of capital assets is reported. This is the difference between the gain or (loss) and proceeds. (28,175)

Deferred outflows and inflows related to the District's pension and OPEB plans do not result in the receipt or use of current financial resources and are not reported in the governmental funds.

Change in deferred outflows of resources - pension plan	403,518
Change in deferred outflows of resources - OPEB plan	27,866
Change in deferred inflows of resources - pension plan	439,159
Change in deferred inflows of resources - OPEB plan	(550,346)

Governmental funds report debt issuance as revenue and debt service payments as expenditures. However, in the statement of activities, borrowing and repayments of principal of indebtedness increase and reduce long-term liabilities in the statement of net position.

Principal payments	485,024
Proceeds from debt	(2,076,490)

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 accrued interest payable	6,845
Change in compensated absences liability	(182,250)
Change in other postemployment benefits liability	(320,066)
Change in net pension liability	<u>(1,772,375)</u>

NET CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (3,090,074)

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018

NOTE K – SUBSEQUENT EVENTS

As discussed in Note H, the City of Oakdale and Oakdale Fire Protection District (jurisdictions) terminated the fire services agreements with the District. The District laid off 25 fire services personnel due to this action, effective July 1, 2019.

NOTE L – RELATED PARTY TRANSACTIONS

The District’s Board of Directors is appointed by the County of Stanislaus, City of Riverbank and City of Waterford. The County of Stanislaus collected tax revenue on behalf of the District for an administration fee of \$44,419 and provided dispatch services to the District for \$140,583 during the year ended June 30, 2018.

NOTE M – RESTATEMENT

During the year ended June 30, 2018, the District adopted the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Due to the implementation of this Statement, the District recorded deferred outflows of resources and a net OPEB liability, resulting in a reduction of June 30, 2017 net position as follows:

	Fund Balance General Fund	Government- wide Net Position
	<u>                    </u>	<u>                    </u>
Net Position as originally reported - June 30, 2017	\$ 6,685,686	\$ 3,541,675
To adjust OPEB deferred outflows to implement GASB Statement No. 75		112,940
To adjust net OPEB liability to implement GASB Statement No. 75		<u>(7,023,261)</u>
Total effect of changes		<u>(6,910,321)</u>
Net Position as restated - June 30, 2017	<u>\$ 6,685,686</u>	<u>\$ (3,368,646)</u>

REQUIRED SUPPLEMENTARY INFORMATION

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STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2018

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY - MISCELLANEOUS RISK POOL (UNAUDITED)**

Last 10 Years

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Proportion of the net pension liability	0.01074%	0.01053%	0.00993%	0.00329%
Proportionate share of the net pension liability	\$ 423,280	\$ 365,749	\$ 272,467	\$ 204,566
Covered payroll - plan measurement period	\$ 299,389	\$ 124,291	\$ 121,708	\$ 120,671
Proportionate share of the net pension liability as percentage of covered payroll	141.38%	294.27%	223.87%	169.52%
Plan fiduciary net position	\$ 1,237,636	\$ 1,154,611	\$ 1,033,925	\$ 1,000,805
Plan fiduciary net position as a percentage of the total pension liability	74.52%	75.94%	79.14%	83.03%

**SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN - MISCELLANEOUS RISK POOL (UNAUDITED)**

Last 10 Years

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	\$ 43,990	\$ 40,536	\$ 21,302	\$ 17,637
Contributions in relation to the actuarially determined contributions	43,990	40,536	21,302	17,637
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll - employer fiscal year	\$ 298,209	\$ 299,389	\$ 124,291	\$ 121,708
Contributions as a percentage of covered payroll	14.75%	13.54%	17.14%	14.49%
Notes to schedule:				
Valuation date:	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Measurement date:	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Investment rate of return and discount rate used to compute contribution rates	7.375%	7.50%	7.50%	7.50%
Benefit changes: There were no changes to benefit terms.				

Methods and assumptions used to determine contribution rates

Actuarial method	Entry Age Normal Cost Method
Amortization method	Difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over average remaining service life of participants
Remaining amortization period	Not stated
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	Varies depending on entry age and service
Retirement age	50-67 years. Probabilities of retirement are based on the 2010 CalPERS Experience Study for the period 1997 to 2007.
Mortality	CalPERS specific data from January 2014 Actuarial Experience Study for the period 1997 to 2011 that uses 20 years of mortality improvements using Society of Actuaries Scale BB.

Omitted Years: GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date. Future years will be reported prospectively as they become available.

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2018

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY - SAFETY RISK POOL (UNAUDITED)**

**Last 10 Years**

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Proportion of the net pension liability	0.20147%	0.19932%	0.19168%	0.17845%
Proportionate share of the net pension liability	\$ 12,038,426	\$ 10,323,582	\$ 7,898,392	\$ 6,693,660
Covered payroll - plan measurement period	\$ 6,144,593	\$ 3,607,135	\$ 3,537,615	\$ 3,502,073
Proportionate share of the net pension liability as percentage of covered payroll	195.92%	286.20%	223.27%	191.13%
Plan fiduciary net position	\$ 34,884,002	\$ 30,786,357	\$ 30,253,274	\$ 29,329,698
Plan fiduciary net position as a percentage of the total pension liability	74.34%	74.89%	79.30%	83.03%

**SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN - SAFETY RISK POOL (UNAUDITED)**

**Last 10 Years**

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	\$ 1,706,006	\$ 1,537,840	\$ 1,393,099	\$ 888,762
Contributions in relation to the actuarially determined contributions	1,706,006	1,537,840	1,393,099	888,762
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll - employer fiscal year	\$ 6,366,319	\$ 6,144,593	\$ 3,607,135	\$ 3,537,615
Contributions as a percentage of covered payroll	26.80%	25.03%	38.62%	25.12%
Notes to schedule:				
Valuation date:	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Measurement date:	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Investment rate of return and discount rate used to compute contribution rates	7.375%	7.50%	7.50%	7.50%
Benefit changes: There were no changes to benefit terms.				

Methods and assumptions used to determine contribution rates

Actuarial method	Entry Age Normal Cost Method
Amortization method	Difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over average remaining service life of participants
Remaining amortization period	Not stated
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	Varies depending on entry age and service
Retirement age	50-67 years. Probabilities of retirement are based on the 2010 CalPERS Experience Study for the period 1997 to 2007.
Mortality	CalPERS specific data from January 2014 Actuarial Experience Study for the period 1997 to 2011 that uses 20 years of mortality improvements using Society of Actuaries Scale BB.

Omitted Years: GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date. Future years will be reported prospectively as they become available.

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2018

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS (UNAUDITED)**

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 787,560
Interest	246,283
Changes in benefit terms	
Differences between expected and actual experience	
Changes in assumptions	(600,837)
Benefit payments	<u>(112,940)</u>
Net change in total OPEB liability	320,066
Total OPEB liability - beginning	<u>7,910,417</u>
Total OPEB liability - ending (a)	<u><u>\$ 8,230,483</u></u>
Plan fiduciary net position - ending (b)	<u><u>\$ -</u></u>
Net OPEB liability - ending (a)-(b)	<u><u>\$ 8,230,483</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u><u>0.00%</u></u>
Covered-employee payroll - measurement period	<u><u>\$ 8,912,229</u></u>
Net OPEB liability as percentage of covered-employee payroll	<u><u>92.35%</u></u>

Notes to schedule:

Benefit Changes: None

Changes in Assumptions: Changes occurred, but nature not stated.

Omitted years: GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2018

**SCHEDULE OF CONTRIBUTIONS TO THE OPEB PLAN (UNAUDITED)**

	<u>2018</u>
Contractually determined contribution - employer fiscal year	\$ 140,806
Contributions in relation to the contractually determined contributions	<u>(140,806)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll - employer fiscal year	\$ 9,326,775
Contributions as a percentage of covered-employee payroll	1.51%

**Notes to Schedule:**

Valuation date	June 30, 2017
Measurement period - fiscal year ended	June 30, 2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Cost Method
Amortization method/period	Level percentage of payroll over working lifetime of employees of 11.9 years.
Inflation	2.75%
Payroll growth	3.00%
Healthcare cost-trent rate	Non-Medicare 7.5% decreasing to 6.5% and Medicare 6.5% decreasing to 4%
Retirement age	Retire directly from the District under Calpers. Age 55 to 62 and 5 years of service or disabled.
Mortality	Derived using CalPERS membership data.

Omitted years: GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.



## COMPLIANCE REPORTS

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*

To the Board of Directors  
Stanislaus Consolidated Fire Protection District  
Riverbank, 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, the major fund and the aggregate remaining fund information of the Stanislaus Consolidated Fire Protection District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 29, 2019. As described in Note C to the basic financial statements, our opinions were modified due to the District not reporting capital assets in accordance with generally accepted accounting principles.

**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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control described as finding 2018-001 in the accompanying schedule of findings and responses that we consider to be a material weakness.

To the Board of Directors  
Stanislaus Consolidated Fire Protection District

### **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 that are required to be reported under *Government Auditing Standards*.

### **The District's Response to Findings**

The District's response to the findings identified in our audit is describe in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 result of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Richardson & Company, LLP*

August 29, 2019

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2018

INTERNAL CONTROL OVER FINANCIAL REPORTING

CURRENT YEAR FINDINGS

FINDING 2018-001

Criteria: Internal controls over financial reporting should be in place to ensure management has the ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

Condition: Numerous adjustments to the June 30, 2018 financial statements were identified during the audit.

Effect: The adjustments were significant enough that amounts reported to the board and external parties were materially misstated.

Cause: The District did not record all of the prior year audit adjustments and reverse all prior year accruals, did not use a closing checklist to identify all accounts requiring reconciliation prior to the start of the audit and did not include all of the accounts necessary to record the District's financial activity in the general ledger.

Recommendation: We recommend the district post all audit fiscal year 2017/18 audit adjustments, reverse any accrual entries during fiscal year 2018/19 to ensure amounts accrued are not reported as fiscal year 2018/19 revenues and expenses, use a closing checklist to identify all accounts requiring reconciliation and perform those reconciliations and record closing entries prior to the start of the audit. We also recommend the District set up all missing accounts included in audit adjustments in its general ledger and update those accounts in the future during the closing process, including establishing a fund for government-wide accounts containing all accounts necessary to report activity on the accrual basis.

Management's Response: The District will implement the recommendations prior to the June 30, 2019 audit.

PRIOR YEAR FINDINGS

Finding 2018-001 is a continuation of the June 30, 2017 finding related to internal control over financial reporting.

COMPLIANCE AND OTHER MATTERS

CURRENT YEAR FINDINGS

None

PRIOR YEAR FINDINGS

None