

**RODEO - HERCULES FIRE PROTECTION DISTRICT  
HERCULES, CALIFORNIA**

**BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2017**

**Harshwal & Company LLP  
Certified Public Accountants  
266 17th Street, Suite 200  
Oakland, CA 94612  
(510) 452-5051**

**RODEO - HERCULES FIRE PROTECTION DISTRICT**

**JUNE 30, 2017**

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## **FINANCIAL SECTION**

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of the  
Rodeo - Hercules Fire Protection District  
Hercules, California

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

We have audited the accompanying financial statements of the governmental activities and each major fund, of the Rodeo - Hercules Fire Protection District, (the "District") as of and for the year ended June 30, 2017, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund, of the Rodeo - Hercules Fire Protection District as of June 30, 2017 and the respective changes in financial position and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, pension and other post employment benefit tables 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 Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rodeo - Hercules Fire Protection District, California's basic financial statements. The Supplemental Information as listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with Government Auditing Standards, we have also issued our report dated February 20, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

*Harshwal & Company LLP*

**Oakland, California  
February 20, 2018**

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR FISCAL YEAR ENDED JUNE 30, 2017**

Our discussion and analysis of the Rodeo - Hercules Fire Protection District (District) provides the reader with an overview of the District's financial position and performance for the period ending June 30, 2017. The Management's Discussion & Analysis (MD&A) describes the significant changes that occurred in general operations and discusses the activities during the year for capital assets and long-term debt. The discussion concludes with a description of currently known facts, decisions and conditions that are expected to impact the financial position of the District's operations. We encourage the reader to consider the information presented here in conjunction with the additional information furnished in our letter of transmittal.

**FINANCIAL HIGHLIGHTS**

**Government-Wide Financial Statements**

- The District ended its fiscal year with negative net position of \$16,031,732
- The total Program Expenses were \$6,809,586
- The total Program Revenues were \$352,276
- The total General Revenues were \$6,513,497
- The change in Net Position represents an increase of \$56,187

**Fund Financial Statements**

- The General Fund operating revenues were less than its expenses leaving a fund balance of \$244,500.
- The Rodeo Fire Developer Impact Fund revenues exceeded its expenses leaving a fund balance of \$116,838.
- The Rodeo Fire Impact Fund revenues exceeded operating expenses leaving a fund balance of \$19,729.
- The Capital Projects #1 Fund operating expenses exceeded revenue leaving a fund balance of \$95,580.
- 2014 Fire Assessment Revenues equal \$1,006,138.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$244,500; the Hercules Fire Developer Impact Fund was \$116,838; the Rodeo Fire Impact Fund was \$19,729; the Capital Projects No. 1 was \$95,580; the 2014 Fire Assessment Fund was \$122,095. In addition, the District has a line of credit funding source with the Kansas State Bank with a debt service fund balance of \$88,173.

## **ANNUAL REPORT OVERVIEW**

This annual report consists of a series of financial statements. The District's Basic Financial Statements are comprised of two components: Government-Wide Financial Statements and Fund Financial Statements.

### **Government-Wide Financial Statements**

The *Government-Wide Financial Statements* provide the reader with a longer-term view of the District's activities as a whole and comprise the Statement of Net Position and Statement of Activities. The manner of presentation is similar to a private-sector business.

The *Statement of Net Position* presents information about the financial position of the District as a whole, including all its capital assets and long-term liabilities on the full accrual basis of accounting. Over time, increases or decreases in Net Position is one indicator in monitoring the financial health of the District.

The *Statement of Activities* provides information about all the District's revenues and expenditures on the full accrual basis of accounting, with the emphasis on measuring net revenues or expenditures of each specific program. This statement explains in detail the change in Net Position for the year.

All of the District's activities in the Government-Wide Financial Statements are principally supported by taxes, intergovernmental revenues, benefit assessments, fire impact fees and inspection fees. The governmental activities of the District include fire protection and interest on long-term debt.

### **Fund Financial Statements**

The fund financial statements are designed to report information about groupings of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A *fund* is a fiscal and accounting entity with a self-balancing set of accounts that the District uses to keep track of specific resources of funding and spending for a particular purpose.

All of the District's basic services are considered to be governmental activities. The District's services are supported by general District revenues such as taxes, benefit assessments, developer impact fees and inspection fees. In the District's case, the five funds (General Fund, two Capital Projects Funds and two Developer Impact Fees) are presented individually.

The *Governmental Funds* focus on how money flows into and out of the fund and the balance left at year-end available for spending. These funds are reported using an accounting method called the *modified accrual* basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

## FINANCIAL ACTIVITIES OF THE DISTRICT AS A WHOLE

This analysis focuses on the Net Position and changes in Net Position of the District's Governmental Activities, as presented in the Government-Wide Statement of Net Position and Statement of Activities as follows:

**Table 1**  
**Net Position**  
**Governmental Activities**

	<u>2016-2017</u>	<u>2015-2016</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>Assets</b>				
Current assets	\$ 1,010,671	\$ 1,345,276	\$ (334,605)	(24.9)%
Noncurrent Assets	88,173	153,173	(65,000)	(42.4)%
Capital assets	<u>1,976,343</u>	<u>2,168,004</u>	<u>(191,661)</u>	<u>(8.8)%</u>
Total assets	<u>3,075,187</u>	<u>3,666,453</u>	<u>(591,266)</u>	<u>(16.1)%</u>
<b>Deferred Outflows of Resources</b>				
Related to pension	<u>3,276,927</u>	<u>4,214,568</u>	<u>(937,641)</u>	<u>(22.2)%</u>
<b>Liabilities</b>				
Current liabilities	549,188	555,148	(5,960)	(1.1)%
Noncurrent liabilities	<u>17,831,252</u>	<u>18,467,100</u>	<u>(635,848)</u>	<u>(3.4)%</u>
Total liabilities	<u>18,380,440</u>	<u>19,022,248</u>	<u>(641,808)</u>	<u>(3.4)%</u>
<b>Deferred Inflows of Resources</b>				
Related to pension	<u>4,003,406</u>	<u>4,946,692</u>	<u>(943,286)</u>	<u>(19.1)%</u>
<b>Net Position</b>				
Invested in capital assets, net of related debt	1,609,181	2,168,004	(558,823)	(25.8)%
Restricted for:				
Special projects and programs	136,567	81,711	54,856	67.1 %
Debt Service	88,173	88,173	-	- %
Unrestricted (as restated)	<u>(17,865,653)</u>	<u>(18,425,807)</u>	<u>560,154</u>	<u>3.0 %</u>
Total Net Position	<u><u>\$ (16,031,732)</u></u>	<u><u>\$ (16,087,919)</u></u>	<u><u>\$ 56,187</u></u>	<u><u>0.3 %</u></u>

**FINANCIAL ACTIVITIES OF THE DISTRICT AS A WHOLE, Continued**

**Table 2  
Statement of Activities  
Governmental Activities**

	<u>2016-2017</u>	<u>2015-2016</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>Expenses</b>				
Public safety - fire protection	<u>\$ 6,809,586</u>	<u>\$ 6,830,700</u>	<u>\$ (21,114)</u>	<u>(0.3)%</u>
Total Program Expenses:	<u>6,809,586</u>	<u>6,830,700</u>	<u>(21,114)</u>	<u>(0.3)%</u>
<b>Revenues</b>				
Program revenues:				
Charges for Services	352,276	1,015,720	(663,444)	(65.3)%
General revenues:				
Property taxes	5,452,543	5,610,595	(158,052)	(2.8)%
Investment earnings	123,057	65,337	57,720	88.3 %
Miscellaneous	<u>937,897</u>	<u>149,137</u>	<u>788,760</u>	<u>528.9 %</u>
Total Revenues	<u>6,865,773</u>	<u>6,840,789</u>	<u>24,984</u>	<u>0.4 %</u>
Changes in net position	56,187	10,089	<u>\$ 46,098</u>	<u>456.9 %</u>
Net position - beginning of year, as restated	<u>(16,087,919)</u>	<u>(16,098,008)</u>		
Net position - end of year	<u><u>\$ (16,031,732)</u></u>	<u><u>\$ (16,087,919)</u></u>		

*Expenses*

The Public Safety expenses totaled to \$7,171,816 for fiscal year ending 2017. In addition, depreciation expense, in the amount of \$200,150, was recognized. The remaining expenses are categorized as materials and services and capital projects.

*Program Revenues*

In the category of "Capital Grants and Contributions," due to the City of Hercules financial crisis, the District did not receive its annual RDA Pass-Through from the City of Hercules for the years 2010/11, 2011/12, 2012/13 and 2013/14, 2014/15 and 2015/16, 2016/17 in the amount of \$567,019 which are recorded here.

The District also received funding in the miscellaneous category from the Contra Costa County (CCC) Emergency Medical Services through CCC's Measure "H" funding for its annual allotment for First Responder funding. The balance of miscellaneous revenue consists of other charges for service.

The District was assigned to the following strike team assignment in 2016/17: Tulley Fire.

The program revenues that fall under the category of "Charges for Service" include revenues for inspection fees, weed abatement charges and reports/photocopies.

## **FINANCIAL ACTIVITIES OF THE DISTRICT AS A WHOLE, Continued**

### *General Revenues*

The primary source of revenue for the operation of the Rodeo - Hercules Fire Protection District is generated through the collection of secured, unsecured and supplemental property taxes. During the last fiscal year, the overall assessed valuation decreased 2.8%. This decrease reflects the decrease in assessed valuations in the City of Hercules and Town of Rodeo. A considerable portion of this growth falls within the City of Hercules Redevelopment Area of which the District is to receive a portion of the pass-through property tax revenues. However, due to the City of Hercules financial crisis, the District did not receive its pass-through monies in fiscal years 2010/11, 2011/12, 2012/13, 2013/14, 2014/15, 2015/16, and 2016/17 as stated above.

### **Fund Financial Statements**

#### *Governmental Funds*

At June 30, 2017, the District's governmental funds reported combined fund balances of \$686,915 which is a decrease of \$352,252 compared with the prior year.

#### *Major Analyses of Governmental Funds*

##### *General Fund*

The General Fund is the general operating fund of the District. It is used to account for all financial resources. The major revenue sources are property taxes and benefit assessments.

Overall, the General Fund expenditures increased by 2.51% from last year.

During fiscal year 2016-2017, the Capital Projects Fund No. 1 spent \$9,183 on capital assets.

**CAPITAL ASSETS**

At the end of fiscal year 2017, the District had \$1,976,343 in net capital assets. The following table identifies the specific governmental activity:

**Table 3  
Capital Assets at Year-End  
Governmental Activities**

	<u>2016-2017</u>	<u>2015-2016</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>Expenses</b>				
Land	\$ 7,437	\$ 7,437	\$ -	- %
Buildings and improvements	1,096,448	1,096,448	-	-
Equipment	5,131,172	5,122,683	8,489	0.2 %
Less accumulated depreciation	<u>(4,258,714)</u>	<u>(4,058,564)</u>	<u>(200,150)</u>	<u>4.9 %</u>
Capital Assets:	<u>\$ 1,976,343</u>	<u>\$ 2,168,004</u>	<u>\$ (191,661)</u>	<u>(8.8)%</u>

All the capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. All capital assets are depreciated over their estimated useful lives, using the straight line method. See Note 1 in the basic financial statement for more detailed analyses.

**ECONOMIC OUTLOOK AND MAJOR INITIATIVES**

In past years, the District's assessed values have decreased but the District expects this trend to level out in future years without any significant increase or decrease in assessed values. Financial planning is based on specific assumptions from recent trends in real property values, new commercial and residential development, State of California economic forecasts and historical growth patterns in the various tax rate areas in the Rodeo - Hercules Fire Protection District.

The economic condition of the Rodeo - Hercules Fire Protection District as it appears on the balance sheet reflects financial stability for future years as the District has made significant reductions in expenditures and has made efforts to increase its revenues. The District received a FEMA grant for three years which allowed the District to be able to fully staff two of its stations. This grant expired on May 8, 2017.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

These Basic Financial Statements are intended to provide citizens, taxpayers, investors, and creditors with a general overview of the District's finances. Questions about this report should be directed to the Administrative Offices of the Rodeo - Hercules Fire Protection District, 1680 Refugio Valley Road, Hercules, CA 94547 (510) 799-4561.

## **BASIC FINANCIAL STATEMENTS**

## **STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES**

The Statement of Net Position and the Statement of Activities summarizes the entire District's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the District's assets and deferred outflows, and all of its liabilities and deferred inflows, as well as all its revenues and expenses. This is known as the full accrual basis-the effect of all the District's transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between District funds have been eliminated.

The Statement of Net Position reports the difference between the District's total assets and deferred outflows and the District's total liabilities and deferred inflows, including all the District's capital assets and its long-term liabilities. The Statement of Net Position presents similar information to the old balance sheet format, but presents it in a way that focuses the reader on the composition of the District's net position, by subtracting total liabilities from total assets.

The Statement of Net Position summarizes the financial position of all of the District's Governmental Activities in a single column. The District's Governmental Activities include the activities of its General Fund, Special Revenue and Capital Projects funds.

The Statement of Activities reports increases and decreases in the District's net position. It is also prepared on the full accrual basis, which means it includes all the District's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

The Statement of Activities presents the District's expenses first, listed by program. Program revenues, that is, revenues which are generated directly by these programs-are then deducted from program expenses to arrive at the net expense of each governmental program. The District's general revenues are then listed in the Governmental Activities column, as appropriate, and the Change in Net Position is computed and reconciled with the Statement of Net Position.

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets:	
Cash and investments (Note 2)	\$ 928,860
Accounts receivable	47,654
Due from other governments	<u>34,157</u>
Total Current Assets	<u>1,010,671</u>
Noncurrent Assets:	
Other assets:	
Restricted cash (Note 2 and 5)	<u>88,173</u>
Total other assets	<u>88,173</u>
Capital assets (Note 4):	
Non-depreciable	7,437
Depreciable capital assets, net	<u>1,968,906</u>
Total capital assets, net of accumulated depreciation	<u>1,976,343</u>
Total Noncurrent Assets	<u>2,064,516</u>
Total Assets	<u>3,075,187</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to pension (Note 7)	<u>\$ 3,276,927</u>

... Continued

See accompanying notes to basic financial statements

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

	<u>Governmental Activities</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	\$ 411,929
Compensated absences, due within one year (Note 1 G)	68,240
Lines of credit, due within one year (Note 5)	<u>69,019</u>
Total Current Liabilities	<u>549,188</u>
Noncurrent Liabilities:	
Compensated absences, due in more than one year (Note 1 G)	159,225
Lines of credit, due in more than one year (Note 5)	298,143
Other post employment benefit obligations (Note 8B)	2,680,778
Net pension liability (Note 7)	<u>14,693,106</u>
Total Noncurrent Liabilities	<u>17,831,252</u>
Total Liabilities	<u>18,380,440</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to pension (Note 7)	<u>4,003,406</u>
<b>NET POSITION (DEFICIT) (Note 6)</b>	
Net investment in capital assets	1,609,181
Restricted for:	
Special projects and programs	136,567
Debt Service	88,173
Unrestricted	<u>(17,865,653)</u>
Total Net Position (Deficit)	<u><u>\$ (16,031,732)</u></u>

See accompanying notes to basic financial statements

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenues Operating Grants and Contributions	Governmental Activities Net (Expenses) Revenues
Governmental Activities:			
Fire protection	\$ 6,809,586	\$ 352,276	\$ (6,457,310)
Total Governmental Activities	<u>\$ 6,809,586</u>	<u>\$ 352,276</u>	<u>(6,457,310)</u>
General Revenues (Expenses):			
Property tax			5,422,060
Home owner property tax relief			30,483
Investment earnings			123,057
Miscellaneous			<u>937,897</u>
Total General Revenues			<u>6,513,497</u>
Change in Net Position			56,187
Net Position (Deficit) Beginning			<u>(16,087,919)</u>
Net Position (Deficit) Ending			<u>\$ (16,031,732)</u>

See accompanying notes to basic financial statements

**FUND FINANCIAL STATEMENTS**

## **FUND FINANCIAL STATEMENTS**

Major funds are defined generally as having significant activities or balances in the current year. The District considers all of its funds to be major funds which are described below:

### **GENERAL FUND**

The General Fund is the general operating fund of the District. It is used to account for all financial resources. The major revenue sources for this Fund are property taxes and grants. Expenditures are made for public safety and other operating expenditures.

### **HERCULES FIRE IMPACT FEE SPECIAL REVENUE FUND**

The Hercules Fire Impact Fee Fund is used to receive fees collected from the City of Hercules.

### **RODEO FIRE IMPACT FEE SPECIAL REVENUE FUND**

The Rodeo Fire Impact Fee Special Revenue Fund is used to receive fees collected from the Town of Rodeo.

### **2014 FIRE ASSESSMENT SPECIAL REVENUE FUND**

The 2014 Fire Assessment Impact Fee Special Revenue Fund is used to receive assessment fees.

### **CAPITAL PROJECTS #1 FUND**

The Capital Projects # 1 Fund is used to account for the District's capital budget.

### **DEBT SERVICE FUND**

The Debt Service Fund is used to account for the proceeds from a line of credit and payments made to vendors related to authorized capital projects.

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2017**

	<u>General</u>	<u>Hercules Fire Impact Fee Special Revenue</u>	<u>Rodeo Fire Impact Fee Special Revenue</u>	<u>2014 Fire Assessment Special Revenue</u>
<b>ASSETS</b>				
Cash and investments (Note 2)	\$ 572,038	\$ 119,417	\$ 19,730	\$ 122,095
Restricted cash (Note 2 & 5)	-	-	-	-
Accounts receivable	47,654	-	-	-
Due from other governments	<u>34,157</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>653,849</u>	<u>119,417</u>	<u>19,730</u>	<u>122,095</u>
<b>LIABILITIES</b>				
Accounts payable	<u>409,349</u>	<u>2,579</u>	<u>1</u>	<u>-</u>
Total Liabilities	<u>409,349</u>	<u>2,579</u>	<u>1</u>	<u>-</u>
<b>FUND BALANCES</b>				
Fund Balances (Note 6):				
Restricted	-	116,838	19,729	-
Unassigned	<u>244,500</u>	<u>-</u>	<u>-</u>	<u>122,095</u>
Total Fund Balances	<u>244,500</u>	<u>116,838</u>	<u>19,729</u>	<u>122,095</u>
Total Liabilities and Fund Balances	<u>\$ 653,849</u>	<u>\$ 119,417</u>	<u>\$ 19,730</u>	<u>\$ 122,095</u>

See accompanying notes to basic financial statements

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2017**

	<u>Capital Projects #1</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and investments (Note 2)	\$ 95,580	\$ -	\$ 928,860
Restricted cash (Note 2 & 5)	-	88,173	88,173
Accounts receivable	-	-	47,654
Due from other governments	<u>-</u>	<u>-</u>	<u>34,157</u>
Total Assets	<u>95,580</u>	<u>88,173</u>	<u>1,098,844</u>
<b>LIABILITIES</b>			
Accounts payable	<u>-</u>	<u>-</u>	<u>411,929</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>411,929</u>
<b>FUND BALANCES</b>			
Fund Balances (Note 6):			
Restricted	-	88,173	224,740
Unassigned	<u>95,580</u>	<u>-</u>	<u>462,175</u>
Total Fund Balances	<u>95,580</u>	<u>88,173</u>	<u>686,915</u>
Total Liabilities and Fund Balances	<u><u>\$ 95,580</u></u>	<u><u>\$ 88,173</u></u>	<u><u>\$ 1,098,844</u></u>

See accompanying notes to basic financial statements

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET WITH THE STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

Total fund balances reported on the governmental funds balance sheet \$ 686,915

Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.

Non-depreciable capital assets	7,437
Depreciable capital assets, net	1,968,906

Certain liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.

Compensated absences payable, due within one year	(68,240)
Compensated absences payable, due in more than one year	(159,225)
Other post employment benefits	(2,680,778)
Collective net pension liability and deferred inflows and outflows	(15,419,585)
Lines of credit, due within one year	(69,019)
Lines of credit, due in more than one year	<u>(298,143)</u>

NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (16,031,732)</u></u>
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**RODEO - HERCULES FIRE PROTECTION DISTRICT**

**GOVERNMENTAL FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>General</u>	<u>Hercules Fire Impact Fee Special Revenue</u>	<u>Rodeo Fire Impact Fee Special Revenue</u>	<u>2014 Fire Assessment Special Revenue</u>
<b>REVENUES:</b>				
District taxes	\$ 4,415,922	\$ -	\$ -	\$ 1,006,138
Home owner property tax relief	30,483	-	-	-
Intergovernmental revenue	352,276	-	-	-
Use of money and property	-	57,088	351	-
Other	<u>1,002,897</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>5,801,578</u>	<u>57,088</u>	<u>351</u>	<u>1,006,138</u>
<b>EXPENDITURES:</b>				
Current:				
Public safety-fire protection	7,150,419	2,579	4	9,631
Debt service:				
Principal	-	-	-	-
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>7,150,419</u>	<u>2,579</u>	<u>4</u>	<u>9,631</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(1,348,841)	54,509	347	996,507
<b>OTHER FINANCING SOURCES</b>				
Transfers in	1,286,823	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,334,448)</u>
Total Other Financing Sources	<u>1,286,823</u>	<u>-</u>	<u>-</u>	<u>(1,334,448)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(62,018)	54,509	347	(337,941)
Fund balances at beginning of year	<u>306,518</u>	<u>62,329</u>	<u>19,382</u>	<u>460,036</u>
Fund balances, at end of year	<u>\$ 244,500</u>	<u>\$ 116,838</u>	<u>\$ 19,729</u>	<u>\$ 122,095</u>

See accompanying notes to basic financial statements

**RODEO - HERCULES FIRE PROTECTION DISTRICT**

**GOVERNMENTAL FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Capital Projects #1</u>	<u>Debt Service</u>	<u>Total Government al Funds</u>
REVENUES:			
District taxes	\$ -	\$ -	\$ 5,422,060
Home owner property tax relief	-	-	30,483
Intergovernmental revenue	-	-	352,276
Use of money and property	65,618	-	123,057
Other	<u>-</u>	<u>-</u>	<u>1,002,897</u>
Total Revenues	<u>65,618</u>	<u>-</u>	<u>6,930,773</u>
EXPENDITURES:			
Current:			
Public safety-fire protection	9,183	-	7,171,816
Debt service:			
Principal	-	96,926	96,926
Interest	<u>-</u>	<u>14,283</u>	<u>14,283</u>
Total Expenditures	<u>9,183</u>	<u>111,209</u>	<u>7,283,025</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	56,435	(111,209)	(352,252)
OTHER FINANCING SOURCES			
Transfers in	47,625	111,209	1,445,657
Transfers out	<u>(111,209)</u>	<u>-</u>	<u>(1,445,657)</u>
Total Other Financing Sources	<u>(63,584)</u>	<u>111,209</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(7,149)	-	(352,252)
Fund balances at beginning of year	<u>102,729</u>	<u>88,173</u>	<u>1,039,167</u>
Fund balances, at end of year	<u>\$ 95,580</u>	<u>\$ 88,173</u>	<u>\$ 686,915</u>

See accompanying notes to basic financial statements



**RODEO - HERCULES FIRE PROTECTION DISTRICT**

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES:				
District taxes	\$ 4,447,221	\$ 4,447,221	\$ 4,415,922	\$ (31,299)
Home owner property tax relief	31,031	31,031	30,483	(548)
Intergovernmental revenue	316,063	316,063	352,276	36,213
Other	<u>674,156</u>	<u>674,156</u>	<u>1,002,897</u>	<u>328,741</u>
Total Revenues	<u>5,468,471</u>	<u>5,468,471</u>	<u>5,801,578</u>	<u>333,107</u>
EXPENDITURES:				
Current:				
Public safety-fire protection	<u>6,272,912</u>	<u>6,803,913</u>	<u>7,150,419</u>	<u>346,506</u>
Total Expenditures	<u>6,272,912</u>	<u>6,803,913</u>	<u>7,150,419</u>	<u>346,506</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(804,441)	(1,335,442)	(1,348,841)	(13,399)
OTHER FINANCING SOURCES				
Transfers in	<u>906,421</u>	<u>906,421</u>	<u>1,286,823</u>	<u>380,402</u>
Total Other Financing Sources	<u>906,421</u>	<u>906,421</u>	<u>1,286,823</u>	<u>380,402</u>
NET CHANGE IN FUND BALANCES	<u>\$ 101,980</u>	<u>\$ (429,021)</u>	(62,018)	<u>\$ 367,003</u>
Fund balances at beginning of year			<u>306,518</u>	
Fund balances, at end of year			<u>\$ 244,500</u>	

See accompanying notes to basic financial statements

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The District is an autonomous district governed by a five (5) member Board of Directors elected at large by the voters of the District. The District covers an area of approximately 25 square miles and includes the unincorporated Town of Rodeo and City of Hercules.

The financial statements of the District consist only of the funds of the District. The District has no oversight responsibility for any other government entity since no other entities are considered to be controlled by or dependent on the District. Control or dependence is determined on the basis of the respective governing board. The governing board has decision making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

The District maintains its headquarters at 1680 Refugio Valley Road, Hercules, California 94547.

**B. Basis of Presentation**

The District's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

These Statements require that the financial statements described below be presented.

***Government-wide Statements:*** The Statement of Net Position and the Statement of Activities display information about the primary government (the District). These statements include the financial activities of the overall District government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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

***Fund Financial Statements:*** The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major individual governmental funds, each of which is displayed in a separate column.

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Major Funds**

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The District may also select other funds it believes should be presented as major funds.

The District has elected to report all of its funds as major governmental funds in the accompanying financial statements:

**General Fund** - is the general operating fund of the Rodeo-Hercules Fire Protection District. It is used to account for all financial resources. The major revenue sources for this Fund are property taxes, ambulance service revenues and interest income. Expenditures are made for public safety and other operating expenditures.

**Hercules Fire Impact Fee Special Revenue Fund** - is used to receive fees collected from the City of Hercules.

**Rodeo Fire Impact Fee Special Revenue Fund** - is used to receive fees collected from the City of Rodeo.

**2014 Fire Assessment Special Revenue Fund** - is used to receive fire assessment fees.

**Capital Projects #1 Fund** - is used to account for the District's Rodeo-Hercules Fire Protection District capital budget.

Debt Service Fund-is used to account for the District's line of credit.

**D. Basis of Accounting**

The government-wide financial statements are reported using the *economic resources measurement focus* and the full *accrual* basis of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

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

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

The District may fund programs with a combination of cost-reimbursement grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures. The District's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

**E. Budgets and Budgetary Accounting**

The Board of Directors follow the following procedures establishing the budgetary data reflected on the financial statement:

- (1) Proposed budget is received by Chief of the District and Board Members.
- (2) Public hearings are conducted to obtain taxpayer comment.
- (3) Formal budgetary integration is employed as a management control device during the year for the General Fund.
- (4) There is no formal budget of revenue as the revenue amount to be received is the previous year's fund balance, plus property tax revenues to be received, less the expense budget.
- (5) The budgets for the General Fund and the Capital Projects #1 Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- (6) Annual budgetary data have not been adopted for the Hercules Fire Impact Fee Special Revenue Fund, Rodeo Fire Impact Fee Special Revenue Fund or Debt Service Fund.
- (7) The Board of Directors requires the adoption of a summary budget for the General Fund.
- (8) Appropriations lapse at the end of each fiscal year.

The District's General Fund expenditures exceeded budget by \$346,506, primarily due to an increase in pension costs with CCCERA.

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Property Taxes and Special Assessment Revenue**

Revenue is recognized in the fiscal year for which the tax and assessment is levied. The County of Contra Costa levies, bills and collects property taxes and special assessment for the District; the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1 of the preceding fiscal year.

Secured property tax is due in two installments, on November 1 and February 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1 and becomes delinquent on August 31.

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the personal property being taxed.

Property tax revenue is recognized in the fiscal year for which the tax is levied. The County distributes property tax (termed "settlements") under the Teeter Plan, which allows the District to receive all property taxes in the year in which they are levied. The County retains any collections of interest, penalties and delinquencies under this plan. A settlement apportionment for 95% of unsecured property taxes is received in October, with the remainder distributed in June. Secured property taxes are received in three settlements and apportioned as follows: 55% in December, 40% in April and 5% in June.

**G. Accumulated Compensated Absences**

Compensated absences comprise unpaid vacation leave and compensated time off. The District's liability for compensated absences is recorded in the Statement of Net Position. The liability for compensated absences is determined annually and is primarily liquidated in the General Fund. District employees may accrue up to 72 hours of unpaid overtime and may sell up to 24 hours of unpaid overtime and up to 48 hours of vacation time to the District.

**H. Capital Assets and Depreciation**

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. Capital assets with a minimum value of \$5,000 or a useful life of at least one year can be recorded as capital assets.

Capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The District has assigned the useful lives listed below to capital assets:

<u>Description</u>	<u>Years</u>	<u>Description</u>	<u>Years</u>
Grounds Improvement	20	Communication Equipment	10
Buildings	50	Computer Hardware	5
Machinery & Tools	15	Audio Visual Equipment	10
Custodial Equipment	15	Athletic Equipment	10
Furniture & Accessories	20	Fire Trucks	15
Business Machines	10	Vehicles	15
Copiers	5		

**I. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and balance sheets reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has only pension related items in this category.

In addition to liabilities, the statement of net position and balance sheets reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as inflow of resources (revenue) until that time. The District has only pension related items in this category.

**J. Use of Estimates**

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**K. Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

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

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

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

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

**Note 2 - CASH AND INVESTMENTS**

**A. Policies**

California law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the District's cash on deposit or first trust deed mortgage notes with a value of 150% of the District's cash on deposit as collateral for these deposits. Under California law, this collateral is held in a separate investment pool by another institution in the District's name and places the District ahead of general creditors of the institution. The District has waived collateral requirements for the portion of deposits covered by federal deposit insurance.

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

**B. Classification**

The District's investments are carried at fair value as required by generally accepted accounting principles. The District adjusts the carrying value of its investments to reflect their fair value monthly, and it includes the effects of these adjustments in income for that fiscal year.

Cash and investments were as follows at June 30, 2017:

Unrestricted cash and investments:	
Cash deposits with the County	\$ 821,736
Petty cash	400
LAIF	<u>106,724</u>
Total unrestricted cash and investments	<u>928,860</u>
Restricted cash and investments:	
Cash in bank - held by	
Kansas State Bank of Manhattan	<u>88,173</u>
Total restricted cash and investments	<u>88,173</u>
Total cash and investments	<u>\$ 1,017,033</u>

**C. Investment in County Treasury**

The District is considered to be a voluntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements in cash and cash equivalents at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

**D. Local Agency Investment Fund (LAIF)**

At June 30, 2017, the District had \$106,724 invested in LAIF. The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The District's investments with LAIF at June 30, 2017, include a portion of the pool funds invested in structured notes and asset-backed securities. These investments matured in an average of 194 days.

**E. Fair Value Hierarchy**

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

The California Local Agency Investment Fund is classified in Level 2 of the fair value hierarchy, and is valued using the fair value factor provided by the Treasurer of the State of California which is calculated as the fair value divided by the amortized cost of the investment pool. Fair value is defined as the quoted market value on the last trading day of the period.

**Note 3 - ACCOUNTS RECEIVABLE**

The economic condition of the Rodeo-Hercules Fire Protection District as it appears on the balance sheet reflects financial stability for future years, as the District has made significant reductions in expenditures while making efforts to increase its revenues. The District received a FEMA grant for three years which allowed the District to be able to fully staff two of its stations. This grant expired on May 8, 2017.

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 4 - CAPITAL ASSETS**

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2017</u>
Governmental Activities:			
Capital assets not being depreciated:			
Land	\$ 7,437	\$ -	\$ 7,437
Total capital assets not being depreciated	<u>7,437</u>	<u>-</u>	<u>7,437</u>
Capital assets being depreciated:			
Structures and improvements	1,096,448	-	1,096,448
Equipment and vehicles	<u>5,122,683</u>	<u>8,489</u>	<u>5,131,172</u>
Total capital assets being depreciated	<u>6,219,131</u>	<u>8,489</u>	<u>6,227,620</u>
Less accumulated depreciation:			
Structures and improvements	(411,902)	(21,929)	(433,831)
Equipment and vehicles	<u>(3,646,662)</u>	<u>(178,221)</u>	<u>(3,824,883)</u>
Total accumulated depreciation	<u>(4,058,564)</u>	<u>(200,150)</u>	<u>(4,258,714)</u>
Total depreciable assets	<u>2,160,567</u>	<u>(191,661)</u>	<u>1,968,906</u>
Governmental activity capital assets, net	<u>\$ 2,168,004</u>	<u>\$ (191,661)</u>	<u>\$ 1,976,343</u>

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 5 - LINES OF CREDIT**

On October 9, 2012, the District entered into a Government Obligation Contract (line of credit) with Kansas State Bank of Manhattan (Bank) to borrow \$703,500 for the purchase of one rescue pumper and three command vehicles. The remaining principal and interest (3.4% per year) is payable annually over the next ten years, maturing on October 15, 2021, and are payable from general District revenues.

On October 9, 2012, the District entered into a second line of credit with Kansas State Bank of Manhattan (Bank) to borrow \$146,000 for the purchase of personal protection clothing, firefighting equipment, and rescue equipment. The line of credit has matured, and the last payment was settled on October 15, 2016.

During fiscal year 2016-2017, the District paid \$96,926 in principal payments. As of June 30, 2017, the District maintained funds held in an escrow account held by the Bank, shown on the Statement of Net Position and Balance Sheet as "restricted cash" in the amount of \$88,173.

The lines of credit mature as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 69,019	\$ 11,382	\$ 80,401
2019	71,158	9,242	80,400
2020	73,364	7,037	80,401
2021	75,638	4,762	80,400
2022	<u>77,983</u>	<u>2,417</u>	<u>80,400</u>
	<u>\$ 367,162</u>	<u>\$ 34,840</u>	<u>\$ 402,002</u>

**Note 6 - NET POSITION AND FUND BALANCES**

Net Position is on the full accrual basis while Fund Balances are measured on the modified accrual basis.

**A. Net Position**

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

Net Investment in Capital Assets describes the portion of Net Position which is represented by the current net book value of the District's capital assets.

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 6-NET POSITION AND FUND BALANCES (Continued)**

*Restricted* describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter. These principally include debt service and acquisition and construction of facilities and equipment.

*Unrestricted* describes the portion of Net Position which is not restricted to use.

**B. Fund Balance**

The District's fund balances are classified in accordance with Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which requires the District to classify its fund balances based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the District prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

*Nonspendables* represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then Nonspendable amounts are required to be presented as a component of the applicable category.

*Restricted* fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

*Committed* fund balances have constraints imposed by formal action of the Board of Directors which may be altered only by formal action of the Board of Directors. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources.

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 6-NET POSITION AND FUND BALANCES (Continued)**

*Assigned* fund balances are amounts constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the Board of Directors or its designee and may be changed at the discretion of the Board of Directors or its designee. This category includes encumbrances; Nonspendables, when it is the District's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

*Unassigned* fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

**Note 7 - PENSION PLAN**

***Plan Descriptions*** - The District participates in the Contra Costa County Employees' Retirement Association (CCCERA), a cost-sharing multiple employer defined benefit pension plan. CCCERA is governed by the County Employees' Retirement Law of 1937 (California Government Code Section 31450 et. seq), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures, and policies adopted by CCCERA's Board of Retirement. It provides benefits upon retirement, death or disability of members, and covers substantially all of the employees of the County of Contra Costa and sixteen other member agencies.

***Benefits Provided*** - Benefits are based on years of credited service, equal to one year of full time employment. Members may elect service retirement at age of 50 with 10 years of service credit, age 70 regardless of service, or with thirty years of service, regardless of age.

Benefits are administered by the Board under the provision of the 1937 Act. Annual cost-of living adjustments (COLA) to retirement benefits may be granted by the Board as provided by State statutes. Services retirements are based on age, length of service and final average salary. Employees may withdraw contributions, plus interest credited, or leave them on deposit for a deferred retirement when they terminate or transfer to a reciprocal retirement system.

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 7 - PENSION PLAN (Continued)**

The plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

	<u>Miscellaneous</u>	
	<u>Prior to</u> <u>January 1, 2013</u>	<u>On or after</u> <u>January 1, 2013</u>
Hire Date		
Benefit formula	2% @ 55	2.5% @ 67
Benefit vesting schedule	10 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	52
Monthly benefits, as a% of eligible compensation	0% to 100%	0% to 100%
Required employee contribution rates	10.87%	11.65%
Required employer contribution rates	22.10%	18.32%

	<u>Safety</u>	
	<u>Prior to</u> <u>January 1, 2013</u>	<u>On or after</u> <u>January 1, 2013</u>
Hire Date		
Benefit formula	2% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	50
Monthly benefits, as a% of eligible compensation	0% to 100%	0% to 100%
Required employee contribution rates	17.37%	16.53%
Required employer contribution rates	16.88%	11.43%

**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 both 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.

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 7 - PENSION PLAN (Continued)**

For the year ended June 30, 2017, the contributions recognized as part of pension expense for each plan were as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Contributions - employer	\$ -	\$ 462,658

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the net pension liability of each plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	111,106
Safety	14,582,000
Total Net Pension Liability	\$ 14,693,106

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the plans is measured as of December 31, 2016, and the total pension liability for each plan used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each plan as of December 31, 2013 through 2017 was as follows:

<u>Reporting Date for Employer under GASB 68 as of December 31,</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate share of Net Pension Liability</u>	<u>Covered- employee payroll</u>	<u>Proportionate share of the Net Pension Liability as a percentage of it's covered- employee payroll</u>	<u>Plan Fiduciary Net Pension as a percentage of the Total Pension Liability</u>
2013	1.129%	\$16,612,346	\$1,766,704	940.30%	59.86%
2014	1.129%	13,499,212	2,069,510	652.29%	65.89%
2015	1.012%	15,252,152	2,342,844	651.01%	63.59%
2016	1.049%	14,693,106	2,241,786	655.42%	66.55%

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 7 - PENSION PLAN (Continued)**

For the year ended June 30, 2017, the District recognized negative pension expense of \$102,033. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 258,017	\$
Differences between actual and expected experience		1,205,234
Changes in assumptions	425,165	278
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions		2,797,894
Net differences between projected and actual earnings on plan investments	2,593,745	
Total	\$ 3,276,927	\$ 4,003,406

The \$258,017 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2018	\$ (823,885)
2019	(450,784)
2020	409,171
2021	(118,998)

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 7 - PENSION PLAN (Continued)**

*Actuarial Assumptions* - The total pension liabilities in the December 31, 2016 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation Date	December 31, 2015	December 31, 2015
Measurement Date	December 31, 2016	December 31, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.00%	7.00%
Inflation	2.75% (1)	2.75% (1)
Payroll Growth	3.25%	3.25%
Projected Salary Increase	4.0% - 13.25% (2)	4.0% - 13.75% (2)
Investment Rate of Return	7.0% (3)	7.25% (3)
Mortality	RP-2014 Combined Healthy Mortality Table	

- (1) Plus "across the board" real salary increases of 0.5% per year
- (2) Vary by service, including inflation
- (3) Net of pension plan investment expenses, including inflation

**Discount Rate** - The discount rate used to measure the total pension liability was 7.00% for the Plan. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of December 31, 2016.

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 7 - PENSION PLAN (Continued)**

The long-term expected rate of return on pension plan investments was determined in 2016 using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap U.S. Equity	6 %	5.75 %
Developed International Equity	10 %	6.99 %
Emerging Markets Equity	14 %	8.95 %
Short-Term Govt/Credit	24 %	0.20 %
US Treasury	2 %	0.30 %
Real Estate	7 %	4.45 %
Cash & Equivalents	1 %	(0.46)%
Risk Diversifying Strategies	2 %	4.30 %
Private Credit	17 %	6.30 %
Private Equity	<u>17 %</u>	8.10 %
Total	<u><u>100 %</u></u>	

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 7 - 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 Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	6.00 %	6.00 %
Net Pension Liability	156,706	20,566,780
Current Discount Rate	7.00 %	7.00 %
Net Pension Liability	111,106	14,582,000
1% Increase	8.00 %	8.00 %
Net Pension Liability	73,955	9,706,142

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

**Note 8 - EMPLOYEE BENEFIT PLANS**

**A. Deferred Compensation Plan**

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

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

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 8 - EMPLOYEE BENEFIT PLANS (Continued)**

**B. Retiree Medical Benefits**

The District provides 50% of postretirement health care benefits to full time employees who retire directly from the District after attaining the age of 50 with 10 years of service, with an increase of 5% for every year of service exceeding 10 years of service. After 20 years of service the District provides 100% of postretirement health care benefits. As of June 30, 2017, there were 22 participants receiving these health care benefits.

The District is a participant of the California Employers' Retiree Benefit Trust (CERBT), an agent multiple-employer plan administered by CALPERS, consisting of an aggregation of single employer plans. This trust is not considered a component unit of the District and has been excluded from these financial statements. Separately issued financial statements for CERBT may be obtained from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

In order to qualify for postemployment medical benefits, an employee must retire from the District and maintain enrollment in one of District's eligible health plans. The District pays 100% of the medical premium for the retiree, spouse and dependents. At age 65, the District pays the Senior Advantage (Medicare eligible) or Medicare (non-Medicare eligible) costs, and for those retirees out of the Kaiser area, the District pays up to what it would have paid capped at the actual premium.

**Funding Policy and Actuarial Assumptions**

The District's policy, according to Ordinance No. 2-08, is to fund the Annual Required Contribution (ARC) of these benefits by accumulating assets with CERBT discussed above pursuant to the District's annual budget approved by Board. Effective October 1, 2011, represented employees were to make non-refundable contributions to CERBT equivalent to 3.75% of the base salary. The annual required contribution (ARC) was determined as part of a June 30, 2017 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 7% investment rate of return, (b) 2.75% general inflation rate, (c) 2.75% projected annual salary increase, and (d) health care cost trend rate of 4.0% for medical benefits. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least tri-ennially as results are compared to past expectations and new estimates are made about the future. The District's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 27-year fresh start amortization period on a closed basis.

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 8 - EMPLOYEE BENEFIT PLANS (Continued)**

**Funding Progress and Funded Status**

Generally accepted accounting principles permit contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such contributions are placed in an irrevocable trust or equivalent arrangement. During the fiscal year ended June 30, 2017, the District contributed \$29,082 to the plan. As a result, the District has calculated and recorded the Net OPEB Asset/Liability, representing the difference between the ARC, amortization and contributions, as presented below:

Net OPEB obligation at June 30, 2016		\$ 2,698,594
Annual required contribution (ARC)	\$ 317,829	
Interest on Net OPEB Obligation (NOO)	188,902	
Adjustment to ARC	<u>(99,948)</u>	
Annual OPEB Cost	406,783	
Less contributions made during fiscal year:		
Contributions to CERBT	29,082	
Payments made for retiree premiums	<u>395,517</u>	
Increase in net OPEB obligations		<u>(17,816)</u>
Net OPEB obligation at June 30, 2017		<u><u>\$ 2,680,778</u></u>

The actuarial accrued liability (AAL) representing the present value of future benefits, included in the actuarial study dated June 30, 2017, amounted to \$5,386,176. The AAL is partially funded since assets have been transferred into CERBT. The District's contributions, along with investment income net of current year premiums resulted in assets with CERBT of \$1,688,993 as of June 30, 2017, which partially reduced the unfunded actuarial accrued liability.

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 8 - EMPLOYEE BENEFIT PLANS (Continued)**

The plan's annual required contributions and actual contributions for the last three fiscal years are set forth below:

<u>Fiscal Year</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Actual Contribution</u>	<u>Percentage of AOC Contribution</u>	<u>Net OPEB Obligation (Asset)</u>
June 30, 2014	\$ 688,000	\$ 340,463	49 %	\$ 1,603,493
June 30, 2015	891,000	373,161	42 %	2,121,332
June 30, 2016	939,000	361,738	39 %	2,698,594
June 30, 2017	406,783	424,599	104 %	2,680,778

The Schedule of Funding Progress is presented below and the table included in the Required Supplementary Information immediately following the Notes to the Basic Financial Statements presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the District's last actuarial study is presented below:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Entry Age Actuarial Accrued Liability (B)</u>	<u>Unfunded (Overfunded ) Actuarial Accrued Liability (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll [(B-A)/C]</u>
6/30/2017	\$ 1,688,993	\$ 5,386,176	\$ 3,697,183	31.36 %	\$ 2,153,283	171.70 %

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 9 - RISK MANAGEMENT**

The Contra Costa County Fire District Insurance Pool arranges for and provides public liability, property damage and self-insurance between the county, its special districts and independent county fire protection districts. A summary of the District's insurance is as follows:

Coverage	Insurance Company/ Risk Pool	Limit of Liability	Deductible/ SIR
Workers' Compensation	FASIS	\$5,000,000	\$ 0
Excess Worker Compensation	FASIS	5,000,000	500,000
All Risk Property	CSAC	550,000,000 (flood) 600,000,000 (property)	100,000 (flood) 500 disappearing (aop)
Earthquake	CSAC	715,000,000	2% per "unit" \$100,000 minimum
Boiler & Machinery	CSAC	100,000,000	5,000
Sabotage & Terrorism	CSAC	200,000,000	500,000
General & Automobile Liability	CSAC	50,000,000	None
Pollution Liability	CSAC	10,000,000	500,000
Crime - Forgery or Alteration	Fidelity	250,000	2,500
Crime - all other	Fidelity	5,000,000	2,500

CSAC is governed by a Board consisting of representatives from member municipalities. The Board controls the operations of CSAC, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board. The Fire Agencies Self Insurance System (FASIS) arranges for and provides worker's compensation insurance for independent fire protection districts.

The District did not have any claim settlements that exceed the insurance coverage in the last three years.

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 10 - COMMITMENTS AND CONTINGENCIES**

The District is named as a real party in interest in the Contra Costa County Deputy Sheriffs Association v. Contra Costa County Employees ' Retirement Association, et al. , Contra Costa County Superior Court, Case No. N12-1870. As one of several employers of employees who are members of the Contra Costa County Employees' Retirement Association (CCCERA), the District's interests are aligned with the other public entity defendants who have employee members in the case, such that the District is waiting for a decision as to how, when and where to pay (or not) retiree benefits. The California Attorney General on behalf of the State has intervened in the case and is defending the constitutionality of the Public Employee Pension Reform Act (PEPRA), which amongst other legislation curtailed the ability of employees to spike their pensions through accumulation of sick and leave time, which the District must by law pay anyway. Because of the State's intervention, the District is not taking an active role in the defense of the case because the issues hinge primarily on the constitutionality of the Act, preferring instead to monitor the litigation as the constitutionality of the Act comes into issue before determining what effects, if any, a decision or order will have on its affected CCCERA member employees. The case is currently up on an appeal brought by the petitioners. The District is not joining in, nor will it file its own response to the appeal. The District continues to take a wait and see approach to see how the case is decided at the appellate level, especially since, as a real party in interest, it will be bound similarly to most of the other real parties in interest who have employees that are members of CCCERA. At this point, the likelihood of an unfavorable outcome is uncertain, and the amount that is at risk of loss is uncertain.

**Note 11 - SUBSEQUENT EVENTS**

The management of District reviewed the results of operations for the period of time from its year end June 30, 2017 through February 20, 2018, the date the financial statements were available to be issued and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred other than already mentioned, the nature of which would require disclosure.

**REQUIRED SUPPLEMENTAL INFORMATION**

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**COST-SHARING MULTIPLE EMPLOYER DEFINED BENEFIT RETIREMENT PLAN**  
**AS OF FISCAL YEAR ENDING JUNE 30, 2017**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**

**Last 10 Years\***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Net Change in Total Pension Liability</b>			
Service Cost	\$ 2,141,354	\$ 1,952,386	\$ 2,170,536
Interest on the Total Pension Liability	6,253,767	5,893,314	6,336,010
Expensed portion of current-period changes in proportion and difference between employer's contributions and proportionate share of contributions	(138,010)	(590,374)	(510,910)
Expensed portion of current-period difference between expected and actual experience in the Total Pension Liability	(46,136)	(139,078)	(450,621)
Expensed portion of current-period changes of assumptions or other inputs	-	161,621	(186)
Member contributions	(937,982)	(863,851)	(883,512)
Projected earnings on plan investments	(5,147,268)	(5,065,803)	(5,273,953)
Expensed portion of current-period differences between actual and projected earnings on plan investments	(14,034)	864,172	(30,163)
Administrative expense	89,654	82,128	78,803
Other Expenses	(94,310)	6,764	-
Recognition of beginning of year deferred outflows of resources as pension expense	(595,247)	(431,135)	-
Net amortization of deferred amounts from Changes in proportion and differences between employer's contribution and proportionate share of contribution	<u>(1,101,284)</u>	<u>(510,910)</u>	<u>-</u>
<b>Net change in total pension liability</b>	<u>410,504</u>	<u>1,359,234</u>	<u>1,436,004</u>
<b>Reconciliation of Net Pension Liability</b>			
Beginning Net Pension Liability	15,252,152	13,499,212	16,612,346
Pension expense	1,481,331	1,359,234	1,436,004
Employer contributions	(2,058,096)	(2,186,912)	(966,307)
New net deferred inflows/outflows	(220,843)	3,536,036	(1,743,556)
New net deferred outflows to change in proportion	<u>238,562</u>	<u>(955,418)</u>	<u>(1,839,275)</u>
<b>Net pension liability- ending</b>	<u>\$ 14,693,106</u>	<u>\$ 15,252,152</u>	<u>\$ 13,499,212</u>
Plan fiduciary net position as a percentage of the total pension liability	- %	- %	- %
Covered - employee payroll	\$ 2,241,786	\$ 2,342,844	\$ 2,069,510
Net pension liability as percentage of covered employee payroll	655.42 %	651.01 %	652.29 %

**Notes to Schedule:**

Changes in assumptions - In 2016, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

\* Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**COST-SHARING MULTIPLE EMPLOYER DEFINED BENEFIT RETIREMENT PLAN**  
**AS OF FISCAL YEAR ENDING JUNE 30, 2017**  
**SCHEDULE OF CONTRIBUTIONS**

**Last 10 Years\***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 2,058,096	\$ 2,186,912	\$ 966,307
Contributions in relation to the actuarially determined contributions	<u>2,058,096</u>	<u>2,186,912</u>	<u>966,307</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,241,786	\$ 2,342,844	\$ 2,069,510
Contributions as a percentage of covered employee payroll	91.81 %	93.34 %	46.69 %

**Notes to Schedule**

Measurement date: 12/31/2016

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	8 years**
Asset valuation method	5-year semi-annually
Inflation	2.75%
Salary increases	4.00% - 13.75%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation
Retirement age	50 years Classic, 52 years PEPRA
Mortality	RP-2014 Combined Healthy Mortality Table with setbacks and forwards

\* Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

\*\* Remaining balance of December 31, 2007 UAAL is amortized over a fixed (decreasing or closed) period with 8 years remaining as of December 31, 2014. Any changes in UAAL after December 31, 2007 will be separately amortized over a fixed 18-year period effective with that valuation. Any changes in UAAL due to plan amendments will be amortized over a 10-year fixed period effective with that valuation.

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**SCHEDULE OF FUNDING PROGRESS OTHER POST-EMPLOYMENT BENEFITS**  
**LAST THREE ACTUARIAL VALUATION**  
**AS OF FISCAL YEAR ENDING JUNE 30, 2017**

Actuarial Actuarial Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded (Overfunded) Actuarial Accrued Liability (B-A)	Funded Ratio) (A/B)	Covered Payroll (C)	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll [(B-A)/C]
6/30/2011	\$ 809,000	\$ 9,149,000	\$ 8,340,000	8.84 %	\$ 2,203,000	378.57 %
6/30/2013	\$ 1,346,000	\$ 13,046,000	\$ 11,700,000	10.32 %	\$ 2,697,000	433.82 %
6/30/2015	\$ 1,725,000	\$ 10,669,000	\$ 8,944,000	16.17 %	\$ 2,785,000	321.15 %
6/30/2017	\$ 1,688,993	\$ 5,386,176	\$ 3,697,183	31.36 %	\$ 2,153,283	171.70 %

## **SUPPLEMENTAL INFORMATION**

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**CAPITAL PROJECTS #1 FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 65,618	\$ 65,618
Total Revenues	<u>-</u>	<u>-</u>	<u>65,618</u>	<u>65,618</u>
EXPENDITURES:				
Current:				
Public safety-fire protection	<u>36,003</u>	<u>36,003</u>	<u>9,183</u>	<u>(26,820)</u>
Total Expenditures	<u>36,003</u>	<u>36,003</u>	<u>9,183</u>	<u>(26,820)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(36,003)	(36,003)	56,435	92,438
OTHER FINANCING SOURCES				
Transfers in	-	-	47,625	47,625
Transfers Out	<u>(111,210)</u>	<u>(111,210)</u>	<u>(111,209)</u>	<u>1</u>
Total Other Financing Sources	<u>(111,210)</u>	<u>(111,210)</u>	<u>(63,584)</u>	<u>47,626</u>
NET CHANGE IN FUND BALANCES	<u>\$ (147,213)</u>	<u>\$ (147,213)</u>	(7,149)	<u>\$ 140,064</u>
Fund balances at beginning of year			<u>102,729</u>	
Fund balances, at end of year			<u>\$ 95,580</u>	