



**RODEO-HERCULES FIRE PROTECTION DISTRICT**  
*1680 REFUGIO VALLEY ROAD, HERCULES, CALIFORNIA 94547*  
*(510) 799-4561 FAX: (510) 799-0395*

**MEASURE O OVERSIGHT COMMITTEE MEETING AGENDA**

February 19, 2020

3:00 P.M.  
Station 76  
1680 Refugio Valley Road  
Hercules, CA 94547

If any member of the public wishes to speak on any item on the agenda, please complete a speaker card and submit it to the Clerk of the Board. The Rodeo Hercules Fire Protection District (“District”), in complying with the Americans with Disabilities Act (“ADA”), requests individuals who require special accommodations to access, attend, and/or participate in the District’s Measure O Oversight Committee meetings due to a disability, to please contact the District Chief’s office at (510) 799-4561, at least 24 hours before the scheduled meeting to ensure that the District may assist you.

1. CALL TO ORDER/ROLL CALL
2. PLEDGE OF ALLEGIANCE
3. CONFIRMATION OF THE AGENDA
4. APPROVAL OF PRIOR MEETING MINUTES
5. PUBLIC COMMUNICATIONS

Public comment on any item of interest to the public that is within the Committee’s jurisdiction will be heard. The Committee may limit comments to no more than 3 minutes per speaker. Public comment will also be allowed on each specific agenda item prior to Committee hearing or action thereon.

6. RECEIVE 2018-19 AUDITOR'S REPORT
7. REVIEW 2019-2020 RHFPD BUDGET
8. POSSIBLE AGENDA ITEMS
9. ADJOURNMENT

I hereby certify that this agenda in its entirety was posted on January 10, 2020 at the Hercules Fire Station, 1680 Refugio Valley Road, Hercules, CA; the Rodeo Fire Station, 326 Third Street, Rodeo, CA; on the District’s website at [www.rhfd.org](http://www.rhfd.org); and telecopied to the West County Times.

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Kimberly Corcoran, Board Clerk



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1680 REFUGIO VALLEY ROAD, HERCULES, CALIFORNIA 94547  
(510) 799-4561 FAX: (510) 799-0395

MEASURE O OVERSIGHT COMMITTEE MEETING MINUTES

January 15, 2020

3:00 P.M.  
Station 76  
1680 Refugio Valley Road  
Hercules, CA 94547

1. CALL TO ORDER/ROLL CALL (00:20) A. Ziff, M. Bowman, P. Freese in attendance. Chief Craig is in attendance.
2. PLEDGE OF ALLEGIANCE (00:34)
3. CONFIRMATION OF THE AGENDA (00:56) Motion to remove item 8- Review 2018-19 Auditor's Report made by P. Freese. 2nd by A. Ziff. Motion passed 3-0.
4. APPROVAL OF PRIOR MEETING MINUTES (1:40) Motion to approve minutes made by M. Bowman, 2nd by A. Ziff. Motion passed 3-0.
5. PUBLIC COMMUNICATIONS (2:16) No public comment.
6. REVIEW OF DRAFT 17-18 OVERSIGHT COMMITTEE REPORT (POSSIBLE ACTION ITEM) (2:35) Motion made by A. Ziff to adopt 2017-18 Oversight Committee Report. 2nd by M. Bowman. Motion passed 3-0.
7. REVIEW 2018-19 RHFPD BUDGET (6:03)
8. PUBLIC OUTREACH EFFORTS (24:26)
9. POSSIBLE AGENDA ITEMS (41:18)
  - Receive 2018-19 Auditor's Report
  - Review 2019-20 RHFPD Budget
10. ADJOURNMENT (44:44) Motion to adjourn made by M. Bowman. 2nd by A. Ziff. Motion passed 3-0.

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Kimberly Corcoran, Board Clerk

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RODEO - HERCULES FIRE PROTECTION DISTRICT  
HERCULES, CALIFORNIA

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2019

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**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
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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, 2019, 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, 2019 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, required supplementary information related to Pension and OPEB as listed in the 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 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 January 30, 2020, 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 solely 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 the effectiveness of the District's 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  
January 30, 2020



# RODEO - HERCULES FIRE PROTECTION DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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, 2019. 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 \$9,243,401.
- The total Program Expenses were \$3,104,197.
- The total Program Revenues were \$371,012.
- The total General Revenues were \$8,650,576.
- The change in Net Position represents an increase of \$5,917,391.

### **Fund Financial Statements**

- The General Fund operating revenues were less than its expenses leaving a fund balance of \$2,816,374.
- The Hercules Fire Impact Fund revenues exceeded its expenses leaving a fund balance of \$343,808.
- The Rodeo Fire Impact Fund revenues exceeded operating expenses leaving a fund balance of \$24,051.
- The Capital Projects #1 Fund operating revenues exceeded expenses leaving a fund balance of \$98,903.
- Measure O Parcel Tax Fund operating revenue exceeded expenses leaving a fund balance of \$217,401.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$2,816,374. Restricted fund balance of the Hercules Fire Impact Fee Special Revenue Fund was \$343,808; and the Rodeo Fire Impact Fee Special Revenue Fund was \$24,051. Assigned fund balance of the Capital Projects # 1 was \$98,903; and the Measure O Parcel Tax Special Revenue Fund was \$217,401. 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.

**RODEO - HERCULES FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

**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, 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, intergovernmental revenue, developer impact fees and inspection fees. In the District's case, the six funds (General Fund, Capital Projects Fund, Debt service Fund, Measure O Parcel tax 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.

**RODEO - HERCULES FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

**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>2018-2019</u>	<u>2017-2018</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>Assets</b>				
Current assets	\$ 3,867,048	\$ 2,219,449	\$ 1,647,599	74.2 %
Noncurrent Assets	88,173	88,173	-	- %
Capital assets	<u>1,991,289</u>	<u>2,207,590</u>	<u>(216,301)</u>	<u>(9.8)%</u>
Total assets	<u>5,946,510</u>	<u>4,515,212</u>	<u>1,431,298</u>	<u>31.7 %</u>
<b>Deferred Outflows of Resources</b>				
Related to pension	7,413,375	2,476,737	4,936,638	199.3 %
Related to OPEB	<u>-</u>	<u>30,389</u>	<u>(30,389)</u>	<u>(100.0)%</u>
Total deferred outflows of resources	<u>7,413,375</u>	<u>2,507,126</u>	<u>4,906,249</u>	<u>195.7 %</u>
<b>Liabilities</b>				
Current liabilities	516,946	623,439	(106,493)	(17.1)%
Noncurrent liabilities	<u>15,738,381</u>	<u>15,799,596</u>	<u>(61,215)</u>	<u>(0.4)%</u>
Total liabilities	<u>16,255,327</u>	<u>16,423,035</u>	<u>(167,708)</u>	<u>(1.0)%</u>
<b>Deferred Inflows of Resources</b>				
Related to pension	6,334,030	5,726,315	607,715	10.6 %
Related to OPEB	<u>13,929</u>	<u>-</u>	<u>13,929</u>	<u>100.0 %</u>
Total deferred inflows of resources	<u>6,347,959</u>	<u>5,726,315</u>	<u>621,644</u>	<u>10.9 %</u>
<b>Net Position</b>				
Net investment in capital assets	1,765,272	1,909,447	(144,175)	(7.6)%
Restricted for:				
Special projects and programs	367,859	266,236	101,623	38.2 %
Debt Service	88,173	88,173	-	- %
Unrestricted	<u>(11,464,705)</u>	<u>(17,390,868)</u>	<u>5,926,163</u>	<u>34.1 %</u>
Total Net Position	<u>\$ (9,243,401)</u>	<u>\$ (15,127,012)</u>	<u>\$ 5,883,611</u>	<u>38.9 %</u>

**RODEO - HERCULES FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

**FINANCIAL ACTIVITIES OF THE DISTRICT AS A WHOLE - CONT'D**

**Table 2  
Statement of Activities  
Governmental Activities**

	<u>2018-2019</u>	<u>2017-2018</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>Expenses</b>				
Public safety - fire protection	\$ 3,104,197	\$ 6,912,051	\$ (3,807,854)	(55.1)%
Total Program Expenses	<u>3,104,197</u>	<u>6,912,051</u>	<u>(3,807,854)</u>	<u>(55.1)%</u>
<b>Revenues</b>				
Program revenues:				
Operating grants and contributions	327,903	1,014,213	(686,310)	(67.7)%
Charges for services	43,109	-	43,109	100.0 %
General revenues:				
Property taxes	7,090,547	7,386,286	(295,739)	(4.0)%
Special Tax/Fire (Benefit Assessment)	1,352,535		1,352,535	100.0 %
Hercules development fees	203,061	165,326	37,735	22.8 %
Investment earnings	4,416	3,237	1,179	36.4 %
Miscellaneous	<u>17</u>	<u>196</u>	<u>(179)</u>	<u>(91.3)%</u>
Total Revenues	<u>9,021,588</u>	<u>8,569,258</u>	<u>452,330</u>	<u>5.3 %</u>
<b>Changes in net position</b>	<u>5,917,391</u>	<u>1,657,207</u>	<u>\$ 4,260,184</u>	<u>257.1 %</u>
Net position, beginning of year	(15,127,012)	(16,031,732)		
Prior Period Adjustments	<u>(33,780)</u>	<u>(752,487)</u>		
Net position, beginning of year, restated	<u>(15,160,792)</u>	<u>(16,784,219)</u>		
Net position, end of year	<u>\$ (9,243,401)</u>	<u>\$ (15,127,012)</u>		

**Expenses**

The Public Safety - Fire Protection expenses totaled to \$3,104,197 for fiscal year ending 2019.

**Program Revenues**

During the fiscal year ended June 30, 2019, the District also received funding through the District's Measure "O" in amount of \$2,405,916. The proceeds of the special tax funding replacement measure imposed by this ordinance could be used solely for any lawful purpose permissible to Fire District's pursuant to California Health and Safety Code section 13800 et seq.

**RODEO - HERCULES FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

**FINANCIAL ACTIVITIES OF THE DISTRICT AS A WHOLE - CONT'D**

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

*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 and parcel taxes. During the last fiscal year, the overall assessed valuation decreased by 0.1%. This decrease reflects the decrease in assessed valuations in the City of Hercules and Town of Rodeo. A considerable portion of the District's potential revenues falls within the City of Hercules Redevelopment Area of which the District is entitled 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 through 2018/19, as stated above.

**Fund Financial Statements**

*Governmental Funds*

At June 30, 2019, the District's governmental funds reported combined fund balances of \$3,588,710, which is an increase of \$1,754,593 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 decreased by 3.50% from last year.

**RODEO - HERCULES FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

**CAPITAL ASSETS**

At the end of fiscal year 2019, the District had \$1,991,289 in net capital assets. The following table identifies the specific governmental activity:

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

	<u>2018-2019</u>	<u>2017-2018</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>Capital Assets</b>				
Land	\$ 7,437	\$ 7,437	\$ -	- %
Buildings and improvements	1,096,448	1,096,448	-	-
Equipment	5,578,720	5,578,720	-	-
Less accumulated depreciation	<u>(4,691,316)</u>	<u>(4,475,015)</u>	<u>(216,301)</u>	<u>4.8 %</u>
Capital Assets	<u>\$ 1,991,289</u>	<u>\$ 2,207,590</u>	<u>\$ (216,301)</u>	<u>(9.8)%</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 increased 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. Measure O parcel tax allowed the District to keep both stations open upon the expiration of the FEMA Safer Grant and the 2014 benefit assessment.

**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**

# GOVERNMENT-WIDE FINANCIAL STATEMENTS



**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets:	
Cash and investments (Note 2)	\$ 3,829,621
Accounts receivable	<u>37,427</u>
Total Current Assets	<u>3,867,048</u>
Noncurrent Assets:	
Other assets:	
Restricted cash (Note 2)	<u>88,173</u>
Total Other Assets	<u>88,173</u>
Capital assets (Note 3):	
Non-depreciable	7,437
Depreciable capital assets, net	<u>1,983,852</u>
Total capital assets, net of accumulated depreciation	<u>1,991,289</u>
Total Noncurrent Assets	<u>2,079,462</u>
Total Assets	<u>5,946,510</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to pension (Note 6)	<u>7,413,375</u>
Total Deferred Outflows of Resources	<u>7,413,375</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 13,359,885</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	\$ 366,511
Compensated absences, due within one year (Note 1 G)	77,041
Lines of credit, due within one year (Note 4)	<u>73,394</u>
Total Current Liabilities	<u>516,946</u>
Noncurrent Liabilities:	
Compensated absences, due in more than one year (Note 1 G)	179,762
Lines of credit, due in more than one year (Note 4)	152,623
Net OPEB liability (Note 7 B)	3,689,016
Net pension liability (Note 6)	<u>11,716,980</u>
Total Noncurrent Liabilities	<u>15,738,381</u>
Total Liabilities	<u>16,255,327</u>

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

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

	<u>Governmental Activities</u>
DEFERRED INFLOWS OF RESOURCES	
Related to pension (Note 6)	6,334,030
Related to OPEB (Note 7 B)	<u>13,929</u>
Total Deferred Inflows of Resources	<u>6,347,959</u>
NET POSITION (DEFICIT) (Note 5)	
Net investment in capital assets	1,765,272
Restricted for:	
Special projects and programs	367,859
Debt Service	88,173
Unrestricted	<u>(11,464,705)</u>
Total Net Position (Deficit)	<u>(9,243,401)</u>
Total Liabilities, Deferred inflows of resources, and Net Position	<u><u>\$ 7,025,855</u></u>

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

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities:</b>				
Public safety - Fire protection	\$ 3,104,197	\$ 43,109	\$ 327,903	\$ (2,733,185)
Total Governmental Activities	<u>\$ 3,104,197</u>	<u>\$ 43,109</u>	<u>\$ 327,903</u>	<u>(2,733,185)</u>
<b>General Revenues:</b>				
Property tax				7,060,591
Special Tax/Fire (Benefit Assessment)				1,352,535
Home owner property tax relief				29,956
Hercules development fees				203,061
Investment earnings				4,416
Miscellaneous				<u>17</u>
Total General Revenues				<u>8,650,576</u>
Changes in Net Position				<u>5,917,391</u>
Net Position (Deficit), beginning of year				(15,127,012)
<i>Restatement</i>				<u>(33,780)</u>
Net Position (Deficit), beginning of year, <i>restated</i>				<u>(15,160,792)</u>
Net Position (Deficit), end of year				<u>\$ (9,243,401)</u>

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

## FUND FINANCIAL STATEMENTS

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2019**

	<u>General</u>	<u>Hercules Fire Impact Fee Special Revenue</u>	<u>Rodeo Fire Impact Fee Special Revenue</u>	<u>Measure O Parcel Tax Special Revenue</u>
<b>ASSETS</b>				
Cash and investments (Note 2)	\$ 3,129,340	\$ 359,926	\$ 24,051	\$ 217,401
Restricted cash (Note 2)	-	-	-	-
Accounts receivable	<u>37,427</u>	-	-	-
<b>Total Assets</b>	<u>3,166,767</u>	<u>359,926</u>	<u>24,051</u>	<u>217,401</u>
<b>LIABILITIES</b>				
Accounts payable	<u>350,393</u>	<u>16,118</u>	-	-
<b>Total Liabilities</b>	<u>350,393</u>	<u>16,118</u>	-	-
<b>FUND BALANCES</b>				
Restricted	-	343,808	24,051	-
Assigned	-	-	-	217,401
Unassigned	<u>2,816,374</u>	-	-	-
<b>Total Fund Balances</b>	<u>2,816,374</u>	<u>343,808</u>	<u>24,051</u>	<u>217,401</u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 3,166,767</u></u>	<u><u>\$ 359,926</u></u>	<u><u>\$ 24,051</u></u>	<u><u>\$ 217,401</u></u>

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

**RODEO - HERCULES FIRE PROTECTION DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2019**

	<u>Capital Projects #1</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and investments (Note 2)	\$ 98,903	\$ -	\$ 3,829,621
Restricted cash (Note 2)	-	88,173	88,173
Accounts receivable	<u>-</u>	<u>-</u>	<u>37,427</u>
Total Assets	<u>98,903</u>	<u>88,173</u>	<u>3,955,221</u>
<b>LIABILITIES</b>			
Accounts payable	<u>-</u>	<u>-</u>	<u>366,511</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>366,511</u>
<b>FUND BALANCES</b>			
Restricted	-	88,173	456,032
Assigned	98,903	-	316,304
Unassigned	<u>-</u>	<u>-</u>	<u>2,816,374</u>
Total Fund Balances	<u>98,903</u>	<u>88,173</u>	<u>3,588,710</u>
Total Liabilities and Fund Balances	<u><u>\$ 98,903</u></u>	<u><u>\$ 88,173</u></u>	<u><u>\$ 3,955,221</u></u>

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

**RODEO - HERCULES FIRE PROTECTION DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2019**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Fund balances - Total governmental funds	\$ 3,588,710
Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the Governmental Funds.	1,991,289
Liabilities are not due and payable with current financial resources and therefore are not reported in the Governmental Funds.	
Compensated absences payable	(256,803)
Net OPEB liability and deferred inflows and outflows of resources	(3,702,945)
Net pension liability and deferred inflows and outflows of resources	(10,637,635)
Lines of credit	<u>(226,017)</u>
Net position (deficit) - Governmental activities	<u>\$ (9,243,401)</u>

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

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	General	Hercules Fire Impact Fee Special Revenue	Rodeo Fire Impact Fee Special Revenue	Measure O Parcel Tax Special Revenue
<b>REVENUES:</b>				
Property taxes	\$ 4,654,675	\$ -	\$ -	\$ 2,405,916
Home owner property tax relief	29,956	-	-	-
Intergovernmental revenue	327,903	-	-	-
Charges for services	43,109	-	-	-
Special Tax/Fire (Benefit Assessment)	1,352,535	-	-	-
Hercules development fees	-	203,061	-	-
Use of money and property	-	-	2,222	-
Miscellaneous	17	-	-	-
Total Revenues	<u>6,408,195</u>	<u>203,061</u>	<u>2,222</u>	<u>2,405,916</u>
<b>EXPENDITURES:</b>				
Current:				
Public safety - Fire protection	7,038,446	103,657	3	9,734
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>7,038,446</u>	<u>103,657</u>	<u>3</u>	<u>9,734</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(630,251)</u>	<u>99,404</u>	<u>2,219</u>	<u>2,396,182</u>
<b>OTHER FINANCING SOURCES/ USES:</b>				
Transfers in	2,322,863	-	-	-
Transfers out	(81,368)	-	-	(2,322,872)
Total Other Financing Sources/ Uses	<u>2,241,495</u>	<u>-</u>	<u>-</u>	<u>(2,322,872)</u>
Net change in fund balances	<u>1,611,244</u>	<u>99,404</u>	<u>2,219</u>	<u>73,310</u>
Fund balances, beginning of year	1,238,910	244,404	21,832	144,091
<i>Restatement</i>	(33,780)	-	-	-
Fund balances, beginning of year, <i>restated</i>	<u>1,205,130</u>	<u>244,404</u>	<u>21,832</u>	<u>144,091</u>
Fund balances, end of year	<u>\$ 2,816,374</u>	<u>\$ 343,808</u>	<u>\$ 24,051</u>	<u>\$ 217,401</u>

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



**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Capital Projects #1</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>			
Property taxes	\$ -	\$ -	\$ 7,060,591
Home owner property tax relief	-	-	29,956
Intergovernmental revenue	-	-	327,903
Charges for services	-	-	43,109
Special Tax/Fire (Benefit Assessment)	-	-	1,352,535
Hercules development fees	-	-	203,061
Use of money and property	2,194	-	4,416
Miscellaneous	-	-	17
	<u>2,194</u>	<u>-</u>	<u>9,021,588</u>
<b>Total Revenues</b>			
<b>EXPENDITURES:</b>			
Current:			
Public safety - Fire protection	7	-	7,151,847
Debt service:			
Principal	-	72,126	72,126
Interest	-	9,242	9,242
	<u>-</u>	<u>81,368</u>	<u>81,368</u>
<b>Total Expenditures</b>	<u>7</u>	<u>81,368</u>	<u>7,233,215</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>2,187</u>	<u>(81,368)</u>	<u>1,788,373</u>
<b>OTHER FINANCING SOURCES/ USES:</b>			
Transfers in	9	81,368	2,404,240
Transfers out	-	-	(2,404,240)
	<u>9</u>	<u>81,368</u>	<u>-</u>
<b>Total Other Financing Sources/ Uses</b>			
Net change in fund balances	<u>2,196</u>	<u>-</u>	<u>1,788,373</u>
Fund balances, beginning of year	96,707	88,173	1,834,117
<i>Restatement</i>	<u>-</u>	<u>-</u>	<u>(33,780)</u>
Fund balances, beginning of year, <i>restated</i>	<u>96,707</u>	<u>88,173</u>	<u>1,800,337</u>
Fund balances, end of year	<u>\$ 98,903</u>	<u>\$ 88,173</u>	<u>\$ 3,588,710</u>

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

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF**  
**ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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

Net changes in fund balances - total governmental funds	\$ 1,788,373
<p>Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of these assets is depreciated over their estimated useful lives:</p>	
Depreciation expense	(216,301)
<p>The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):</p>	
Compensated absences	5,784
OPEB expenses (income)	(37,708)
Pension expense	4,305,117
Repayment of principal	<u>72,126</u>
Change in net position in governmental activities	<u>\$ 5,917,391</u>

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

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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, and 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 THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D**

**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 Town of Rodeo.

*Measure O Parcel Tax Revenue Fund* - is used to receive and to account for the proceeds of Measure "O" special tax funding.

*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 proceeds from a line of credit and payments made to vendors related to authorized capital projects.

**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.

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.

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D**

**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) The Board of Directors requires the adoption of a summary budget for the General Fund.
- (7) Appropriations lapse at the end of each fiscal year.

**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.

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D**

**G. 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.

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 deferred outflows of resources of \$7,413,375 related to Pension.

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 deferred inflows of resources of \$6,334,030 related to Pension and \$13,929 related to OPEB.

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D**

**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 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.

**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.

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 2 - CASH AND INVESTMENTS - CONT'D**

Cash and investments were as follows at June 30, 2019:

**Unrestricted cash and investments:**

Cash deposits with the County	\$ 3,718,787
Petty cash	400
LAIF	<u>110,434</u>
Total unrestricted cash and investments	<u>3,829,621</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><u>\$ 3,917,794</u></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.

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

At June 30, 2019, the District had \$110,434 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, 2019, include a portion of the pool funds invested in structured notes and asset-backed securities. These investments matured in an average of 193 days.

**E. Fair Value Hierarchy**

GASB Statement No. 72, fair Value Measurement and Application, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). However, the investments in an external investment pool are not subject to reporting within the level hierarchy.



**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 2 - CASH AND INVESTMENTS - CONT'D**

The California Local Agency Investment Fund 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. As of June 30, 2019, the aforementioned fair value factor was 0.99813.

**NOTE 3 - CAPITAL ASSETS**

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2019</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>5,578,720</u>	<u>-</u>	<u>5,578,720</u>
Total capital assets being depreciated	<u>6,675,168</u>	<u>-</u>	<u>6,675,168</u>
Less accumulated depreciation:			
Structures and improvements	(455,760)	(21,929)	(477,689)
Equipment and vehicles	<u>(4,019,255)</u>	<u>(194,372)</u>	<u>(4,213,627)</u>
Total accumulated depreciation	<u>(4,475,015)</u>	<u>(216,301)</u>	<u>(4,691,316)</u>
Total capital assets being depreciated, net	<u>2,200,153</u>	<u>(216,301)</u>	<u>1,983,852</u>
Total capital assets, net	<u>\$ 2,207,590</u>	<u>\$ (216,301)</u>	<u>\$ 1,991,289</u>

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 4 - 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 (3.1% per year) is payable annually over the next ten years, maturing on October 15, 2021, and are payable from general District revenues.

During fiscal year 2019, the District paid \$72,126 in principal payments. As of June 30, 2019, 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>
2020	\$ 73,394	\$ 7,006	\$ 80,400
2021	75,669	4,731	80,400
2022	<u>76,954</u>	<u>2,386</u>	<u>79,340</u>
	<u>\$ 226,017</u>	<u>\$ 14,123</u>	<u>\$ 240,140</u>

**NOTE 5 - 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**

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** - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- **Restricted net position** - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

**Net Position Flow Assumption**

When a government funds outlays for a particular purpose from both restricted and unrestricted resources, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted net position is available, it is considered that restricted resources are used first, followed by the unrestricted resources.

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 5 - NET POSITION AND FUND BALANCES - CONT'D**

**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.

*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 6 - 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.

**RODEO - HERCULES FIRE PROTECTION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 6 - PENSION PLAN - CONT'D**

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.

The plans' provisions and benefits in effect at June 30, 2019, are summarized as follows:

	<u>Miscellaneous</u>	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire Date		
Benefit formula	2% @ 55	2.5% @ 67
Benefit vesting schedule	10 year's service	5 year's 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	14.39%	10.86%
Required employer contribution rates	29.79%	26.50%

	<u>Safety</u>	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire Date		
Benefit formula	2% @ 50	2.7% @ 57
Benefit vesting schedule	5 year's service	5 year's 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	21.50%	17.06%
Required employer contribution rates	17.68%	11.96%

**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 THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 6 - PENSION PLAN - CONT'D**

For the year ended June 30, 2019, the contributions recognized as part of pension expense for miscellaneous and safety plan were as follows:

	Amount
Contributions - employer	\$ 2,152,307

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the net pension liability of each plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	103,521
Safety	11,613,459
Total Net Pension Liability	\$ 11,716,980

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, 2018, 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, 2017 rolled forward to December 31, 2018 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, 2014 through 2019 was as follows:

Reporting Date for Employer under GASB 68 as of December 31,	Proportion of the Net Pension Liability	Proportionate share of Net Pension Liability	Covered- employee payroll	Proportionate share of the Net Pension Liability as a percentage of covered- employee payroll	Plan Fiduciary Net Pension as a percentage of the Total Pension Liability
2014	1.129%	\$16,612,346	\$1,766,704	940.30%	59.86%
2015	1.129%	13,499,212	2,069,510	652.29%	65.89%
2016	1.012%	15,252,152	2,342,844	651.01%	63.59%
2017	1.049%	14,693,106	2,241,786	655.42%	66.55%
2018	1.441%	11,693,174	2,194,605	532.81%	74.20%
2019	0.820%	11,716,980	2,346,256	499.39%	74.46%

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 6 - PENSION PLAN - CONT'D**

For the year ended June 30, 2019, the District recognized a negative pension expense of \$4,305,117. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 2,152,307	\$ -
Differences between actual and expected experience	338,522	(254,703)
Changes in assumptions	68,688	(596,849)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	1,343,137	(5,482,478)
Net differences between projected and actual earnings on plan investments	<u>3,510,721</u>	<u>-</u>
Total	<u>\$ 7,413,375</u>	<u>\$ (6,334,030)</u>

The \$2,152,307 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	<u>Annual Amortization</u>
2020	\$ (256,396)
2021	\$ (590,386)
2022	\$ (676,186)
2023	\$ 450,006

**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, 2016	December 31, 2016
Measurement Date	December 31, 2017	December 31, 2017
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	3.75% - 15.25% (2)	4.25% -16.25% (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

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 6 - PENSION PLAN - CONT'D**

**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 employer and employee contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer and employee 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 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 TPL as of December 31, 2018.

The long-term expected rate of return on pension plan investments was determined in 2018 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	5 %	5.44 %
Developed International Equity	13 %	6.54 %
Emerging Markets Equity	11 %	8.73 %
Short-Term Govt/Credit	23 %	0.84 %
US Treasury	3 %	1.05 %
Private Equity	8 %	9.27 %
Risk Diversifying	7 %	3.53 %
Global Infrastructure	3 %	7.90 %
Private Credit	12 %	5.80 %
REIT	1 %	6.80 %
Value Add Real Estate	5 %	8.80 %
Opportunity Real Estate	4 %	12.00 %
Risk Parity	5 %	5.80 %
Total	<u>100 %</u>	

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 6 - PENSION PLAN - CONT'D**

***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	157,873	17,710,865
Current Discount Rate	7.00 %	7.00 %
Net Pension Liability	103,521	11,613,459
1% Increase	8.00 %	8.00 %
Net Pension Liability	58,993	6,618,119

***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 7 - 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.

**B. Other Post-Employment benefits (OPEB)**

At June 30, 2019, net OPEB liability and related deferred outflows/inflows of resources are as follows:

Deferred outflows of resources	\$ -
Net OPEB Liability	\$ (3,689,016)
Deferred inflows of resources	\$ (13,929)



**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 7 - EMPLOYEE BENEFIT PLANS - CONT'D**

**Plan Description**

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.

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.

**Eligibility**

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. As of June 30, 2019, membership of the District as of the valuation date consisted of the following:

Inactive Employees Receiving Benefits	22
Participating Active Employees	19
Total Number of Participants	41

**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.

**Additional Information**

The District's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017.

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 7 - EMPLOYEE BENEFIT PLANS - CONT'D**

**Actuarial Assumptions**

The total 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:

Actuarial method	Entry age actuarial cost method
Discount rate	7.00%
Inflation	2.75%
Payroll increase	2.75%
Investment rate of return	7.00%
Mortality rates	2014 CalPERS Active/Retired Mortality for Miscellaneous/Safety Employees
Healthcare cost trend rate	4.00% for medical benefits

**Discount Rate**

The discount rate used to measure the total OPEB Liability was 7.00%. Based on historic 29 year real rates of return for each asset class along with assumed long-term inflation assumption was used to set the discount rate. The expected investment return was offset by investment expenses of 25 basis points.

The assumed asset allocation and assumed rate of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Percentage of Portfolio</u>	<u>Assumed Gross Return</u>
US Large Cap	43 %	7.795 %
US Small Cap	23 %	7.795 %
Long-Term Corporate Bonds	12 %	5.295 %
Long-Term Government Bonds	6 %	4.500 %
Treasury Inflation Protected Securities (TIPS)	5 %	7.795 %
US Real Estate	8 %	7.795 %
All Commodities	3 %	7.795 %

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 7 - EMPLOYEE BENEFIT PLANS - CONT'D**

**Change in the Net OPEB Liability**

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(c) = (a) - (b)
Balance at June 30, 2017	\$ 5,386,176	\$ 1,688,993	\$ 3,697,183
Changes Recognized for year:			
Service Cost	105,452	-	105,452
Interest	369,599	-	369,599
Employer Contributions	-	348,218	(348,218)
Employee Contributions	-	-	-
Assumption Changes	-	-	-
Expected Investment Income	-	119,183	(119,183)
Investment Gains/ Losses	-	17,412	(17,412)
Administrative Expense	-	(3,152)	3,152
Expected Benefit Payments	(317,829)	(317,829)	-
Other	-	1,557	(1,557)
Net changes	<u>157,222</u>	<u>165,389</u>	<u>(8,167)</u>
Balance at June 30, 2018	<u>\$ 5,543,398</u>	<u>\$ 1,854,382</u>	<u>\$ 3,689,016</u>

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

The net OPEB Liability of the District, as well as what the District's net OPEB Liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher are as follows:

Plan's Net OPEB Liability		
Discount Rate - 1%	Current Discount Rate	Discount Rate +1%
\$ 4,310,272	\$ 3,689,016	\$ 3,168,990

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

The net OPEB Liability of the District, as well as what the District's net OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates are as follows:

Plan's Net OPEB Liability		
Trend Rate - 1%	Current Trend Rate	Trend Rate +1%
\$ 3,110,470	\$ 3,689,016	\$ 4,363,209

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 7 - EMPLOYEE BENEFIT PLANS - CONT'D**

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

For the fiscal year ended June 30, 2019, the District recognized OPEB expense of \$37,708. At June 30, 2019, the District reported deferred inflows of resources of \$13,929 and deferred outflows of resources of \$0.

**NOTE 8 - 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:

<u>Coverage</u>	<u>Insurance Company/ Risk Pool</u>	<u>Limit of Liability</u>	<u>Deductible/ SIR</u>
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 THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 9 - 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 10 - TAX ABATEMENT**

The District has implemented the Governmental Accounting Standards Board (GASB) Statement number 77, Tax Abatement Disclosures. A tax abatement is created when a government enters into an agreement with an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. The District identified one abatement programs namely the Williamson Act that may affect the District's share of the property tax. The Williamson Act enables local governments to enter into contracts with private landowners for restricting specific parcels of land to agricultural or related opens space use. In return, landowners receive property tax assessments based upon farming and open space uses as opposed to full market value. The Mills Act allows the county to enter into contracts with owners of historic structures who actively participate in the restoration and preservation of the property in exchange for an assessment at less than full market value. As per the Contra Costa County Controller's Office, the District's revenue might be affected by the Williamson Act if there is any Williamson Act properties within the Rodeo-Hercules Fire Protection District.

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 11 - NET POSITION RESTATEMENT**

During the fiscal year ended June 30, 2019, the District determined that changes to the beginning of ear net position and fund balances were necessary due to reconcile the beginning balance of due to/ due from other funds and due from other governments in prior years. As a result, prior year financial statements have been restated to show the effects of the change where necessary. The adjustments resulted in a prior period adjustment of \$33,780 to its fund and government wide financial statements.

Net position as previously reported at June 30, 2018	\$ (15,127,012)
Prior period adjustments due to reconcile the beginning balance of due to/ due from other funds and due from other governments	<u>(33,780)</u>
Net position as restated, June 30, 2018	<u>\$ (15,160,792)</u>

**NOTE 12 - SUBSEQUENT EVENTS**

The management of District reviewed the results of operations for the period of time from its year end June 30, 2019 through January 30, 2020, 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 SUPPLEMENTARY INFORMATION

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**COST-SHARING MULTIPLE EMPLOYER DEFINED BENEFIT RETIREMENT PLAN**  
**AS OF FISCAL YEAR ENDING JUNE 30, 2019**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**  
**Last 10 Fiscal Years\***

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Service Cost	\$ 1,894,884	\$ 3,083,283	\$ 2,141,354	\$ 1,952,386	\$ 2,170,536
Interest on the Total Pension Liability	5,321,373	8,888,146	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	(1,389,022)	520,596	(138,010)	(590,374)	(510,910)
Expensed portion of current-period difference between expected and actual experience in the Total Pension Liability	94,824	(94,543)	(46,136)	(139,078)	(450,621)
Expensed portion of current-period changes of assumptions or other inputs	(167,185)	-	-	161,621	(186)
Member contributions	(856,396)	(1,401,275)	(937,982)	(863,851)	(883,512)
Projected earnings on plan investments	(4,812,359)	(7,491,678)	(5,147,268)	(5,065,803)	(5,273,953)
Expensed portion of current-period differences between actual and projected earnings on plan investments	1,282,993	(1,349,724)	(14,034)	864,172	(30,163)
Administrative expense	77,227	132,858	89,654	82,128	78,803
Other Expenses	30,038	17,675	(94,310)	6,764	-
Recognition of beginning of year deferred outflows of resources as pension expense	838,375	1,472,409	(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>(514,333)</u>	<u>(1,239,294)</u>	<u>(1,101,284)</u>	<u>(510,910)</u>	<u>-</u>
Net change in total pension liability	<u>1,800,419</u>	<u>2,538,453</u>	<u>410,504</u>	<u>1,359,234</u>	<u>1,436,004</u>



**RODEO - HERCULES FIRE PROTECTION DISTRICT  
 COST-SHARING MULTIPLE EMPLOYER DEFINED BENEFIT RETIREMENT PLAN  
 AS OF FISCAL YEAR ENDING JUNE 30, 2019  
 SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS  
 Last 10 Fiscal Years\***

Reconciliation of Net Pension Liability					
Beginning Net Pension Liability	11,693,174	14,693,106	15,252,152	13,499,212	16,612,346
Pension expense	597,033	1,637,240	1,481,331	1,359,234	1,436,004
Employer contributions	(3,010,225)	(2,111,707)	(2,058,096)	(2,186,912)	(966,307)
Net deferred inflows/outflows	4,873,645	(5,737,357)	(220,843)	3,536,036	(1,743,556)
Net deferred outflows due to change in proportion	<u>(2,436,647)</u>	<u>3,211,892</u>	<u>238,562</u>	<u>(955,418)</u>	<u>(1,839,275)</u>
Net pension liability- ending	<u>\$11,716,980</u>	<u>\$11,693,174</u>	<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	74.20 %	74.20 %	66.55 %	63.59 %	65.89 %
Covered - employee payroll	\$ 2,194,605	\$ 2,194,605	\$ 2,241,786	\$ 2,342,844	\$ 2,069,510
Net pension liability as percentage of covered employee payroll	533.90 %	532.81 %	655.42 %	651.01 %	652.29 %

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

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**SCHEDULE OF CONTRIBUTION - PENSION PLAN**  
**Last 10 Fiscal Years\***

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 2,152,307	\$ 2,058,096	\$ 2,058,096	\$ 2,186,912	\$ 966,307
Contributions in relation to the actuarially determined contributions	<u>2,152,307</u>	<u>2,058,096</u>	<u>2,058,096</u>	<u>2,186,912</u>	<u>966,307</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,194,605	\$ 2,194,605	\$ 2,241,786	\$ 2,342,844	\$ 2,069,510
Contributions as a percentage of covered employee payroll	98.07 %	93.78 %	91.81 %	93.34 %	46.69 %

**Notes to Schedule**

Measurement date:	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
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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 five years are shown.

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS**  
**Last 10 Fiscal Years\***

Valuation Date	June 30, 2017	June 30, 2017
Measurement Date	June 30, 2018	June 30, 2017
Fiscal Year End Date	June 30, 2019	June 30, 2018
Net OPEB Liability, beginning balance	\$ 3,697,183	\$ 3,434,798
Changes Recognized for year:		
Service Cost	105,452	102,630
Interest	369,599	349,483
Employer Contributions	(348,218)	(29,082)
Employee Contributions	-	-
Assumption Changes	-	-
Expected Investment Income	(119,183)	(162,001)
Investment Gains/ Losses	(17,412)	-
Administrative Expense	3,152	1,355
Expected Benefit Payments	-	-
Other	(1,557)	-
Net changes during the period	<u>(8,167)</u>	<u>262,385</u>
Net OPEB liability, ending balance	<u>\$ 3,689,016</u>	<u>\$ 3,697,183</u>

\* GASB 75 requires presentation of the 10 year history of changes in the Net OPEB Liability. Since this is the second year of implementation, only results for fiscal years 2018 and 2019 are shown.

**RODEO - HERCULES FIRE PROTECTION DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLAN**

**Actuarial Assumptions**

The net OPEB liability 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, 2018
Actuarial method	Entry age actuarial cost method
Discount rate	7.00%
Inflation	2.75%
Payroll increase	2.75%
Investment rate of return	7.00%
Mortality rates	2014 CalPERS Active/Retired Mortality for Miscellaneous/Safety Employees
Healthcare cost trend rate	4.00% for medical benefits

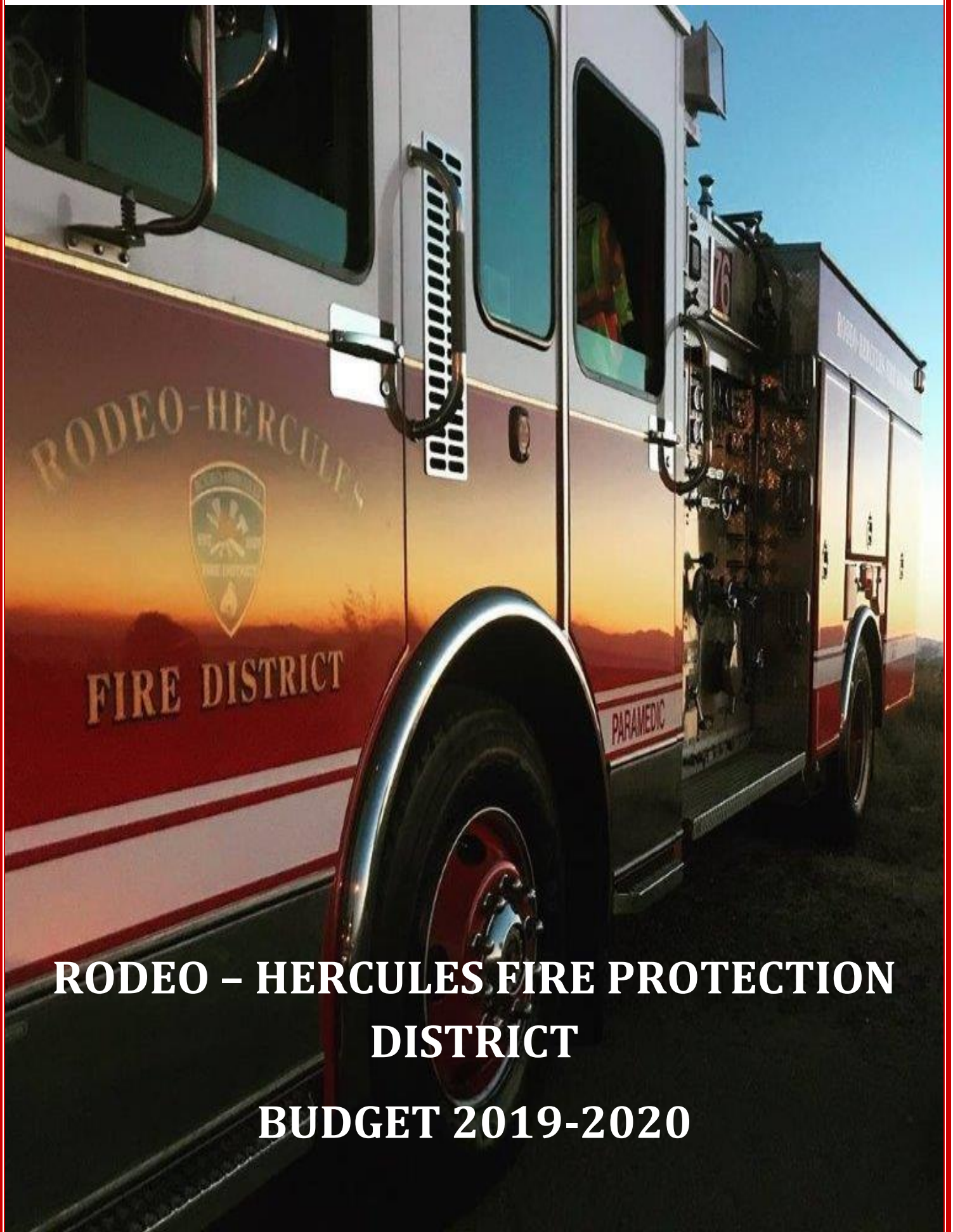
## SUPPLEMENTAL INFORMATION

**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
<b>REVENUES:</b>				
Property taxes	\$ 3,268,800	\$ 3,268,800	\$ 4,654,675	\$ 1,385,875
Home owner property tax relief	31,873	31,873	29,956	(1,917)
Intergovernmental revenue	331,944	331,944	327,903	(4,041)
Charges for services	43,066	43,066	43,109	43
Special Tax/Fire (Benefit Assessment)	1,354,034	1,354,034	1,352,535	(1,499)
Miscellaneous	<u>-</u>	<u>-</u>	<u>17</u>	<u>17</u>
Total Revenues	<u>5,029,717</u>	<u>5,029,717</u>	<u>6,408,195</u>	<u>1,378,478</u>
<b>EXPENDITURES:</b>				
Current:				
Public safety-fire protection	<u>7,286,946</u>	<u>7,286,946</u>	<u>7,038,446</u>	<u>248,500</u>
Total Expenditures	<u>7,286,946</u>	<u>7,286,946</u>	<u>7,038,446</u>	<u>248,500</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(2,257,229)</u>	<u>(2,257,229)</u>	<u>(630,251)</u>	<u>1,626,978</u>
<b>OTHER FINANCING SOURCES/USES:</b>				
Transfers in	2,352,672	2,352,672	2,322,863	(29,809)
Transfers out	<u>-</u>	<u>-</u>	<u>(81,368)</u>	<u>(81,368)</u>
Total Other Financing Sources/Uses	<u>2,352,672</u>	<u>2,352,672</u>	<u>2,241,495</u>	<u>(111,177)</u>
Net change in fund balances	<u>\$ 95,443</u>	<u>\$ 95,443</u>	<u>1,611,244</u>	<u>\$ 1,515,801</u>
Fund balances, beginning of year			1,238,910	
<i>Restatement</i>			<u>(33,780)</u>	
Fund balances, beginning of year, <i>restated</i>			<u>1,205,130</u>	
Fund balances, end of year			<u>\$ 2,816,374</u>	

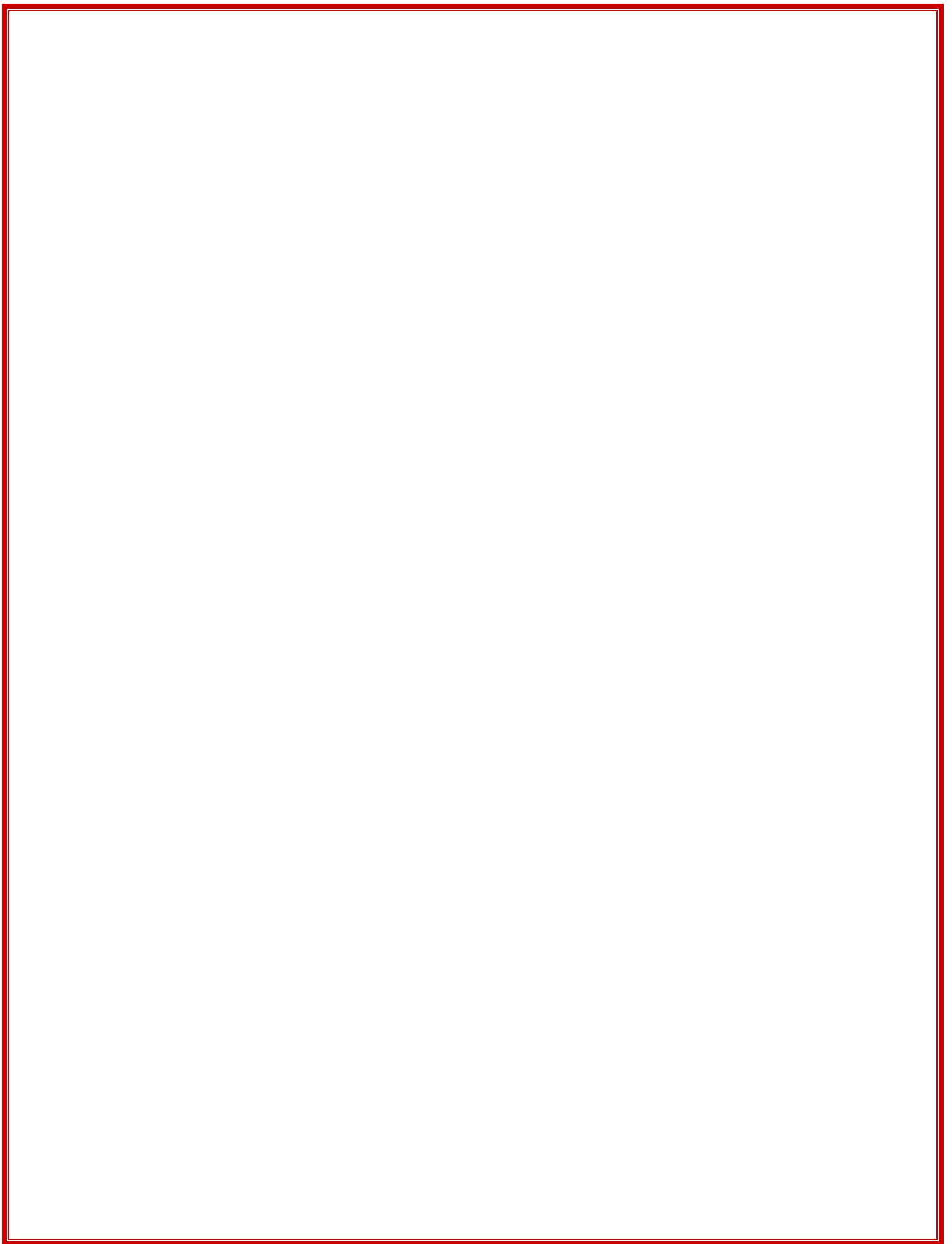
**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL - CAPITAL PROJECTS #1 FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		Actual Amounts	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 2,194	\$ 2,194
Total Revenues	<u>-</u>	<u>-</u>	<u>2,194</u>	<u>2,194</u>
EXPENDITURES:				
Current:				
Public safety-fire protection	<u>-</u>	<u>-</u>	<u>7</u>	<u>(7)</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>7</u>	<u>(7)</u>
<i>Excess (deficiency) of revenues over     expenditures</i>	<u>-</u>	<u>-</u>	<u>2,187</u>	<u>2,187</u>
OTHER FINANCING SOURCES/USES:				
Transfers in	-	-	9	9
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources/Uses	<u>-</u>	<u>-</u>	<u>9</u>	<u>9</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>2,196</u>	<u>\$ 2,196</u>
Fund balances, beginning of year			<u>96,707</u>	
Fund balances, end of year			<u>\$ 98,903</u>	



**RODEO – HERCULES FIRE PROTECTION  
DISTRICT  
BUDGET 2019-2020**





**I. MISSION STATEMENT****Rodeo-Hercules Fire Protection District****Mission Statement**

It is the mission of this organization to provide the highest level of service to the community; to mitigate the devastating effects of fires and other disasters; to deliver emergency medical services; to educate the public and maintain a constant state of readiness.

**Core Values**

To that end we value:  
Service to the Community  
Public Trust  
Professionalism  
Educated Work Force  
Compassion  
Team Work  
Safety, Health & Welfare of the Organization

**Board of Directors**

The Board of Directors is the elected policy-making body for the Rodeo - Hercules Fire Protection District. The Directors provide financial oversight and strategic policy direction to maximize the public value of District services

**Andrew Gabriel (Board Chair)**

**Steve Hill (Vice Chair)**

**William Prather**

**Marc Thorpe**

**Damon Covington**

**Fire Chief**

Bryan Craig

The Fire Chief is the Chief Executive Officer of the District. In collaboration with the Board of Directors and in partnership with all members of the organization, the Fire Chief provides direction, protection and order to the District.

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## II. Executive Summary

### A. Transmittal Letter

August 14, 2019

Board of Directors  
Rodeo - Hercules Fire Protection District  
1680 Refugio Valley Road  
Hercules, CA 94547

Members of the Board:

I would like to present to you the Fiscal Year 2019-20 Budget for the Rodeo-Hercules Fire Protection District. Formulation of this budget was completed with the concerted direction of the Fire District Board of Directors to move the Fire District to a more stable financial condition and to provide a Budget with complete financial transparency in mind. This Budget was created with input from Staff, the District's financial advisor, MRG, and the Board's Budget Ad-Hoc Subcommittee.

The District is currently in its third year of utilizing the budget processes it adopted—accounting principles that were outlined in the Fiscal Analysis and Stabilization Report conducted in 2016. Full budget narrative, with supporting documentation, projected revenues, expenditures and operations are all explained in this document. The 2016 Financial Analysis and Stabilization Report outlined issues faced by the District. Even though these particular issues were driving factors in the formulation of the 2017 through 2019 budgets, they still remain instrumental in the principles formulating the budget today.

Even though the District is on more stable footing than in prior years, it must continue to be diligent in its fiscal responsibilities. The District is continually looking for ways to streamline operations and reduce costs. Looking for other sources of revenue stream is extremely important to overcome the District's financial constraints. Exploratory revenue options are continually sought out in an effort to firm up the District's finances.

I am pleased to report that, with all the above efforts and dedication of this Board, the budget for FY 2019-20 is balanced. The District is currently maintaining both of its fire stations at full staffing.

The Budget does not contain increases in expenditures for personnel costs (other than mandated benefit cost increases<sup>1</sup>), any capital expenditures other than those required to maintain the facilities and necessary operational and support activities. The budget does however reflect expenditure increases in a variety of categories primarily due to artificially low

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<sup>1</sup> The current MOU between the District and represented employees expired on June 30, 2019

allocations due to deferred maintenance during the last three fiscal years in efforts to maintain solvency.

We estimate the ending fund balance for 2018-2019 for all funds will be \$1,711,526. at the end of fiscal year 2019-20, the District expects to end with a fund balance of \$1,229,586. The General Fund operating reserve will be used to offset any unforeseen expenses during the fiscal year. We expect the revenue and expenditures projections used are achievable and take into consideration a number of variables.

This budget will enable the District to maintain high quality fire and emergency response, while continuing to place a top priority on the health and safety of the public and our personnel. We believe the Budget represents our continued stride forward to maintain a consistent and professional level of service to everyone we serve.

I would again like to thank the Board for their continued support, direction and dedication to public safety.

In continued service,

Bryan Craig  
Fire Chief

## **B. Budget Overview and Summary**

### **Basis for Budgeting and Accounting**

As a single purpose fire authority, the District maintains one governmental fund account: Within this single account are four separate funds. They are: General Fund, the Measure O Fund, the Capital Fund and the Fire Facilities Fees Fund. The District reports the majority of its financial activities within the General Fund. Revenues and expenditures are reported in accordance with government accounting standards. Government funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when funds are available if the revenues are collected within 60 days after year-end, expenditures are recorded when the related liability is incurred.

### **Budget Control and Amendments**

The Fire Chief is responsible for ensuring expenses are within budget allocations and shall adopt budget policies necessary to carry out that responsibility within his authority. Except in prescribed emergencies, no expenditure of funds shall be authorized unless sufficient funds have been appropriated by the Board of Directors as set forth in this budget. The District has three distinct formal budgetary review and approval cycles within a given fiscal year: Preliminary, Final and Mid-Year (Amended) Budget if needed. The budgets are approved after the holding of a public hearing and provide for the general operation of the District. These budgets include the proposed expenditures of the District and the means of financing them. The Board approves total budgeted appropriations and any necessary amendments throughout the year. Formal budgetary integration at the fund level is employed as a management control device to monitor budget-to-actual performance throughout the fiscal year. Quarterly budget financial reports are also provided to the Board and are available to the general public as well. Budgets are adopted on a basis consistent with Governmental Accounting Standards Board method (GASB).

### **Budget Goals for Fiscal Year 2019-20**

As the Board and community are aware, the District has struggled to maintain solid financial footing. The much-needed replacement revenue from Measure O has improved the District's finances, adding stability to District finances. This stability will allow the District to make contributions to its Capital and Reserve funds. In preparing the Budget, District staff has developed a budget that recognizes the District's current obligations and provides accurate information on the fiscal realities faced by the District. The District will continue its efforts to secure additional revenue sources in an effort to stabilize its financial future.

### **Fiscal Year 2019-20 Projected Revenues**

The FY 2019-20 budget projects total revenue of \$8,425,014; an increase of 13% from the prior year budget. This revenue projection is based on the following assumptions: \$3,907,430 in Property Tax revenues, \$2,472,636 Measure O revenue, 1,352,535 in Benefit Assessment, and \$692,413 in Intergovernmental Revenue.

Measure O collections began in FY17-18 and will be applied to all affected (non-exempt) properties for the full fiscal year. Measure O revenues will only be used for District operations and fully expended to provide emergency services during the budget year. We anticipate some reductions in the potential total Measure O revenues due to the provision for exclusions of senior owned properties. The initial revenue projections indicated that approximately \$2.5 million could be generated in FY 2019-20; after taking into account the senior exemptions, that amount is \$2,472,636 as projected.

### **Fiscal Year 2019-20 Projected Expenditures**

The budget expenditures include full staffing for two stations. During FY 2018-19, several vacant positions were filled through recruitments and promotions. Full staffing compliment for FY 2019-20 includes:

- One Chief
- One Battalion Chief
- Six Captains
- Six Engineers
- Six Firefighters
- One Part Time Fire Inspector
- One full-time Administrative Assistant
- One part-time Administrative Assistant

A fulltime staffing configuration has reduced the District's overtime cost, while providing permanent employees to staff the two-station configuration.

The budget includes the following assumptions and significant items:

- Unknown contract costs; Represented personnel MOU expired June 30, 2019 (See Appendix A- Employee Compensation Calculations).
- Increases in medical benefits costs for current and retired employees. (\$85,397).
- Budgeting current vehicle lease costs in the General Fund (\$80,401).
- Deferral of computer purchase.
- Deferred maintenance of equipment and fixed assets.
- Increased maintenance costs due to the age of the fleet.

### **C. District Financial Position**

Historically, the District has struggled with the significant revenue reductions imposed by outside agencies, including State reductions in subventions; sequestration of property tax through the dissolution of redevelopment agencies. Fortunately, District voters supported and approved a stable revenue source through Measure O, which was approved in November 2016. This replacement revenue source will continue to be a resource to the District for the foreseeable future.

During the 2012-2016 periods, the District was forced to reduce its services significantly and was forced to use virtually all of its established reserve funds. As indicated elsewhere in this document, the Board has declared its intent to build cash reserves for the District whenever possible to assure stable service provision in the event of an unexpected circumstance, and for vehicle replacement. The budget for FY 2019-20 is balanced based on

current revenue and expenditure projections; based on these assumptions a portion of the District's budget will be placed in a dedicated economic uncertainty and capital funds.

### **District Financial Issues and Revenue Opportunities**

The District's financial position has improved with the additional revenue provided by Measure O. Full funding for two stations and uninterrupted service are major accomplishments for the District, when not too long ago, the District was uncertain of its financial position and was facing major service reductions. With the development, and implementation of an industry standard budgeting and accounting system, the District currently has the ability to track its finances and build a budget based on actual revenue and expenses.

### **Financial Issues**

The majority of the financial issues faced by the District originate externally and are difficult or impossible to control. A number of these involve actions by outside agencies or result from past economic conditions outside the scope of the Board.

These issues include the following:

- Continuing development of substantially sized vacant properties in the City of Hercules located in the prior Redevelopment project areas—precluding the District from receiving property tax 'pass through' funds.
- New development throughout the City of Hercules that increases service demands without commensurate revenue, degrading the District's ability to maintain its traditionally high level of service. In addition, multi-story buildings and dense residential and commercial development projects require additional equipment and resources to protect. Although the District was successful in increasing its Fire Facilities Impact Fee schedule, it was not to the full extent required to provide adequate funding to acquire all additional equipment needed by the District to provide fire protection.
- Contra Costa County Employees Retirement Agency (CCCERA) retirement system costs for both the ongoing payments for current employees and the unfunded liabilities (UAAL) incurred for the pensions for current and retired employees. These two costs total \$2,218,255, which represents 35% of the projected FY 2019-20 personnel costs for the District's 23 employees.
- Although the District's represented personnel contribute 3.75% of their base salary toward the District's Other Pensionable Employee Benefits (OPEB), the ongoing and accruing unfunded liability for the District's retiree medical program has and will continue to rise as medical insurance costs increase over time. The District is currently not contributing to the Annual Required Contribution (ARC). If the District does not set aside additional funds for this benefit program the unfunded liability will increase significantly over time. Current Government Accounting Standards Board (GASB) accounting principles require the District to clearly state the unfunded portion of both its retirement and OPEB programs (See *Section III. Statement of Unfunded Liabilities: CCCERA UAAL and OPEB UAAL for details*).



- The District currently operates and has in its inventory four specialty frontline vehicles and two older vehicles that serve in reserve. The frontline vehicles have an estimated current replacement value of \$5,770,000. The District's aging inventory has had an additional impact on the FY 2018/19 budget, that has resulted in an increase in vehicle maintenance program allocation. Unfortunately, this increase will continue until the District is able to adhere to its vehicle replacement schedule. The District has implemented a new fleet surveying process to better understand its fleet replacement needs. Replacement of this equipment when it becomes unserviceable represents a significant cost factor for the District (see *Section IX. Vehicle Replacement Reserve and Appendix C* for depreciation schedules and a recommended approach for the replacement of frontline vehicles).

### Recommendation

- Staff recommends to the Board of Directors to enter into a lease purchase agreement for the purchase of a Quint 100-foot ladder truck and a Type 1 Rescue Pumper. A portion of the funds for vehicle acquisition will be derived from developer impact fees.

### Revenue Opportunities for Board Consideration

- **Business Inspection Program:** The District currently inspects all businesses, schools, churches and apartment buildings within the District. Traditionally, the District has not charged for this service unless a business caused a habitual problem. Due to the increase in the requirements set forth by the State of California, and the implementation of a new inspection program generated by these requirements, it may no longer be fiscally prudent to bear these costs alone.
- **Cost Recovery for Emergency Medical First Responder Service:** The District's current Medical First Responder Fee is only applied to individuals living outside of the District. As other surrounding Districts are modifying this to include all individuals, this option should be considered by the Board.
- **Grants:** The District was successful in receiving several grants within the 2018/19 fiscal year totaling over \$164,484.00. The largest of these grants was awarded from the Assistance to Firefighter Grant program. The grant focused on reducing the harmful carcinogenic effect of diesel exhaust emissions. The District received a Grant from Pacific Gas and Electric Company to lessen the District's carbon footprint with the installation of LED lighting at both of its fire stations. The installation of LED lighting further enhances the District's efforts set forth with the installation of solar panels installed at both of its fire stations through a grant received from Bay Area Air Quality Control.

### D. District Budget Control Reporting and Reserve Policies

This Budget document contains a number of Budget Management, Control and Reserve Policies (see *Section IV. Budget Policies* for details). These policies describe important fiscal control areas to ensure that the Board's financial decisions are implemented in a thorough and professional manner and that detailed and transparent financial reporting is provided to the Board and public on an ongoing basis.

### III. Statement of Unfunded Liabilities: CCCERA & OPEB UAALS

The District provides two benefit programs to employees which require ongoing contributions to be sustainable. These are: (1) the pension benefits provided through contracts with the Contra Costa County Employees Retirement Association (CCCERA) and (2) "other post-employment benefits" (medical insurance) for

qualifying retirees (OPEB program). The costs of these programs are funded through two types of contributions: the current or 'normal' costs, and the contributions required to fund the Unfunded Actuarial Accrued Liability (UAAL) which is the difference between the actuarially stated amount needed to pay for future benefits and the current funding set aside for those benefits. The two programs treat those two components differently, as described below.

**The Contra Costa County Employees Retirement Association (CCCERA)** retirement program is governed by an independent Board of Directors. The CCCERA program mandates that participating employers pay into the fund for both the normal and UAAL costs on an annual basis. CCCERA utilizes regularly scheduled actuarial studies to ensure funding requirements are met and that the benefits are available to retirees when due. The normal and UAAL rates fluctuate based on numerous factors, including the return on investments for recent years, changes in assumptions regarding future return on investments, changes in assumptions regarding program participants' longevity and other factors.

The District's CCCERA contribution rates in FY 2019-20 for the normal costs will be 20.2% of payroll for "Legacy" employees and 16.98% for PEPRA employees (PEPRA employees are those who have been hired recently, who receive lower pension benefits than Legacy employees). The UAAL payment for FY 2019-20 is \$1,670,964. The District's current overall unfunded liability for the CCCERA retirement system is \$11,693,174. Appendix B contains background information on the District's CCCERA retirement program cost calculations for both the normal and the UAAL costs.

**The District's Other Post Employment Benefit (OPEB) Program** funds retiree medical insurance. The District currently pays the cost of qualifying retiree's medical insurance based on an agreement with the employees. The District is currently paying the full cost of those coverages to retirees—the 'normal' costs of the OPEB program. For FY 2019-20 \$363,882, is budgeted for the program. This includes matching funds of 3.75% of permanent salaries of represented employees to go towards the CERBT Trust fund.

The District is not currently paying the UAAL portion of the OPEB program. The total liability of that unaddressed obligation as estimated in the District's most recent actuarial study is \$5,386,176. The actuarial study estimated that the District will have set aside \$1,688,993 to fund the UAAL which leaves an unfunded portion of \$3,697,183. The study indicated as of the end of FY 2017-18, the District's UAAL was funded at a 17.0% level.

The study further estimates that the District would be required to pay an additional \$5,386,176.00 per year if it were to address the full UAAL liability. (See Appendix B for details.)

#### IV. BUDGET POLICIES

The following budget polices were adopted by the Board of Directors during the FY 2017/2018 budget adoption, and currently remain in place with no additions or deletions.

##### A. Policy for District Reserves and Fund Balances and Goals for Reserves and Fund Balance Maintenance

###### Fund Balance and Reserve Policy

A Fund Balance is defined as the District's balance sheet assets less liabilities, which equals a Fund Balance. There are varieties of defined fund balances which are based on the extent to which the District is bound to honor specific spending constraints.

The Rodeo - Hercules Fire Protection District utilizes the following definitions for its Budgetary Practices:

###### Unassigned Fund Balance

An **Unassigned Fund Balance** is defined as any Fund Balance amounts not classified as a Restricted Fund Balance, Committed Fund Balance or an Assigned Fund Balance.

###### Assigned Fund Balance

An **Assigned Fund Balance** is intended to be used by the District for a specific purpose, however; the activity does not meet the criteria to be classified as restricted or committed.

###### Committed Fund Balance

A **Committed Fund Balance** is defined as funds which can only be used for a specific purpose as determined by a formal action of the District's Board of Directors.

###### Restricted Fund Balance

A **Restricted Fund Balance** is defined as funds that can only be spent for specific purposes for which the funds were intended. These typically include expenditures controlled by outside agencies such as the State and Federal Government, employee retirement, medical and other funds as well as funds required for surety for debt obligations.

The establishment and maintenance of the District's financial stability and sustainability is of primary importance to the Board of Directors. The Board has established the following policies for the District to implement.

**General Fund Unassigned Fund Balance**—the purpose of this reserve is to provide the District with the needed flexibility to provide for unanticipated changes in revenues or expenditures and to assure the provision of stable services to the District's residents and businesses. Based on this standard and the FY 2019-20 budget, the Unassigned Fund Balance goal would be approximately \$1.2 million.

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*It is recommended that the Board establish the goal of having funds for two months of operations in this Unassigned Fund Balance. The Board should designate funds to be allocated for this purpose as part of its annual Budget process.*

**General Fund Committed Fund Balance**—the purpose of this reserve is to provide the District with the opportunity to address growing unfunded liabilities in employee retirement benefits. If funds are accumulated by the District in this account they will only be used to retire the obligations for the retirement and other post-retirement benefits (medical insurance) costs the District currently provides. Using funds to ‘prepay’ these obligations will provide significant cost savings for the District over the life of the obligations.

*It is recommended that the Board strive to set aside funds to address the UAAL associated with the OPEB program.*

**Assigned Fund Balance**—included in the assigned fund balance are funds for specific program activities that benefit from a protected source of funding. These are generally specific programs that include high cost items that last for many years. Fire vehicles, equipment and buildings are examples.

Vehicles represent a substantial District funding obligation. These are high cost vehicles that typically have an extended life of 7 to 20 years. The District currently has no designated reserve funds for the purchase or lease of vehicles.

*It is recommended that the Board establish a Vehicle Replacement Reserve and commit to an annual contribution to the Vehicle Replacement Reserve, designating funding for vehicles, to assist the Board in ensuring there are adequate funds to maintain the District’s fleet.*

Capital Facilities (buildings and facilities) maintenance is a second major District obligation that includes higher cost periodic funding. These are expenditures that are less frequent and require planning to accomplish. The budget does not include a capital replacement reserve, but the Board may want to consider a reserve for this purpose in the future.

Replacement of District equipment is a third major District obligation. The District owns hundreds of pieces of equipment that have a replacement cost of more than \$5,000 per unit. These are expenditures that are less frequent and require planning to accomplish. The budget does not include an equipment replacement reserve, but the Board may want to consider a reserve for this purpose in the future.

The Board will annually review the status of the District’s reserves—including the General Fund Unassigned Fund Balance, the General Fund Committed Fund Balance, the Assigned Fund Balances for Vehicles, Capital Equipment and UAAL for the District’s Retirement and OPEB obligations. The Board will designate funding levels for each as the Board determines its priorities for the District’s short and long-term obligations. The Board will conduct its review based on the Staff’s Third Quarter Financial review which will include the estimated year-end fund balances in all the District’s Reserves.

## **B. Critical Funding Areas Policy**

Critical Funding Areas are those costs which represent obligations the District has incurred and future expenditures that may have significant impact on the District’s future Budgets.

These areas include:

- Retiree OPEB UAAL Obligations

- Retiree Pension UAAL Obligations
- Vehicle Replacement Obligations
- Capital Facilities Obligations
- Equipment Replacement Obligations
- General Fund Unassigned Fund Balance

The District is currently addressing the Retiree UAAL obligations on an ongoing basis and has budgeted funds for its Vehicle Replacement Reserve Fund.

### **C. District Financial Reporting Policy and Practices**

The District has an accounting software program which will permit detailed revenue and expenditure reporting on an ongoing basis. The system is updated on a regular basis and reports are generated and circulated to staff for review and budget management purposes. The Board receives monthly copies of these materials for review at the regular Board meetings.

In addition to this level of reporting, District staff presents quarterly financial updates to the Board at its regularly scheduled meetings. The quarterly report will provide the following information:

- Revenues to date by category, budgeted amount, amount remaining and percentage received—by line item, in conformance with the District’s Chart of Accounts;
- Expenditures to date, budgeted amount, amount remaining and percentage used—by line item in conformance with the District’s Chart of Accounts;
- A description of any unusual or unanticipated expenditures with the reason for the expenditure and the impact of the expenditure on the Adopted Budget;
- A description of any unanticipated financial situations or issues, upcoming major financial expenditures or issues affecting the District.

### **D. District Budget Activity Management, Monitoring and Review Program and Policy**

The goal of this Program is to normalize the organization’s management of available resources and to ensure adequate controls on District expenditures. This Policy is designed to designate staff assignments for responsibly in managing the District’s budget. This policy will assure expenditures and revenues are frequently monitored and managed by the District.

The District staff will monitor the Agency’s revenue and expenditures on an ongoing basis throughout the fiscal year. This monitoring program will ensure the staff, Board and public will receive timely and accurate reporting on the District’s financial position as described in the District’s Financial Reporting Policy.

The monitoring program has been divided into several categories to assist the staff in managing the budget throughout the year. They are based on the need for frequency of review and confirmation of the accuracy of the expenditures.

Revenues will be tracked and recorded as received and extraordinary revenue booked as received.

The budget monitoring activities include:

**Actively managed activity accounts** which are reviewed on a frequent basis by the Fire Chief and administrative staff to ensure accurate data input and a thorough review of the activity. The year-to-date and budget-to-actual expenditures will be reviewed to ensure conformance with the approved budget. Any inconsistencies will be addressed.

**Managed by staff** accounts are created by and managed/monitored by line staff—generally Fire Captains who are responsible for development of the fiscal year expenditure programs. These identified areas are ten key programs that involve significant expenditures in areas that can potentially exceed the line item budgets significantly. Vehicle and equipment repairs and maintenance are examples of these program areas. The assigned staff will ensure the charges are allocated correctly, are needed and that the budgeted amount for the program will not be exceeded during the fiscal year.

**Periodically managed** activity accounts are reviewed by administrative staff on a regular basis and are normally infrequent and lower cost items.

**Monitored/not managed** items are reviewed by administrative staff on a regular basis and are normalized monthly expenditures (leases, rent, contract agreements) and are lower cost expenditures.

RODEO HERCULES FIRE DISTRICT				
BUDGET ACTIVITY MANAGEMENT/MONITORING/REVIEW CATEGORIES				
ACCOUNT	ACTIVITY DESCRIPTION	BUDGET MANAGEMENT CLASSIFICATION		RESPONSIBLE PARTY
1001	Holiday Pay	1. Actively Managed		Chief/Staff
1011	Permanent Salaries	1. Actively Managed		Chief/Staff
1013	Drill/Temporary Salaries	1. Actively Managed		Chief/Staff
1014	Overtime	1. Actively Managed		Chief/Staff
1015	Deferred Compensation	1. Actively Managed		Chief/Staff
1042	FICA	1. Actively Managed		Chief/Staff
1044	Retirement	1. Actively Managed		Chief/Staff
1060	Group Insurance	1. Actively Managed		Chief/Staff
1061	Group Insurance--Retiree/ARC	1. Actively Managed		Chief/Staff
1063	Unemployment	1. Actively Managed		Chief/Staff
1070	Workers Compensation Insurance	3. Periodically Managed		Administrative Staff
2100	Office Expenses	3. Periodically Managed		Administrative Staff
2102	Books/Periodicals/Subscriptions	3. Periodically Managed		Administrative Staff
2110	Communications	3. Periodically Managed		Administrative Staff
2120	Utilities	3. Periodically Managed		Administrative Staff
2130	Small Tools & Equipment	2. Managed by Staff		Captains/Program Managers
2140	Medical Supplies	2. Managed by Staff		Captains/Program Managers
2150	Food	4. Monitored/Not Managed		Administrative Staff
2160	Clothing & Personal Supplies	4. Monitored/Not Managed		Administrative Staff
2170	Household Expenses	2. Managed by Staff		Captains/Program Managers
2190	Publications & Legal Notices	4. Monitored/Not Managed		Administrative Staff
2200	Memberships	4. Monitored/Not Managed		Administrative Staff
2250	Rents & Leases-Equipment	4. Monitored/Not Managed		Administrative Staff
2270	Repair & Service Equipment	3. Periodically Managed		Administrative Staff
2271	Vehicle Repair Services	2. Managed by Staff		Captains/Program Managers
2272	Gas & Oil Supplies	2. Managed by Staff		Captains/Program Managers
2273	Vehicle Maintenance--Tires	2. Managed by Staff		Captains/Program Managers
2276	Maintenance-Radio/Electronic Equip	2. Managed by Staff		Captains/Program Managers
2281	Maintenance-Bldg & Grounds	2. Managed by Staff		Captains/Program Managers
2303	Employee Travel Expenses	4. Monitored/Not Managed		Administrative Staff
2310	Professional/Specialized Services	1. Actively Managed		Chief/Staff
2315	Data Processing Services	4. Monitored/Not Managed		Administrative Staff
2316	Data Processing Supplies	4. Monitored/Not Managed		Administrative Staff
2326	Information Security	4. Monitored/Not Managed		Administrative Staff
2360	Insurance	4. Monitored/Not Managed		Administrative Staff
2474	Firefighting Supplies	2. Managed by Staff		Captains/Program Managers
2476	Recreation/Physical Fitness Equipment	2. Managed by Staff		Captains/Program Managers
2477	Educational Supplies & Courses	3. Periodically Managed		Administrative Staff
2479	Other Sp. Departmental Expenses	3. Periodically Managed		Administrative Staff
3520	Interest on Notes & Warrants	4. Monitored/Not Managed		Administrative Staff
3530	Taxes & Assessments	4. Monitored/Not Managed		Administrative Staff
<b>ACTIVITY DESCRIPTIONS:</b>				
1.	<b>Actively Managed</b>	<i>Actively Managed Activity Accounts</i> are reviewed on a frequent basis by Chief administrative staff to insure accurate data input and thorough review of the activity		
2.	<b>Managed by Staff</b>	<i>Managed by Staff Activity Accounts</i> are created by and managed/monitored by generally captains who are responsible for development of the fiscal year program and managing the expenses to insure they are appropriate, charged correctly and do not exceed the budgeted amounts.		
3.	<b>Periodically Managed</b>	<i>Periodically Managed Activity Accounts</i> are reviewed by Administrative Staff on a regular basis and are normally infrequent and low cost items		
4.	<b>Monitored/not Managed</b>	<i>Monitored/Not Managed Activity Accounts</i> are reviewed by Administrative staff on a periodic basis these are infrequent, lower cost or normalized expenditures		

**V. DISTRICT REVENUES, EXPENDITURES & FUND BALANCES**

**A. District Revenues**

The District has historically received the majority of its revenue from property taxes generated within its service boundary. There are a number of components to the property tax income, but the largest source of that category has been the District’s share of the ad valorem (1% of assessed value) property tax collected by the County and distributed to qualifying agencies.

The District historically received a “pass-through” of some of the ad valorem property tax received by the County in the Rodeo redevelopment project area and in the City of Hercules redevelopment project areas. The recent demise of Redevelopment Agency has eliminated the pass-through. The State’s requirement that property tax collected in the former Hercules redevelopment project areas cannot be distributed to qualified agency recipients until the Recognized Obligation Payments have been completed.

Two other major revenues are generated through voter approved special taxes. One is a long-standing revenue (fire benefit assessment district) and the most recent was approved in 2016. The 2016 Measure O proposal was approved in November of that same year and became effective on July 1, 2017. This revenue source will supplant the historic loss of property taxes and the 2014 Benefit Assessment the District received in the past.

Property taxes, the District’s Benefit Assessment District and Measure O equal 91% percent of the revenues received annually, Miscellaneous/other revenues equal 9% of total revenue:

• Property taxes	\$3,907,430	46%
• Benefit Assessment District	\$1,352,535	16%
• Measure O	\$2,472,636	29%
• Miscellaneous other	\$ 692,413	<u>9%</u>
		100%

Property tax and Benefit Assessments District revenues have been in place since the District incorporated and the Measure O funding was approved by the voters in 2016. These three sources of revenue will provide a stable long-term revenue stream for the District. While the Benefit Assessment District and Measure O revenues are based on set annual amounts, the property tax is “ad valorem” based revenue. The annual revenue from property tax varies year to year depending on the general economic conditions as they affect property values.

Total proposed revenues for all funds in FY 2019-20 are \$8,425,014.



**RODEO HERCULES FIRE PROTECTION DISTRICT  
FY2019-20 REVENUE BUDGET FOR ALL FUNDS**

DESCRIPTION	GL CODE	ADOPTED BUDGET FY2017-18	ACTUAL FY2017-18	ADOPTED BUDGET FY 2018-19	PROJECTED ACTUAL 6/30/2019	PROPOSED BUDGET FY2019-20
Prop. Taxes-Current secured	9010	2,866,199	3,293,477	2,866,199	3,525,051	3,595,552
RPTTF and RDA Pass-Thru **	9010	-	-	-	353,115	-
Prop. Tax-Supplemental	9011	114,818	97,597	114,818	113,695	115,969
Prop. Tax-Unitary	9013	73,711	74,884	73,711	76,268	77,794
Prop. Tax-Current Unsecured	9020	114,508	119,806	114,508	127,499	130,049
Prop Tax-Prior-Secured	9030	(9,158)	(8,569)	(9,158)	(5,850)	(9,341)
Prop Tax-Prior-Supplemental	9031	(5,789)	(4,981)	(5,789)	(4,492)	(5,905)
Prop Tax-Prior-Unsecured	9035	167	(219)	(167)	3,247	3,312
<b>TOTAL PROPERTY TAXES</b>		<b>3,154,456</b>	<b>3,571,996</b>	<b>3,154,122</b>	<b>4,188,534</b>	<b>3,907,430</b>
Benefit District	9066	1,339,548	-	1,354,034	1,352,535	1,352,535
<b>TOTAL BENEFIT DISTRICT</b>		<b>1,339,548</b>	<b>-</b>	<b>1,354,034</b>	<b>1,352,535</b>	<b>1,352,535</b>
H/O Prop Tax Relief	9385	30,945	30,500	31,873	29,956	30,555
District Misc. Revenue	9580	-	14,645	-	-	-
RDA NonProp-Tax Pass Thru	9591	322,276	311,664	331,944	466,141	475,463
AFG Grant Fund	9595	-	23,917	-	59,812	-
Fire Prevention Plan Review	9741	20,316	52,447	43,066	98,825	100,802
Measure H EMS	9895	88,091	87,565	87,565	85,593	85,593
Other Revenue	9980	13,213	-	27,113	43,109	-
<b>TOTAL INTERGOVERNMENTAL</b>		<b>474,841</b>	<b>520,738</b>	<b>521,561</b>	<b>783,435</b>	<b>692,413</b>
Measure O	9066	2,346,000	2,429,756	2,352,672	2,405,916	2,472,636
<b>TOTAL OTHER REVENUE</b>		<b>2,346,000</b>	<b>2,429,756</b>	<b>2,352,672</b>	<b>2,405,916</b>	<b>2,472,636</b>
<b>TOTAL</b>		<b>7,314,845</b>	<b>6,522,490</b>	<b>7,382,389</b>	<b>8,730,420</b>	<b>8,425,014</b>

Note: Property Tax assumed 2% increase

\*\* RDA Redevelopment Property Tax Trust Fund Revenue (RPTTF)  
received for the 1st time (RDA dissolved in February 2012)

**RODEO HERCULES FIRE PROTECTION DISTRICT**  
**FY2019-20 MEASURE "O" REVENUE BUDGET**

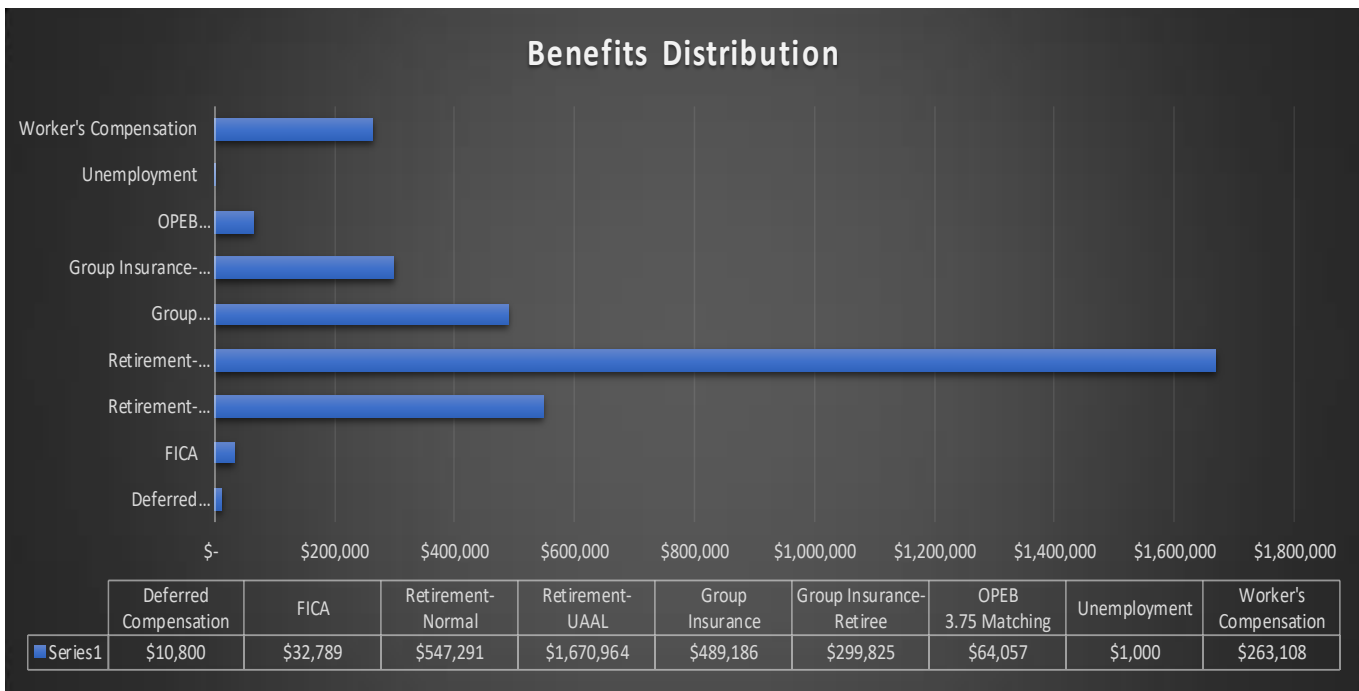
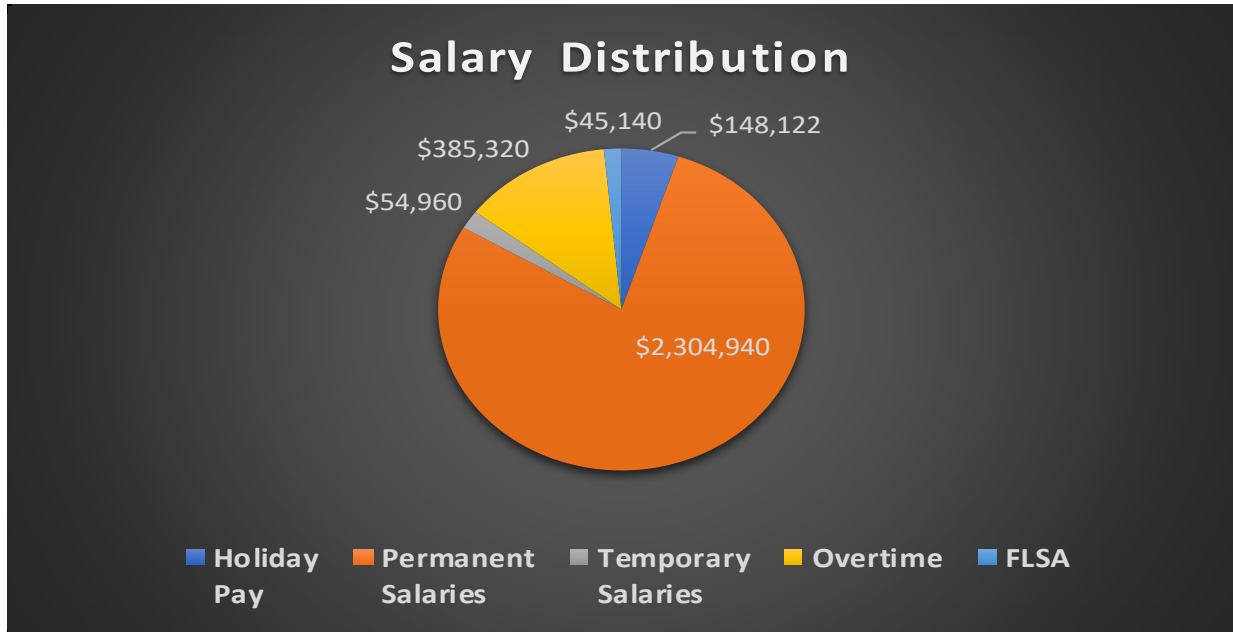
DESCRIPTION	ADOPTED BUDGET FY2017-18	ACTUAL FY2017-18	ADOPTED BUDGET FY 2018-19	ACTUAL 6/30/2019	PROPOSED BUDGET FY2019-20
<b>OPENING FUND BALANCE</b>				\$ 144,090.00	\$ 217,406.00
Measure O - Special Tax Revenue	2,346,000	2,429,756	2,352,672	2,405,916	2,472,636
<b>TOTAL MEASURE O REVENUE</b>	<b>2,346,000</b>	<b>2,429,756</b>	<b>2,352,672</b>	<b>2,405,916</b>	<b>2,472,636</b>
<b>EXPENDITURES:</b>					
Permanent Salaries	1,311,747	1,311,747	1,200,307	1,200,307	
Group Insurance Health Active Employees	-	-	-	-	433,027
Group Insurance - Retiree	-	-	-	-	299,825
Group Insurance-OPEB Matching Funds	-	-	-	-	64,057
CCCERA-UAAL Payment	964,124	964,124	1,122,560	1,122,560	1,113,976
County Collection Fee	9,795	9,795	-	9,733	9,733
<b>TOTAL MEASURE "O" Expenditures</b>	<b>2,285,666</b>	<b>2,285,666</b>	<b>2,322,867</b>	<b>2,332,600</b>	<b>1,920,618</b>
<b>PROJECTED YEAR-END FUND BALANCE</b>		<b>\$ 144,090</b>		<b>\$ 217,406</b>	<b>\$ 769,424</b>

**2019-20 Estimated Revenue**



**B. District Expenditures**

As discussed within this document the Proposed Budget for FY 2019-20 is based on maintaining the District’s two station configuration, is fully staffed and provides no increases in salaries or benefits. It ‘holds the line’ on expenses to the extent possible. The total projected expenditures for FY 2019-20 are \$7,375,116.



**RODEO HERCULES FIRE PROTECTION DISTRICT**  
**FY2019-20 PROPOSED EXPENDITURES BUDGET FOR ALL FUNDS**

DESCRIPTION		ADOPTED BUDGET FY2017-18	ACTUAL FY2017-18	ADOPTED BUDGET FY 2018-19	ESTIMATED ACTUAL 6/30/2019	PROPOSED BUDGET FY2019-20
Holiday Pay	1001	156,543		149,923	148,244	148,122
Permanent Salaries	1011	2,199,278	2,222,449	2,360,955	2,171,688	2,304,940
Drill/Temporary Salaries	1013	500	22	500	46,691	54,960
Overtime	1014	376,200	510,994	376,200	492,239	385,320
FLSA	1014	50,877	-	48,725	29,760	48,140
Deferred Compensation	1015	10,800	9,900	10,800	10,800	10,800
FICA	1042	31,115	46,126	32,103	47,997	32,789
Retirement -Normal	1044	540,149		561,262	431,005	547,291
Retirement - UAAL	1044	1,652,779	2,171,720	1,683,840	1,721,302	1,670,964
Group Insurance **	1060	503,911	468,372	517,577	482,450	489,187
Group Insurance - Employer 3.75% ***	1061					64,057
Group Insurance - Retiree	1061	315,000	291,707	337,050	284,454	299,825
Unemployment	1063	1,000		1,000	128	1,000
Workers Compensation Insurance	1070	245,868	246,606	263,108	266,074	263,108
<b>TOTAL SALARIES AND BENEFITS</b>		<b>6,084,020</b>	<b>5,967,896</b>	<b>6,343,043</b>	<b>6,132,832</b>	<b>6,320,503</b>
Office Expenses	2100	12,780	9,037	16,945	13,785	31,495
Books/Periodicals/Subscriptions	2102	2,485	2,690	2,485	2,329	2,485
Communications	2110	162,656	202,293	180,915	193,188	179,355
Utilities	2120	28,823	23,582	28,823	24,320	28,823
Small Tools & Instruments	2130	2,000	5,414	1,400	1,399	1,400
New Vehicle Equipment	2130	30,000	-	-	-	-
Medical Supplies	2140	7,340	5,232	7,340	4,161	8,820
Food	2150	1,920	2,322	2,420	825	2,420
Clothing & Personal Supplies	2160	13,200	12,650	13,200	13,540	13,260
Household Expense	2170	13,275	8,508	6,000	5,909	6,500
Publications & Legal Notices	2190	1,180	1,444	1,180	1,292	1,180
Memberships	2200	4,204	4,077	4,204	3,951	4,204
Rents and Leases - Equipment	2250	8,640	5,815	8,640	6,289	8,640
Lease Payments - Vehicles	2250	80,401	80,401	80,401	80,923	80,401
Repairs & Service Equipment	2270	35,224	10,206	17,740	20,793	41,720
Central Garage Repairs	2271	71,620	35,436	72,820	66,206	80,000
Central Garage Gasoline/Oil	2272	8,620	6,847	10,000	4,401	10,100
Central Garage Tires	2273	10,531	10,820	12,500	5,113	14,000
Maintenance Radio - Electronic Equip	2276	20,780	20,680	27,300	31,581	21,156
Maintenance of Buildings	2281	42,064	14,249	18,864	18,009	43,350
Other Travel Expenses	2303	3,172	911	4,360	1,951	4,560
Professional/Specialized Services	2310	314,843	303,460	346,368	294,509	323,041
Data Processing Service	2315	192	248	192	955	960
Data Processing Supplies	2316	323	-	323	-	323
Information Security	2326	1,020	1,032	1,020	1,646	2,194
Insurance	2360	34,639	41,539.00	40,423.00	36,423	40,423
Fire Fighting Supplies	2474	48,498	62,186	4,180	14,036	58,405
Recreation/Physical Fitness Equipment	2476	6,200	1,000	700	-	1,000
Education Supplies & Courses	2477	17,457	5,158	17,220	13,864	17,245
Other Special Departmental Expenses	2479	3,444	3268	1940	12,467	3,420
Interest on Notes & Warrants	3520	2,000	518	1000	1,000	1,000
Taxes & Assessments	3530	13,000	11,158.00	13000	11,198	22,733
<b>Total Service &amp; Supplies Expenditures</b>		<b>1,002,531</b>	<b>892,181</b>	<b>943,903</b>	<b>886,062</b>	<b>1,054,613</b>
<b>TOTAL OPERATIONAL EXPENDITURES</b>		<b>7,086,551</b>	<b>6,860,077</b>	<b>7,286,946</b>	<b>7,018,894</b>	<b>7,375,116</b>

**Note: \*\* To match employee contribution of OPEB 3.75%**

**RODEO HERCULES FIRE PROTECTION DISTRICT**  
**FY2019-20 PROPOSED GENERAL FUND EXPENDITURES BUDGET**

DESCRIPTION		ADOPTED BUDGET FY2017-18	ACTUAL FY2017-18	ADOPTED BUDGET FY 2018-19	ESTIMATED ACTUAL 6/30/2019	PROPOSED BUDGET FY2019-20
Holiday Pay	1001	156,543		149,923	148,244	148,122
Permanent Salaries	1011	2,199,278	2,222,449	2,360,955	2,171,688	2,304,940
Drill/Temporary Salaries	1013	500	22	500	46,691	54,960
Overtime	1014	376,200	510,994	376,200	492,239	385,320
FLSA	1014	50,877	-	48,725	29,760	48,140
Deferred Compensation	1015	10,800	9,900	10,800	10,800	10,800
FICA	1042	31,115	46,126	32,103	47,997	32,789
Retirement -Normal	1044	540,149		561,262	431,005	547,291
Retirement - UAAL	1044	1,652,779	2,171,720	1,683,840	1,721,302	556,988
Group Insurance **	1060	503,911	468,372	517,577	482,450	56,159
Group Insurance - Retiree	1061	315,000	291,707	337,050	284,454	-
Unemployment	1063	1,000		1,000	128	1,000
Workers Compensation Insurance	1070	245,868	246,606	263,108	266,074	263,108
<b>TOTAL SALARIES AND BENEFITS</b>		<b>6,084,020</b>	<b>5,967,896</b>	<b>6,343,043</b>	<b>6,132,832</b>	<b>4,409,617</b>
Office Expenses	2100	12,780	9,037	16,945	13,785	31,495
Books/Periodicals/Subscriptions	2102	2,485	2,690	2,485	2,329	2,485
Communications	2110	162,656	202,293	180,915	193,188	179,355
Utilities	2120	28,823	23,582	28,823	24,320	28,823
Small Tools & Instruments	2130	2,000	5,414	1,400	1,399	1,400
New Vehicle Equipment	2130	30,000	-	-	-	-
Medical Supplies	2140	7,340	5,232	7,340	4,161	8,820
Food	2150	1,920	2,322	2,420	825	2,420
Clothing & Personal Supplies	2160	13,200	12,650	13,200	13,540	13,260
Household Expense	2170	13,275	8,508	6,000	5,909	6,500
Publications & Legal Notices	2190	1,180	1,444	1,180	1,292	1,180
Memberships	2200	4,204	4,077	4,204	3,951	4,204
Rents and Leases - Equipment	2250	8,640	5,815	8,640	6,289	8,640
Lease Payments - Vehicles	2250	80,401	80,401	80,401	80,923	80,401
Repairs & Service Equipment	2270	35,224	10,206	17,740	20,793	41,720
Central Garage Repairs	2271	71,620	35,436	72,820	66,206	80,000
Central Garage Gasoline/Oil	2272	8,620	6,847	10,000	4,401	10,100
Central Garage Tires	2273	10,531	10,820	12,500	5,113	14,000
Maintenance Radio - Electronic Equip	2276	20,780	20,680	27,300	31,581	21,156
Maintenance of Buildings	2281	42,064	14,249	18,864	18,009	43,350
Other Travel Expenses	2303	3,172	911	4,360	1,951	4,560
Professional/Specialized Services	2310	314,843	303,460	346,368	297,080	323,041
Data Processing Service	2315	192	248	192	955	960
Data Processing Supplies	2316	323	-	323	-	323
Information Security	2326	1,020	1,032	1,020	1,646	2,194
Insurance	2360	34,639	41,539.00	40,423.00	36,423	40,423
Fire Fighting Supplies	2474	48,498	62,186	4,180	14,036	58,405
Recreation/Physical Fitness Equipment	2476	6,200	1,000	700	-	1,000
Education Supplies & Courses	2477	17,457	5,158	17,220	13,864	17,245
Other Special Departmental Expenses	2479	3,444	3268	1940	12,467	3,420
Interest on Notes & Warrants	3520	2,000	518	1000	1,000	1,000
Taxes & Assessments	3530	13,000	11,158.00	13000	11,198	13,000
<b>Total Service &amp; Supplies Expenditures</b>		<b>1,002,531</b>	<b>892,181</b>	<b>943,903</b>	<b>888,633</b>	<b>1,044,880</b>
<b>TOTAL OPERATIONAL EXPENDITURES</b>		<b>7,086,551</b>	<b>6,860,077</b>	<b>7,286,946</b>	<b>7,021,465</b>	<b>5,454,497</b>

*This schedule does not include "Measure"O" Expenditures*

**RODEO HERCULES FIRE PROTECTION DISTRICT**  
**FY2019-20 MEASURE "O" REVENUE BUDGET**

DESCRIPTION	ADOPTED BUDGET FY2017-18	ACTUAL FY2017-18	ADOPTED BUDGET FY 2018-19	ACTUAL 6/30/2019	PROPOSED BUDGET FY2019-20
<b>OPENING FUND BALANCE</b>				\$ 144,090.00	\$ 217,406.00
<b>REVENUE:</b>					
Measure O - Special Tax Revenue	2,346,000	2,429,756	2,352,672	2,405,916	2,472,636
<b>TOTAL MEASURE O REVENUE</b>	<b>2,346,000</b>	<b>2,429,756</b>	<b>2,352,672</b>	<b>2,405,916</b>	<b>2,472,636</b>
<b>EXPENDITURES:</b>					
Permanent Salaries	1,311,747	1,311,747	1,200,307	1,200,307	
Group Insurance Health Active Employees	-	-	-	-	433,027
Group Insurance - Retiree	-	-	-	-	299,825
Group Insurance-OPEB Matching Funds	-	-	-	-	64,057
CCCERA-UAAL Payment	964,124	964,124	1,122,560	1,122,560	1,113,976
County Collection Fee	9,795	9,795	-	9,733	9,733
<b>TOTAL MEASURE "O" Expenditures</b>	<b>2,285,666</b>	<b>2,285,666</b>	<b>2,322,867</b>	<b>2,332,600</b>	<b>1,920,618</b>
<b>PROJECTED YEAR-END FUND BALANCE</b>		\$ 144,090		\$ 217,406	\$ 769,424

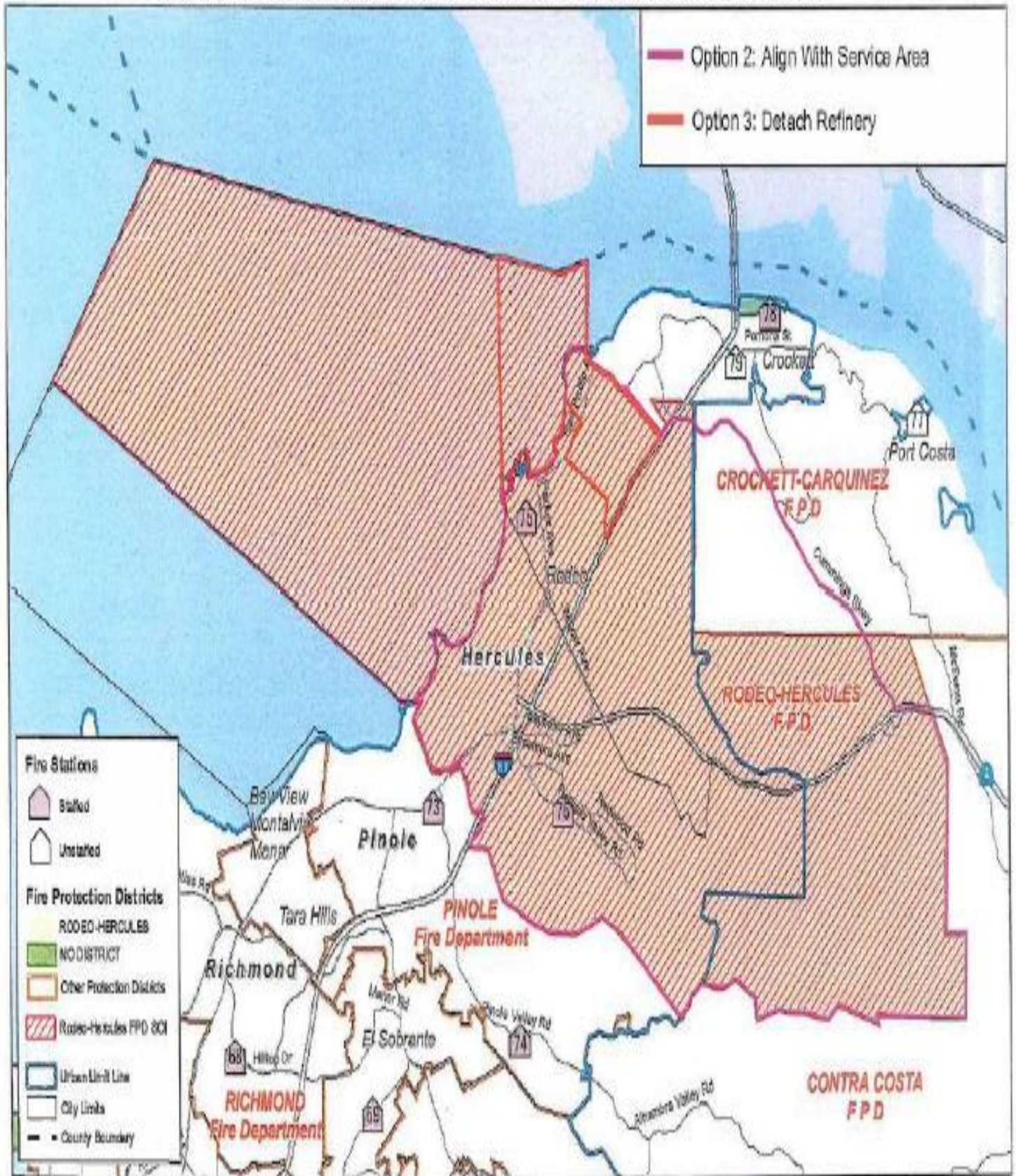
**C. District Fund Balances**

The FY 2019-20 Proposed Budget is balanced. The District is projected to have a year-end fund balance of \$1,229,586 as of June 30, 2020. Due to the overall District financial conservativeness policy, the District might meet the \$1.2 million goal that is recommended by other Agencies (equal to two months of operating expenses). Staff recommends transferring \$1,000,000.00 of these funds into the Local Agency Investment Fund account.

The District's projected fund balances for the next five years are shown in *Appendix D: Five Year Revenue, Expenditures & Fund Balance Projections*.

Map 13-3

Rodeo-Hercules Fire Protection District Boundary and Coterminous Sphere of Influence



Map 13-3  
 Rodeo-Hercules Fire Protection District Boundary and Coterminous Sphere of Influence  
 12/18/2018



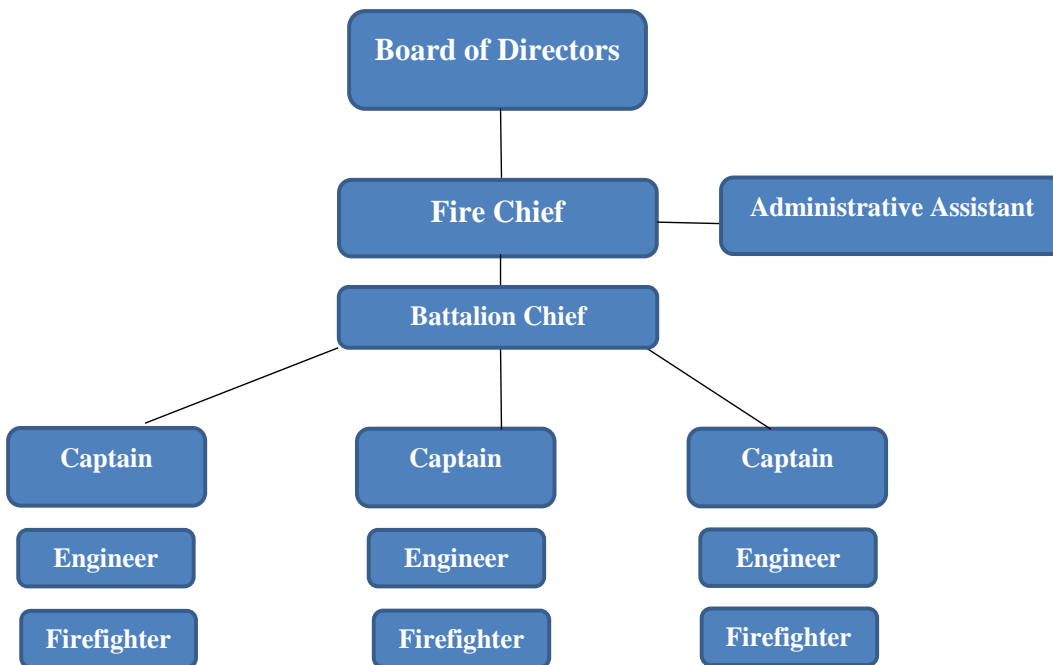
Map 13-3  
 Rodeo-Hercules Fire Protection District Boundary and Coterminous Sphere of Influence  
 12/18/2018





ORGANIZATIONAL CHART

RODEO-HERCULES FIRE PROTECTION DISTRICT



**VI. GENERAL FUND EXPENDITURES**

The Proposed Budget expenditures include the District at full staffing. During FY 2016-17, three SAFER employees transitioned to the District on a permanent basis and three vacant positions were filled through recruitment. The District is currently at full staffing and anticipates a full staffing compliment for 2019-20 fiscal year that includes:

- One Fire Chief
- One Battalion Chief
- Six Captains
- Six Engineers
- Six Firefighters
- One Part Time Fire Inspector
- One full-time Administrative Assistant
- One part-time Administrative Assistant

The ability to have achieved full staffing has reduced the District’s overtime costs significantly, and provided permanent employees to staff the two-station configuration.

Some observations regarding the proposed expenditures”

- Approximately 85% of all expenditures are employee related (salaries, benefits, retirement, etc.);
- Of the employee related expenses, salaries and retirement costs are virtually equal, retirement payments equal one \$1.00 for each \$1.00 of salary;

The Proposed Budget includes the following significant items:

- No salary increases (See Appendix A-Employee Compensation Calculations);
- No new or modified benefits;
- Increases in medical benefits costs (\$118,152);
- Budgeting current vehicle lease costs in the General Fund (\$80,401);
- Decrease in professional services (\$29,501.).

The items in the Professional Services Program are largely continuations of prior expenditures updated to reflect current costs. Several of the items are new or of note. The items of note include:

- *Contra Costa County Board of Elections:* The District holds a staggered general election for Board Members that have reached the end of their term. There are no Board Elections scheduled for FY19/20 this line item is shown only as a place holder.
- *Target Solutions:* Target Solutions is a web-based training program that is used throughout Contra Costa County. This training platform allows all Battalion 7 cooperating agencies to receive the same training as their counterparts. With the addition of the “Check It” software upgrade RHF D personnel will have the ability to properly track fleet assets maintenance and Department of Motor Vehicle Checks.
- *Streamline Automation Systems:* Streamline Automation System is a cloud-based business inspection software program. This program will assist the department in maintaining code compliance and record retention for inspected properties throughout the districts.

## VII. FIRE OPERATIONS

Rodeo - Hercules Fire Protection District is an all risk department operating individual fire companies specially trained to respond to residential and commercial fires, refinery and industry related incidents, wildland fires and vehicle extrication technical rescue and hazard materials first responder duties. Engine companies are also tasked with determining the origin and cause of fires and providing rescue and advanced life support services. The District provides a minimum of one advanced life support paramedic on duty 365 days a year in the Town of Rodeo and the City of Hercules.

Rodeo - Hercules Fire Protection District also operates and participates in Battalion 7, a jointly operated Battalion with Pinole Fire Department and the Contra Costa County Fire Protection District. Each participating entity provides a single Battalion Chief to ensure the consistent establishment of incident command, firefighter safety and judicious resource management at emergencies. The Battalion also serves the outlying communities of Rodeo-Hercules including Pinole, Tara Hills, Bayview, Montalvan Manor, Montara Bay, East Richmond Heights, San Pablo, El Sobrante, unincorporated Contra Costa County and Martinez. Each of these areas presents unique set of complex hazards and the rapid establishment of fire ground command is essential to the successful resolution of an array of calls for service.

The District also responds automatic aid (additional unit response on a call regardless of jurisdictional boundaries) and mutual aid (request for additional resources for large incidents or due to multiple simultaneous

incidents). Citizens of participating communities benefit from this sharing of resources and regionalized approach. These extended responses have included the Contra Costa County Fire Protection District, Crockett-Carquinez Fire Protection District, Pinole Fire Department, Richmond Fire Department, El Cerrito Fire Department, Moraga/Orinda Fire Protection District and Vallejo Fire Department.

The District also participates in the California Fire Assistance Agreement for the State of California and Federal Fire Agencies. This agreement, which is managed by the Office of Emergency Services, has called upon R.H.F.P.D. to provide Mutual Aid resources throughout the State of California, Oregon and Nevada.

### **Community Outreach:**

When not providing emergency services the Engine Company crews participate in a variety of community outreach programs that include:

- Conducting Blood Pressure Screening for Rodeo and Hercules Senior Citizens
- Providing bicycle safety helmets to District children through donations from the Rodeo Municipal Advisory Council;
- Conduct Fire Department Open House during fire prevention week, distributing bicycle helmets and personal flotation devices.
- Providing smoke detectors and carbon dioxide (CO2) detectors to District residents;
- Participating with local schools in Adopt-A-Class Programs;
- Participating in the Salvation Army food and toy drive collection;
- Participating in community parades and festivals;
- Participating in the Harvest Festival and Breakfast with Santa at St. Patrick's School;
- Participating in Read Across America;
- Participating in the Hercules Senior Center Pancake Breakfast;
- Participating in Career Day at the Hercules Teen Center;
- Participating in the Boy Scout 9/11 Ceremony;
- Participating in the Rodeo baseball parade, the Hercules Fourth of July Parade, Veterans Walk of Honor, Safety and Health Fairs, Hercules Kidsfest, Christmas Tree Lighting, and National Night Out.
- Providing Fire Extinguisher Training for both the community and local businesses.

### **Community Outreach Goals:**

- Hosting of Neighborhood Emergency Response Teams (NERT) classes.
- Establishing a Citizen Advisory Panel for the District.

### **Fire Prevention:**

Engine companies conducted fire and life safety inspections of all schools and Business within the Fire District. Engine companies also conduct inspection of public and private properties for; hazardous and/or combustible fuels, unabated annual grasses, urban blight, and give notifications to abate said hazards.

The District employees two independent outside contractors that split their time in accordance with their expertise for inspection of residential care facilities, licensed daycare and adult care facilities, commercial tenant improvements; new construction and provide construction plan review of construction plans and specifications for compliance with local and state requirements, and regularly meet with developers and contractors.

**Apparatus:**

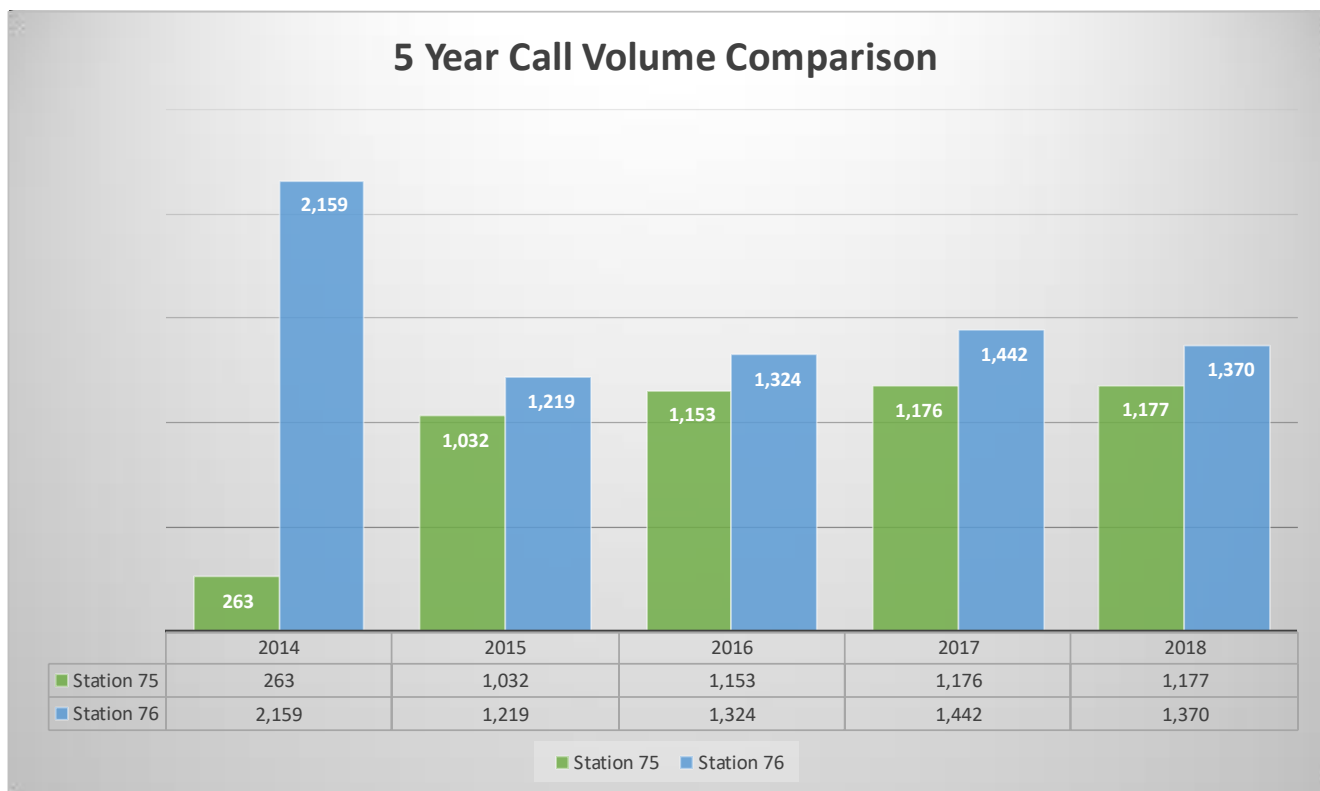
The District operates a variety of Fire Apparatus including:

- One 75-foot Quint Ladder Truck
- One Type 1 Rescue Pumper
- Two Type 1 Engines
- Two Type 3 Wild Land Engines

Fire apparatus are placed into category types identified in the Incident Command System as a means of organizing multiagency resources through the National Interagency Fire Center. The District maintains a variety of fire apparatus and equipment in order to meet the public safety needs of our service area that includes major highways and streets, undeveloped wildland, developed urban residential and refinery/industrial areas.

**Incident Calls—2018**

Incident Type	Number of Calls		Total
	Station 75	Station 76	
Fire	83	44	127
EMS/Rescue	688	715	1403
Hazardous Condition	34	26	60
Service Call	67	113	180
Good Intent	216	351	567
False Call	88	117	205
Other	1	4	5
<b>TOTALS</b>	<b>1,177</b>	<b>1,370</b>	<b>2,547</b>
<b>*See Appendix E for Details</b>			



**VII. VEHICLE REPLACEMENT RESERVE**

The Budget preparation process included an extensive review of the District’s vehicle fleet. The vehicles were categorized by age, use and role in emergency response, and a replacement program was created. The District’s recent vehicle replacements have been funded by securing a line of credit and paying off the debt on the line of credit over a 10-year period.

A 20-year vehicle replacement schedule was created as the basis for the cost modeling used to calculate the costs of leasing vehicles versus setting aside funds in a vehicle replacement reserve and acquiring the vehicles with cash.

The District has a current line of credit obligation that requires lease payments through FY 2021-22. The District will need to replace Engine 754 (Type I Spartan) and Engine 768 (Quint 76) in FY 2019-20, and the cost modelling assumes that this vehicle will be funded by another 10-year lease.

The proposed (Lease-set aside) approach calls for the District to continue existing leases and add two additional leases for the replacement of Engine 754 and 768 (in 2019-20), and beginning to set aside funds in a Vehicle Replacement Reserve. Using this approach, the District will need to add funds to the reserve in addition to the lease costs, but in 10 years the District will then acquire all other vehicles with cash on a ‘go forward’ basis. Utilizing the Lease-set-aside approach, the District will accumulate \$860,383 in cash in the vehicle replacement reserve at the end of 20 years and incur no interest costs after year 10. (See *Appendix C—Vehicle Replacement Schedules*).

**VIII. DEVELOPMENT IMPACT FEES:**

A development impact fee is a monetary fee that is charged by a local government agency to an applicant in connection with approval of a development project for the purpose of defraying all or a portion of the cost to adequately mitigate impacts created by new development. The legal requirements for enactment of development impact fees program are set forth in Government Code 66000 under the Mitigation Fee Act. The City of Hercules and Contra Costa County Department of Conservation and Development currently collect fees on behalf of the Fire District. The Fire Districts current adopted fee structure established by the April 8, 2019 Fire Facilities Impact Fee Study is as follows; Single Family Homes \$1,344, Multi-Family Home \$828.80, Accessory Dwelling Unit \$625.00, Commercial \$0.672 per square foot, Office \$0.904 per square foot, Industrial \$0.384 per square foot and Hotel \$101.00 per room. Fees that are collected by the Fire District must be held in a separate account and accounted for in a separate revenue and expense balance sheet. Anticipated revenue and expenditures for FY 2019/20 are expressed in the following spreadsheet.

**RODEO HERCULES FIRE PROTECTION DISTRICT**  
**FY2019-20 FIRE FACILITIES FEE REVENUE AND EXPENDITURES**

DESCRIPTION	ACTUAL FY2017-18	ADOPTED BUDGET FY 2018-19	PROJECTED ACTUAL 6/30/2019	PROPOSED BUDGET FY2019-20
<b>OPENING FUND BALANCE- JULY 1, 2018 (AUDITED)</b>			\$ 244,404	\$ 343,582
<b>REVENUE:</b>				
FIRE FACILITIES FEE REVENUE	-	103,000	203,061	106,000
<b>TOTAL FIRE FACILITIES REVENUE</b>	-	<b>103,000</b>	<b>203,061</b>	<b>106,000</b>
<b>EXPENDITURES:</b>				-
Apparatus Purchase and Outfitting				445,000
Structure/Wildland Fire PPE	-	30,000	52,182	
Communications Equipment			1,253	-
Exhaust System			9,187	-
SCBA Compressor		53,000	41,261	-
Rescure/Rope-Water		3,000	-	-
100 LDH Hose	-	9,600	-	-
100 1 1/2" Hose Wildland		1,600		-
50' 1 3/4" Hose		1,848		-
<b>TOTAL FIRE FACILITIES FEES EXPENDITURES</b>	-	99,048	103,883	445,000
<b>PROJECTED YEAR-END FUND BALANCE - JUNE 30, 2020</b>	<b>\$ 244,404</b>		<b>\$ 343,582</b>	<b>\$ 4,582</b>

**IX. FIVE YEAR REVENUE & EXPENDITURE PROJECTIONS**

Preparation of the Proposed Budget included the creation of Five-Year Revenue and Expenditure Projections to provide the Board and staff with a roadmap for fiscal decisions and policy. (See *Appendix D-Five Year Revenue, Expenditure and Fund Balances*).

In summary, if the projections are sustained, the District is not projected to experience any significant financial issues. This conclusion is predicated on continued stable staffing, no benefit expansions or improvements, UAAL and other costs rising at the projected rate and no significant diminishment in revenues.

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There are, however, several areas of risk worth noting:

- A significant portion of the District's revenue (almost 42%) is property tax which is based on real estate values. A disturbance in values will translate to diminished revenues.
- The projections include a limited increase of 2% per year for personnel related costs, which could be largely consumed by expenditure areas with high growth potential including health care for employees and retirees and UAAL payments for the retirement system.
- As an important reminder, the District's OPEB medical insurance for retirees program is only partially funded. The District is not making payments into the UAAL portion of the program currently calculated as \$561,262 per year. If the District paid the full Actuarially Required Contribution (ARC) the program would be sustainable.
- Overtime is calculated on the minimum allocation per employee and major events/illnesses/long term disabilities could create additional costs.

The Budget for Fiscal Year 2019-20 is balanced and maintains the District's two Fire Station configuration with full staffing. The current Five-Year Revenue and Expenditure projections also show that the District will remain in a balanced position during that period and retain a modest fund balance.

#### **X. RHFD BUDGET APPENDICES**

- A. CCCERA Retirement Costs & UAAL**
- B. OPEB Contribution Costs & UAAL**
- C. Vehicle Replacement Schedules**
- D. Five Year Revenue & Expenditure Projections**
- E. Incident Report Detail**



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RODEO - HERCULES FIRE PROTECTION DISTRICT  
HERCULES, CALIFORNIA

MEASURE O REPORT

JUNE 30, 2019

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**RODEO - HERCULES FIRE PROTECTION DISTRICT**  
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**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

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

***Report on Financial Statements***

We have performed the procedures enumerated below, which were agreed to by the Rodeo - Hercules Fire Protection District' management, on the Rodeo - Hercules Fire Protection District's (the "District") Measure O - Special Tax revenues received and expenditures made by the District for the fiscal year ended June 30, 2019. The District's management is responsible for the receipt of Measure O - Special Tax revenues and deposit of such proceeds into the District's Measure O - Special Tax Revenue Fund and use it solely for any lawful purpose permissible to the District as instructed in Ordinance 2016-1. The sufficiency of these procedures is solely the responsibility of the District's management. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

**PROCEDURES:**

The procedures performed and findings are listed below:

1. We agreed the actual Measure O - Special Tax proceeds collected and expended to the amounts recorded in the District's general ledger and recalculated the mathematical accuracy of the following schedule provided by the District:

Revenues:	
Measure O - Special Tax Revenue	<u>\$ 2,405,916</u>
Expenditures:	
Permanent Salaries	1,200,312
Unfunded Actuarial Accrued Liability Payments	1,122,560
County Collection Fee	<u>9,734</u>
Total Expenditures	<u>2,332,606</u>
Net Change in Measure O Funds	73,310
Available Measure O Funds, Beginning	<u>144,091</u>
Available Measure O Funds, Ending	<u><u>\$ 217,401</u></u>

The District received the Measure O Parcel tax funds in October 2018. During fiscal year 2018-19, funds were used as follow:

**Permanent Salaries** - The District transferred a total of \$1,200,312 from the Measure O Fund to the General Fund through a County Interfund transfer to cover Permanent Salaries through December 31, 2018. Detail of salaries paid through Measure O Fund resources were as follow:

Permanent Salaries Paid through General Fund:	
July 2018	\$ 198,201
August 2018	197,909
September 2018	198,045
October 2018	207,619
November 2018	200,919
December 2018	<u>197,619</u>
	<u>\$ 1,200,312</u>

**Unfunded Actuarial Accrued Liability Payments** - The District transferred a total of \$1,122,560 from the Measure O Fund to the General Fund through a County Interfund transfer to cover 8 installments of the District's Unfunded Actuarial Accrued Liability to Contra Costa County Employee's Retirement Association. Detail of payments made using Measure O Fund resources were as follow:

Unfunded Actuarial Accrued Liability Paid through General Fund:	
November 2018	\$ 140,320
December 2018	140,320
January 2019	140,320
February 2019	140,320
March 2019	140,320
April 2019	140,320
May 2019	140,320
June 2019	<u>140,320</u>
	<u>\$ 1,122,560</u>

**County Collection Fees** - Contra Costa County assesses fees to levy assessments and taxes. Charges for the Measure O Levy totaled \$9,734, which was paid using Measure O Fund resources.

2. We traced the proceeds of the Measure O tax and reviewed the expenditures made by using those proceeds, as listed in aforementioned schedules, in accordance with Ordinance 2016-1 Section 4 and California Health and Safety Code section 13800 et seq regarding use of tax proceeds.

**FINDINGS:**

Proceeds of taxes as listed in the schedule presented by the District's management were paid into the District's Measure O Special Revenue Fund and had been used by the District, in compliance with Ordinance 2016-1 Section 4 and California Health and Safety Code section 13800 et seq, with no exceptions.

This engagement to apply agreed-upon procedures was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the District's Measure O - Special Tax revenues received and expenditures made by the District for the fiscal year ended June 30, 2019. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

*Harshwal & Company LLP*

Oakland, California  
January 30, 2020