

**RESCUE
FIRE PROTECTION DISTRICT**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
for the year ended June 30, 2019**

ROBERT W. JOHNSON
Certified Public Accountant

CONTENTS

	<u>Pages</u>
Independent Auditor's Report	1-2
Financial Statements:	
Statement of Net Position and Governmental Fund Balance Sheet	3-4
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances	5
Statement of Revenues and Expenditures - Compared to Budget	6-7
Notes to Financial Statements	8-26
Required Supplementary Information:	
Schedule of the District's Proportionate Share of the Net Pension Liability	28
Schedule of Contributions for Pensions	29
Schedule of Changes in Net OPEB Liability	30
Supplemental Information:	
Principal Officials	32
Schedule of Cash Flows	33



Robert W. Johnson
an accountancy corporation

6234 Birdcage Street, Citrus Heights, California 95610 | robertwjohansoncpagroup@gmail.com | 916.723.2555
www.bob-johnson-cpa.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rescue Fire Protection District
Rescue, California

Report on the Financial Statements

We have audited the accompanying financial statements of Rescue Fire Protection District, as of and for the year ended June 30, 2019, as listed in the table of contents, and the related notes to the financial statements.

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 an opinion 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 State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rescue Fire Protection District as of June 30, 2019, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State Regulations governing Special Districts.

Other-Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Robert W. Johnson, An Accountancy Corporation

Citrus Heights, California
December 9, 2019

RESCUE FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
June 30, 2019

ASSETS AND DEFERRED OUTFLOWS	General Fund	Adjustments	Statement of Net Position
Cash in County Treasury (Note 3)	\$ 1,335,481	\$ -	\$ 1,335,481
Imprest cash	800	-	800
Accounts receivable	5,209	-	5,209
Prepaid expenses	17,417	-	17,417
Capital assets (Note 4)	-	2,260,493	2,260,493
Less, accumulated depreciation	<u>-</u>	<u>(1,707,996)</u>	<u>(1,707,996)</u>
Total assets	<u>1,358,907</u>	<u>552,497</u>	<u>1,911,404</u>
Deferred outflows (Notes 5 and 7)			
Pension related amounts	-	399,681	399,681
OPEB related amounts	<u>-</u>	<u>45,583</u>	<u>45,583</u>
Total assets and deferred outflow	<u>\$ 1,358,907</u>	<u>\$ 997,761</u>	<u>\$ 2,356,668</u>
 LIABILITIES AND DEFERRED INFLOWS			
Accounts payable	\$ 19,018	\$ -	\$ 19,018
Salaries and benefits payable	15,053	-	15,053
Compensated absences payable	100,033	-	100,033
Other Post-Employment Benefits Payable (Note 7)	-	1,903,419	1,903,419
Net pension liability (Note 5)	<u>-</u>	<u>1,750,442</u>	<u>1,750,442</u>
Total liabilities	<u>134,104</u>	<u>3,653,861</u>	<u>3,787,965</u>
Deferred inflows (Notes 5 and 7)			
Pension related amounts	-	110,460	110,460
OPEB related amounts	<u>-</u>	<u>73,286</u>	<u>73,286</u>
Total liabilities and deferred inflows	<u>134,104</u>	<u>3,837,607</u>	<u>3,971,711</u>

(continued)

See notes to financial statements

RESCUE FIRE PROTECTION DISTRICT
 STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET,
 continued
 June 30, 2019

FUND BALANCES/NET POSITION	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Fund balances (Notes 8 and 9):			
Restricted	\$ 392,678	\$(392,678)	\$ -
Committed	473,802	(473,802)	-
Unassigned	<u>358,323</u>	<u>(358,323)</u>	-
Total fund balances	<u>1,224,803</u>	<u>(1,224,803)</u>	<u>-</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 1,358,907</u>		
Net position (Notes 8 and 9):			
Net investment in capital assets		552,497	552,497
Restricted		392,678	392,678
Unrestricted		<u>(2,560,218)</u>	<u>(2,560,218)</u>
Total net position (deficit)		<u>\$(1,615,043)</u>	<u>\$(1,615,043)</u>

See notes to financial statements

RESCUE FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
for the year ended June 30, 2019

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Program expenditures/expenses:			
Public protection	\$1,577,870	\$ 205,915	\$ 1,783,785
Support services	3,203	-	3,203
Capital outlay	40,000	(40,000)	-
Depreciation	<u>-</u>	<u>65,362</u>	<u>65,362</u>
Total program expenditures/expenses	<u>1,621,073</u>	<u>231,277</u>	<u>1,852,350</u>
 Program revenues:			
Strike team revenues	<u>81,376</u>	<u>-</u>	<u>81,376</u>
 General revenues:			
Property taxes	1,051,805	-	1,051,805
Direct assessment	130,094	-	130,094
Benefit assessment	249,175	-	249,175
Development fees	21,285	-	21,285
Interest income	23,474	-	23,474
Professional services	43,844	-	43,844
Rents	13,725	-	13,725
Other	<u>31,376</u>	<u>-</u>	<u>31,376</u>
Total general revenues	<u>1,564,778</u>	<u>-</u>	<u>1,564,778</u>
 Excess of revenues (expenditures)/ change in net position	25,081	(231,277)	(206,196)
 Fund balances/net position:			
Beginning	<u>1,199,722</u>	<u>(2,608,569)</u>	<u>(1,408,847)</u>
Ending	<u>\$1,224,803</u>	<u>\$(2,839,846)</u>	<u>\$(1,615,043)</u>

See notes to financial statements

RESCUE FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES
COMPARED TO BUDGET
for the year ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Revenues:			
Property taxes	\$1,049,791	\$1,051,805	\$ 2,014
Direct assessment	133,393	130,094	(3,299)
Benefit assessment	247,432	249,175	1,743
Development fees	-	21,285	21,285
Interest income	8,000	23,474	15,474
Strike teams	103,644	81,376	(22,268)
Professional services	42,000	43,844	1,844
Rents	12,669	13,725	1,056
Other	<u>15,060</u>	<u>31,376</u>	<u>16,316</u>
 Total revenues	 <u>1,611,989</u>	 <u>1,646,154</u>	 <u>34,165</u>
Expenditures:			
Salaries	696,214	678,108	18,106
Overtime	117,000	157,192	(40,192)
Retirement	225,061	223,336	1,725
Health, disability and other benefits	229,315	222,968	6,347
Workmans' compensation	71,890	76,482	(4,592)
Clothing and personal supplies	17,400	4,999	12,401
Communications	9,500	11,998	(2,498)
Food	500	1,334	(834)
Household expenses	2,640	2,868	(228)
Insurance	15,000	12,640	2,360
Maintenance – equipment	7,173	2,236	4,937
– vehicles	60,000	56,949	3,051
– radios	500	102	398
– structures	12,000	9,607	2,393
Memberships	2,350	1,725	625

(continued)

See notes to financial statements

RESCUE FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES, continued
COMPARED TO BUDGET
for the year ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	Favorable/ (Unfavorable) <u>Variance</u>
<u>Expenditures (continued):</u>			
Office expense	\$ 2,500	\$ 3,203	\$(703)
Postage	400	242	158
Printing and duplication	500	269	231
Professional services	9,800	13,051	(3,251)
Publications/legal notices	400	152	248
Rents and leases – equip.	4,300	4,724	(424)
Small tools	3,700	518	3,182
Minor equipment	20,000	3,587	16,413
Special dept. expense	5,284	5,176	108
Data processing	288	-	288
Fire and safety supplies	2,640	-	2,640
Staff development	7,240	6,647	593
Transportation	2,500	3,142	(642)
Fuel purchases	11,000	12,188	(1,188)
Utilities	23,000	19,693	3,307
Minor building improvements and equipment	-	45,937	(45,937)
Fixed assets – building	9,500	-	9,500
– equipment	80,750	40,000	40,750
Contingency	-	-	-
	<u>1,650,345</u>	<u>1,621,073</u>	<u>29,272</u>
 Total expenditures			
 Excess of revenues/ (expenditures)	 \$(<u>38,356</u>)	 \$ <u>25,081</u>	 \$ <u>63,437</u>

See notes to financial statements

RESCUE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. Organization:

Rescue Fire Protection District (the "District") was first established in 1960 by a local group of men and women who saw the need to provide improved fire protection to the community of Rescue. Previous to 1960, the United States Forest Service provided fire protection.

In December 1974, the Rescue Fire Protection District was reorganized under LAFCO Resolution #74-26.

A five member Board of Directors elected by the voting population within the District, governs the District's financial and administrative functions.

2. Summary of Significant Accounting Policies:

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing GAAP for state and local government organizations. The District's significant accounting policies are described below.

Measurement Focus and Basis of Accounting

The District reports a *General Fund* that is used to account for all financial resources except those required or designated by the Board of Directors to be accounted for in another fund.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

RESCUE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies (continued):

Measurement Focus and Basis of Accounting, continued

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 revenues to be available if they are collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues that are accrued include property taxes, interest income, and charges for current services. Revenues that are not accrued include permits and fines, forfeitures, and penalties, if applicable. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. General capital assets are reported as expenditures in governmental funds. Proceeds of general long-term and capital assets are reported as other financing sources.

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

Capital Assets

Capital assets are recorded at historical cost if purchased or constructed. Structures and equipment are depreciated using the straight-line method over their estimated useful lives.

Budgets

In accordance with the provisions of Sections 13901 through 13906 of the California Health & Safety Code and other statutory provisions, commonly known as the Budget Act, the District prepares and legally adopts a final budget for each fiscal year.

Compensated Absences

Vested or accumulated vacation and sick leave that is expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability.

RESCUE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies (continued):

Cash

The District maintains cash balances with the Treasurer of El Dorado County in an interest-bearing pooled investment account. Such cash deposits are fully collateralized by governmental securities pledged for the purpose of Public Deposit Collateral.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results may differ from those estimates.

Property Taxes

The District receives property taxes from El Dorado County. Property taxes become a lien on the first day of the year they are levied. Secured property tax is levied on July 1 and due in two installments, on November 1 and February 1. They become delinquent on December 10 and April 10, respectively. Unsecured property taxes are levied on July 1, and become delinquent on August 31. The District elected to receive the property taxes from the County under the Teeter Bill Program. Under this Program, the District receives 100% of the levied property taxes in periodic payments, with the County assuming responsibility for delinquencies.

Pensions

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

RESCUE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies (continued):

Other Postemployment Benefits (“OPEB”)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the net position of the District’s OPEB plan and additions to/deductions from the OPEB plan’s net position have been determined on the same basis as they are reported by the plan. For this purpose, the OPEB plan recognizes benefit payments when due and payable in accordance with the benefit terms.

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

Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

RESCUE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies (continued):

Net Position

Net position is classified in the following categories:

Net Investment in capital assets – groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce this category.

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

Unrestricted – represents the net position of the District, which are not restricted or invested in capital assets net of related debt.

Fund Balance

Fund balance is classified in the following categories:

Restricted – includes fund balance amounts that are subject to externally enforceable legal restrictions or constrained for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed – includes fund balance amount that can only be used for specific purposes pursuant to constraints imposed by the formal actions of the District's Board of Directors.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed.

Unassigned – includes fund balance which has not been classified within the above mentioned categories.

RESCUE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

3. Cash:

Cash with County consists of:

General	\$ 942,803
Developer fees	<u>392,678</u>
	<u>\$1,335,481</u>

4. Capital Assets:

Changes in capital assets for the year ended June 30, 2019 are as follows:

	<u>Balance, beginning of year</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance, end of year</u>
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Buildings and improvements	709,982	-	-	709,982
Equipment	<u>1,485,511</u>	<u>40,000</u>	<u>-</u>	<u>1,525,511</u>
Total	<u>\$2,220,493</u>	<u>\$ 40,000</u>	<u>\$ -</u>	<u>\$2,260,493</u>

RESCUE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

5. Defined Benefit Retirement Plan:

Plan Description

The District contributes to the California Public Employees Retirement System (CalPERS), a cost sharing multiple-employer defined benefit pension plan. The District participates in the miscellaneous 2% at 55 risk pool, the safety 3% at 55 risk pool (hires before September 22, 2012), and the safety 2% at 55 risk pool (hires September 22, 2012 and after). CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public employers within the State of California. CalPERS requires agencies with less than 100 active members in the plan to participate in the risk pool. All District permanent employees are eligible to participate in the System. Benefits vest after five years of service. District employees who retire at age 50 to 63 and with over 5 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1.426 to 2.418 percent of their average salary during their last 36 months of employment. A menu of benefits provision as well as other requirements is established by State Statutes within the Public Employees Retirement Law. The plan selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through District resolution. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, 95814.

Funding Policy

Covered miscellaneous employees are required by statute to contribute 7% of their salary to the plan after a formula to coordinate with Social Security; covered safety employees contribute 9% (3% at 55) or 7% (2% at 55) of their salaries. The District is required by the same statute to contribute the remaining amounts necessary to pay benefits when due; however, the District pays the employees' share. Safety employees pay 6% of employer's share. The District is required to contribute at an actuarially determined rate.

RESCUE FIRE PROTECTION DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued

5. Defined Benefit Retirement Plan, continued:

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

	<u>Safety</u>	<u>Miscellaneous</u>
Benefit formula	3% @ 55	2% @ 55
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55+	55+
Monthly Benefit as % of Compensation	3%	2%
Required Employee Contribution rates	9%	7%
Required employer contribution rates	20.416% / 10.548%	10.152%

RESCUE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

5. Defined Benefit Retirement Plan, continued:

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.

For the year ended June 30, 2019, the contributions were as follows:

	Safety & <u>Miscellaneous</u>
Contributions – employer	\$ <u>139,063</u>

RESCUE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

5. Defined Benefit Retirement Plan, continued:

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

As of June 30, 2019, the District reported net pension liability as follows:

Net pension liability	<u>\$1,750,442</u>
-----------------------	--------------------

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 June 30, 2018, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 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 net pension liability for the plan as of June 30, 2018 was as follows:

	<u>Miscellaneous Plan</u>
Proportion June 30, 2017	-0.00031%
Proportion June 30, 2018	<u>-0.00045%</u>
Change – Increase/(Decrease)	<u>-0.00014%</u>
	<u>Safety Plan</u>
Proportion June 30, 2017	0.03048%
Proportion June 30, 2018	<u>0.03012%</u>
Change – Increase/(Decrease)	<u>0.0036%</u>

RESCUE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

5. Defined Benefit Retirement Plan, continued:

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>
Changes in assumption	\$ 174,885	\$ -
Net differences between projected and actual earnings on pension plan investment	13,864	-
Difference between expected and actual experiences	44,265	-
Changes in employer's proportion	-	26,336
Difference between the employee's contributions and employer's proportionate share	27,604	84,124
Pension contributions subsequent to measurement date	<u>139,063</u>	<u>-</u>
	<u>\$ 399,681</u>	<u>\$ 110,460</u>

\$139,063 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, 2020. 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>	
2019	\$ 157,331
2020	85,866
2021	(78,680)
2022	(14,360)
Thereafter	-

RESCUE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

5. Defined Benefit Retirement Plan, continued:

Actuarial Assumptions – The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation date	June 30, 2017	June 30, 2017
Measurement date	June 30, 2018	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount rate	7.15%	7.15%
Inflation	2.75%	2.75%
Payroll Growth	3.0%	3.0%
Projected Salary Increase	3.3% - 14.2%	3.3%-14.2%
Investment Rate of Return	7.15%	7.15%

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

In December 2016, the CalPERS' Board of Directors voted to lower the discount rate from 7.5% to 7.0% over the next three fiscal years, beginning in fiscal year 2018. The change in the discount rate will affect the contribution rates beginning in fiscal year 2019 and result in increases to the normal costs and unfunded actuarial liabilities.

RESCUE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

5. Defined Benefit Retirement Plan, continued:

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

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

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

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	<u>2.0%</u>	-0.55%	-1.05%
Total	<u>100%</u>		

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

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

RESCUE FIRE PROTECTION DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued

5. Defined Benefit Retirement Plan, continued:

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

1% Decrease	6.15%
Net Pension Liability	\$2,655,942
Current Discount Rate	7.15%
Net Pension Liability	\$1,750,442
1% Increase	8.15%
Net Pension Liability	\$1,008,610

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

6. Deferred Compensation Plan:

The District has made available to each employee a tax shelter annuity, which is administered through El Dorado County. This deferred compensation non-contributory plan qualifies under IRC (Internal Revenue Service) Section 457b as exempt from current income taxes.

RESCUE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

7. Other Post-Employment Benefits (OPEB):

Plan Description: The District offers medical, dental or other health benefits to eligible retirees and their eligible dependents hired prior to July 1, 2013. The contribution requirements of the plan members and the District are established and may be amended by the District.

Under the current health plan, the District pays for coverage of the retiree and one eligible dependent. To be eligible, the employee must be age 50 with at least five years of service in the California Public Employees' Retirement System (PERS), or must qualify for a PERS disability pension.

Total OPEB Liability

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.

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

Discount rate	3.8%
Inflation	2.75%
Payroll Increase	2.75%
Healthcare Trend	4%

Discount Rate

The discount rate used to measure the total OPEB liability was 3.8%. The discount rate is based on an index of 20 year General Obligation municipal bonds.

RESCUE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

7. Other Post-Employment Benefits (OPEB), continued:

Change in Total OPEB Liability as of June 30, 2018

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Total OPEB Liability</u>
Rollback balance at June 30, 2017	\$ <u>1,871,368</u>	\$ -	\$ <u>1,871,368</u>
Changes recognized for the measurement period:			
Service cost	87,465	-	87,465
Interest on total OPEB liability	72,101	-	72,101
Employer contributions	-	35,437	35,437
Assumption changes	(92,078)	-	(92,078)
Benefit payments	(35,437)	(35,437)	(70,874)
Net changes during July 1, 2017 to June 30, 2018	<u>32,051</u>	<u>-</u>	<u>32,051</u>
Balance at June 30, 2018 (Measurement Date)	\$ <u>1,903,419</u>	\$ -	\$ <u>1,903,419</u>

Sensitivity of the Total OPEB liability to changes in the discount rate

The following presents the total OPEB liability with a discount rate 1% higher and 1% lower than assumed in the valuation:

	<u>Discount Rate 1% Lower</u>	<u>Valuation Discount Rate 3.8%</u>	<u>Discount Rate 1% Higher</u>
Total OPEB liability	\$ <u>2,224,138</u>	\$ <u>1,903,419</u>	\$ <u>1,639,628</u>

RESCUE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

7. Other Post-Employment Benefits (OPEB), continued:

Sensitivity of the Total OPEB liability to changes in healthcare cost trend rates

The following presents the total OPEB liability with a healthcare cost trend rate 1% higher and 1% lower than assumed in the valuation:

	Trend <u>1% Lower</u>	Valuation Trend <u>4%</u>	Trend <u>1% Higher</u>
Total OPEB liability	\$ <u>1,641,734</u>	\$ <u>1,903,419</u>	\$ <u>2,218,549</u>

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

For the fiscal year ended June 30, 2019 the District recognized OPEB expense of \$140,774. Under GASB 74 and 75, OPEB expense includes service cost, interest cost, change in total OPEB liability due to plan changes; all adjusted for deferred inflows and outflows. The District determined that it was not reasonable to rerun prior valuations under GASB 75. The transition approach provided by GASB 75, Paragraph 244 was used. Therefore, there are no deferred inflows/outflows in the first year (with the possible exception of contributions after the measurement date). As such, \$45,583 in contributions made after the measurement date are reflected as deferred outflows at June 30, 2019.

Funding Policy

The District has no plan assets in a CERBT trust fund.

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ -	\$ 73,286
OPEB contributions subsequent to measurement date	<u>45,583</u>	<u>-</u>
	\$ <u>45,583</u>	\$ <u>73,286</u>

RESCUE FIRE PROTECTION DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued

8. Equity:

General fund:

Total fund balances consist of:

Restricted for:

Developer fees reserve	\$ 392,678
------------------------	------------

Committed for:

Future capital replacement	\$ 90,978
Petty cash	800
Reserved other	<u>382,024</u>

473,802

Unassigned:

358,323

\$ 1,224,803

Statement of net position (deficit):

Total net position consists of:

Net investment in capital assets	\$ 552,497
----------------------------------	------------

Restricted:

Developer fees reserve	392,678
------------------------	---------

Unrestricted:

Board designated:

Future capital replacement	\$ 90,978
Petty cash	800
Reserved other	<u>382,024</u>

473,802

Undesignated:

(3,034,020)

(2,560,218)

\$(1,615,043)

RESCUE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

9. Reserve:

Reserve for Development Fees

The District has created this Reserve to ensure that development fees received and designated for capital expansion projects are properly accounted for. At June 30, 2019 this reserve is analyzed as follows:

Balance, beginning of year	\$ 363,647
Add, development fees and interest	29,031
Deduct, qualified expenditures	<u> -</u>
Balance, end of year	<u>\$ 392,678</u>

10. Subsequent Events:

Management has evaluated subsequent events through December 9, 2019, the date these June 30, 2019 financial statements were available to be issued.

11. Risk of Loss:

Rescue Fire Protection District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; and injuries to employees. During the 2019 fiscal year, the District purchased certain commercial insurance coverages to provide for these risks.

12. Shared Services Agreement:

A shared services agreement was signed between Rescue Fire Protection District and El Dorado Hills Fire Department (EDHFD) effective March 31, 2019 through December 31, 2019. EDHFD's Fire Chief provided Interim Fire Chief services for Rescue Fire Protection District, as well as general administration and oversight, budget administration, and personnel management and supervision. Rescue Fire Protection District provided administrative assistant support services to El Dorado Hills Fire Department under applicable EDHFD rules and regulations, as well as the direction provided by the EDHFD Fire Chief. These services are provided at no additional cost by either District.

REQUIRED SUPPLEMENTARY INFORMATION

RESCUE FIRE DEPARTMENT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET
 PENSION LIABILITY
 As of June 30, 2019
 Last 10 years (1)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Proportion of the net pension liability	0.01817%	0.01824%	0.01884%	0.03074%
Proportionate share of the net pension liability/asset	\$1,750,442	\$1,809,219	\$1,629,933	\$1,278,862
Covered – employee payroll	\$ 562,409	\$ 578,350	\$ 646,121	\$ 646,121
Proportionate share of the net pension liability as percentage of covered-employee payroll	311.240%	312.824%	252.264%	156.612%
Plan fiduciary net position as a percentage of the total pension liability	77.48%	75.37%	76.20%	98.77%

Notes to Schedule:

Changes in assumptions: None

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

RESCUE FIRE DEPARTMENT
SCHEDULE OF CONTRIBUTIONS FOR PENSIONS
As of June 30, 2019
Last 10 years (1)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution (actuarially determined)	\$139,063	\$ 84,034	\$ 86,580	\$ 133,818
Contributions in relation to the actuarially determined contributions	<u>139,063</u>	<u>(84,034)</u>	<u>(86,580)</u>	<u>(164,326)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$(30,508)</u>
Covered – employee payroll	\$562,409	\$578,350	\$556,968	\$ 646,121
Contributions as a percentage of covered employee payroll	24.73%	14.53%	15.54%	25.43%
Notes to Schedule:				
Valuation date:	6/30/17	6/30/16	6/30/15	6/30/14

Methods and assumptions used to determine contribution rates:

Amortization method	Entry Age Normal Cost Method
Remaining amortization period	15 Years
Asset valuation method	Market Value
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.15% Net of Pension Plan Investment and Admin. Expenses

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

RESCUE FIRE PROTECTION DISTRICT
SCHEDULE OF CHANGES IN NET OPEB LIABILITY
As of June 30, 2019

	<u>2018</u>	<u>2019</u>
Total OPEB liability:		
Service cost	\$ 85,124	\$ 87,465
Interest on total OPEB liability	62,380	72,101
Benefit payments	(34,074)	(35,437)
Assumption changes	<u>-</u>	<u>(92,078)</u>
Net change in total OPEB liability	113,430	32,051
Total OPEB liability, beginning	<u>1,757,938</u>	<u>1,871,368</u>
Total OPEB liability, ending	1,871,368	1,903,419
OPEB Fiduciary net position, beginning and ending	<u>-</u>	<u>-</u>
Net OPEB liability	<u>\$1,871,368</u>	<u>\$1,903,419</u>
Covered-employee payroll	\$ 556,968	\$ 562,409
Plan net OPEB liability as a percentage of covered-employee payroll	335.99%	338.44%

Notes to Schedule:

Changes in assumptions: none

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

SUPPLEMENTAL DATA

RESCUE FIRE PROTECTION DISTRICT
PRINCIPAL OFFICIALS
June 30, 2019

Board of Directors:

Matt Koht	Chair
Penny Humphreys	Vice Chair
Scott Thorne	
Janice Araujo	
CJ Smith	

Operations:

Maurice Johnson	Fire Chief
Jodi Martin	Administrative Assistant
Joel Warman	Captain
Brett Jones	Captain
Thomas Balak	Captain

RESCUE FIRE PROTECTION DISTRICT
SCHEDULE OF CASH FLOWS
for the year ending June 30, 2019

Cash flows from operating activities:		
Change in net position (net loss)		\$(206,196)
Adjustments to reconcile change in net position to net cash provided by operating activities		
Depreciation	\$ 65,362	
(Increase) decrease in:		
Accounts receivable	14,005	
Prepaid expense	(14,053)	
(Decrease) increase in:		
Accounts payable and accrued liabilities	3,296	
Compensated absences	(19,839)	
Other Post-Employee Benefits and related deferreds	98,509	
Net pension liability and related deferreds	<u>107,406</u>	
		<u>254,686</u>
Net cash provided by operating activities		48,490
Cash flows from investing activities:		
Purchase of equipment		<u>(40,000)</u>
Net increase in cash		8,490
Cash at beginning of year		<u>1,327,791</u>
Cash at end of year		<u>\$1,336,281</u>