# RESCUE
# FIRE PROTECTION DISTRICT

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## FINANCIAL STATEMENTS
## AND INDEPENDENT AUDITOR'S REPORT
### for the year ended June 30, 2018

**ROBERT W. JOHNSON**
**Certified Public Accountant**

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# 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, 2018, 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, 2018, 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*

The Management's Discussion and Analysis is not a required part of the financial statements but is supplemental information required by the Government Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*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 11, 2018

# Rescue Fire Protection District

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www.rescuefiredepartment.org

## Management Discussion and Analysis

As management of the Rescue Fire Protection District (RFPD) we offer this management discussion and analysis report, to our Board and members of the community, as an overview and analysis of the financial activities of the Rescue Fire Protection District for the fiscal year ended June 30, 2018.

It should be read and discussed in conjunction with Annual Independent FY 2017-2018 Audit and accompanying financial reports.

It is with great pride and dedication, within this organization, that we continually evaluate and re-evaluate how our fire district fiscally operates in order to keep up with changing economic conditions.

**Background**

The RFPD is a Special District that was formed in December 1974, by LAFCO Resolution #74-26, to provide fire protection serving the rural areas of Kanaka Valley, Luneman, Jurgens, Arrowbee and Starbuck Road.

RFPD provides fire, rescue and emergency medical services to a permanent population of approximately 7,500. The economy in the area is based primarily in agriculture and tourism.

RFPD is a combination paid and volunteer District with (6) full-time employees, (10) Volunteer - Intern personnel and (1) Part-Time Administrate Assistant. A five-member board of directors governs the District. The Board generally meets once a month to handle District business and pay District bills.

The District is an all-risk fire district providing a wide range of emergency and support services. Some of the services provided include: structure and wildland fire suppression, emergency medical first-responder services, Advanced Life Support (Engine), fire prevention and public education activities, hazardous materials response, and technical rescue services including rope and wilderness rescues.

## District Finances

District revenue is derived primarily from ad valorem property tax, one Benefit Assessment, and one Parcel Tax. Other miscellaneous revenues include grants, Strike Team reimbursement, and Interest income.

The philosophy exercised in the management of District finances is to be fiscally conservative with respect to expenses and to utilize an entrepreneurial approach to ensure maximum revenues. The uses of grants are examples of the District's use of this entrepreneurial approach.

## Financial Highlights

**Governmental Balance Sheet**
**For years ending June 30, 2018 and June 30, 2017**

| | June 30, 2018 | June 30, 2017 |
|---|---|---|
| ASSETS | | |
| Cash and investments | $1,327,791 | $1,265,962 |
| Other assets | 22,578 | 5,122 |
| Total Assets | $1,350,369 | $1,271,084 |
| LIABILITIES | | |
| Accounts payable | 10,171 | $ 11,600 |
| Other liabilities | 140,476 | 132,162 |
| OPEB payable | - | 939,012 |
| Total Liabilities | $ 150,647 | $1,082,774 |
| FUND BALANCE | | |
| Restricted | $363,647 | $ 302,330 |
| Committed | 461,502 | 461,502 |
| Unassigned | 374,573 | ( 575,522) |
| Total Fund Balance | 1,199,722 | 188,310 |
| Total Liabilities and Fund Balance | $ 1,350,369 | $1,271,084 |

| Fiscal Year | Revenues | Expenditures | Carryover |
|---|---|---|---|
| 2013/14 | 1,488,723 | 1,489,283 | ( 560) |
| 2014/15 | 1,421,499 | 1,536,641 | (115,142) |
| 2015/16 | 1,491,011 | 1,587,754 | (96,743) |
| 2016/17 | 1,688,363 | 1,911,970 | (223,607) |
| 2017/18 | 1,642,975 | 1,570,575 | 72,400 |

## RESERVES

| | 30-Jun-18 | 30-Jun-17 |
|---|---|---|
| Capital Projects | $ 78,978 | $ 461,002 |
| Petty Cash | 500 | 500 |
| Reserved other | 382,024 | |
| Unassigned | 374,573 | (575,522) |
| **TOTALS** | **836,075** | **(114,020)** |

## DEVELOPMENT FEES

| | 30-Jun-18 | 30-Jun-17 | Increase (Decrease) |
|---|---|---|---|
| **Development Fee's** | **$ 57,463** | **$ 55,674** | **$ 1,789** |

**El Dorado County Funding and Agreement with El Dorado Hills Fire Department**

On October 1, 2013 the Rescue Fire Protection District (RFPD) and the El Dorado Hills Fire Department (EDHFD) entered into a "Shared-Services" agreement. This agreement allowed the Fire Chief from Rescue to provide administrative services to EDHFD and in exchange receive 24/7/365 Chief Officer Coverage, Training, Fire Prevention, and Human Resources support.

On July 1, 2014 the agreement was further formalized to include the use of a single Fire Chief, and Deputy Fire Chief for both agencies. The agreement is for three-years with a 30-day "out" clause for either agency. The agreement was renormalized in 2017 for an additional three years but now is set for termination on December 31, 2018.

El Dorado County has ceased all funding of Fire Districts in El Dorado County. If funding is reinstated the funding will be utilized to reconstitute the Firefighter-Apprentice program.

**Goals and Objectives for 2018-2019**

- Continue to work with other local Fire Districts on a long-term, sustainable financial agreement.
- With the retirement of the Fire Chief set for May 1, 2019 the Board will have to review all potential options for filling this position.

**Request for Information**

This financial report is designed to provide a general overview of the Rescue Fire Protection District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Thomas Keating, Deputy Fire Chief for the Rescue Fire Protection District, 5221 Deer Valley Road, Rescue, CA 95672.

RESCUE FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
June 30, 2018

| ASSETS AND DEFERRED OUTFLOWS | General Fund | Adjustments | Statement of Net Position |
|---|---|---|---|
| Cash in County Treasury (Note 3) | $ 1,327,291 | $ - | $ 1,327,291 |
| Imprest cash | 500 | - | 500 |
| Accounts receivable | 19,214 | - | 19,214 |
| Prepaid expenses | 3,364 | - | 3,364 |
| Capital assets (Note 4) | - | 2,220,493 | 2,220,493 |
| Less, accumulated depreciation | - | (1,642,634) | (1,642,634) |
| Total assets | 1,350,369 | 577,859 | 1,928,228 |
| Deferred outflows (Notes 5 and 7) | - | 497,699 | 497,699 |
| Pension related amounts | - | 38,755 | 38,755 |
| OPEB related amounts | - | 536,454 | 536,454 |
| Total assets and deferred outflow | $ 1,350,369 | $ 1,114,313 | $ 2,464,682 |
| LIABILITIES AND DEFERRED INFLOWS | | | |
| Accounts payable | $ 10,171 | $ - | $ 10,171 |
| Salaries and benefits payable | 20,604 | - | 20,604 |
| Compensated absences payable | 119,872 | - | 119,872 |
| Other Post-Employment Benefits Payable (Note 7) | - | 1,871,368 | 1,871,368 |
| Net pension liability (Note 5) | - | 1,809,219 | 1,809,219 |
| Total liabilities | 150,647 | 3,680,587 | 3,831,234 |
| Deferred inflows (Notes 5) | | | |
| Pension related amounts | - | 42,295 | 42,295 |
| Total liabilities and deferred inflows | 150,647 | 3,722,882 | 3,873,529 |
| FUND BALANCES/NET POSITION | | | |
| Fund balances (Notes 8 and 9): | | | |
| Restricted | 363,647 | ( 363,647) | - |
| Committed | 461,502 | ( 461,502) | - |
| Unassigned | 374,573 | ( 374,573) | - |
| Total fund balances | 1,199,722 | (1,199,722) | - |
| Total liabilities, deferred inflows and fund balances | $ 1,350,369 | | |

(continued)

See notes to financial statements

RESCUE FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET,
continued
June 30, 2018

| | | |
|---|---|---|
| Net position (Notes 8 and 9): | | |
| Net investment in capital assets | $ 577,859 | $ 577,859 |
| Restricted | 363,647 | 363,647 |
| Unrestricted | (2,350,353) | (2,350,353) |
| Total net position (deficit) | $(1,408,847) | $(1,408,847) |

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, 2018

| | General Fund | Adjustments | Statement of Activities |
|---|---|---|---|
| Program expenditures/expenses: | | | |
| Public protection | $1,568,476 | $ 139,331 | $ 1,707,807 |
| Support services | 2,099 | - | 2,099 |
| Capital outlay | - | - | - |
| Depreciation | - | 61,827 | 61,827 |
| Total program expenditures/expenses | 1,570,575 | 201,158 | 1,771,733 |
| Program revenues: | | | |
| Strike team revenues | 129,277 | - | 129,277 |
| General revenues: | | | |
| Property taxes | 1,012,280 | - | 1,012,280 |
| Direct assessment | 133,395 | - | 133,395 |
| Benefit assessment | 244,202 | - | 244,202 |
| Development fees | 57,463 | - | 57,463 |
| Interest income | 12,399 | - | 12,399 |
| EDH professional services | 41,290 | - | 41,290 |
| Rents | 12,669 | - | 12,669 |
| Other | - | - | - |
| Total general revenues | 1,513,698 | - | 1,513,698 |
| Excess of revenues (expenditures)/ change in net position | 72,400 | ( 201,158) | ( 128,758) |
| Fund balances/net position: | | | |
| Beginning | 188,310 | ( 690,236) | ( 501,926) |
| Prior period adjustment to record OPEB liability pursuant to GASB 75 | 939,012 | (1,717,175) | ( 778,163) |
| Beginning, as restated | 1,127,322 | (2,407,411) | (1,280,089) |
| Ending | $1,199,722 | $(2,608,569) | $(1,408,847) |

See notes to financial statements

RESCUE FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES
COMPARED TO BUDGET
for the year ended June 30, 2018

| | Budget | Actual | Favorable (Unfavorable) Variance |
|---|---|---|---|
| Revenues: | | | |
| Property taxes | $1,000,414 | $1,012,280 | $ 11,866 |
| Direct assessment | 133,400 | 133,395 | ( 5) |
| Benefit assessment | 245,046 | 244,202 | ( 844) |
| Development fees | - | 57,463 | 57,463 |
| Interest income | 4,000 | 12,399 | 8,399 |
| Strike teams | 80,000 | 129,277 | 49,277 |
| EDH professional services | 42,000 | 41,290 | ( 710) |
| Rents | 12,669 | 12,669 | - |
| Other | 60 | - | ( 60) |
| Total revenues | 1,517,589 | 1,642,975 | 125,386 |
| Expenditures: | | | |
| Salaries | 674,317 | 677,484 | ( 3,167) |
| Overtime | 129,000 | 128,206 | 794 |
| Retirement | 275,914 | 281,372 | ( 5,458) |
| Health, disability and other benefits | 233,864 | 225,888 | 7,976 |
| Workmans' compensation | 67,020 | 69,072 | ( 2,052) |
| Clothing and personal supplies | 14,400 | 6,605 | 7,795 |
| Communications | 9,500 | 10,275 | ( 775) |
| Food | 500 | 1,624 | ( 1,124) |
| Household expenses | 2,640 | 2,635 | 5 |
| Insurance | 15,000 | 12,205 | 2,795 |
| Maintenance – equipment | 7,173 | 6,981 | 192 |
| – vehicles | 30,000 | 35,449 | ( 5,449) |
| – radios | 500 | 311 | 189 |
| – structures | 12,000 | 37,124 | ( 25,124) |
| Memberships | 2,350 | 1,848 | 502 |

(continued)

RESCUE FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES, continued
COMPARED TO BUDGET
for the year ended June 30, 2018

| | Budget | Actual | Favorable/ (Unfavorable) Variance |
|---|---|---|---|
| Expenditures (continued): | | | |
| Office expense | $ 2,000 | $ 2,099 | $( 99) |
| Postage | 400 | 268 | 132 |
| Printing and duplication | 500 | - | 500 |
| Professional services | 10,800 | 11,614 | ( 814) |
| Publications/legal notices | 400 | 264 | 136 |
| Rents and leases – equip. | 4,300 | 4,372 | ( 72) |
| Small tools | 3,700 | 372 | 3,328 |
| Minor equipment | 11,461 | 5,176 | 6,285 |
| Special dept. expense | 5,284 | 8,392 | ( 3,108) |
| Data processing | 288 | - | 288 |
| Fire and safety supplies | 640 | - | 640 |
| Staff development | 7,240 | 6,038 | 1,202 |
| Transportation | 2,000 | 2,561 | ( 561) |
| Fuel purchases | 11,000 | 12,167 | ( 1,167) |
| Utilities | 23,000 | 20,173 | 2,827 |
| Fixed assets – building | 37,000 | - | 37,000 |
| – equipment | 5,750 | - | 5,750 |
| Contingency | - | - | - |
| Total expenditures | 1,599,941 | 1,570,575 | 29,366 |
| Excess of revenues/ (expenditures) | $( 82,352) | $ 72,400 | $ 154,752 |

See 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.

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.

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.

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.

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.

3. Cash:

Cash with County consists of:

| | |
|---|---|
| General | $ 963,644 |
| Developer fees | 363,647 |
| | $ 1,327,291 |

4. Capital Assets:

Changes in capital assets for the year ended June 30, 2018 are as follows:

| | Balance, beginning of year | Additions | Disposals | Balance, end of year |
|---|---|---|---|---|
| Land | $ 25,000 | $ - | $ - | $ 25,000 |
| Buildings and improvements | 709,982 | - | - | 709,982 |
| Equipment | 1,485,511 | - | - | 1,485,511 |
| Total | $2,220,493 | $ - | $ - | $2,220,493 |

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.

5. Defined Benefit Retirement Plan, continued:

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

| | Safety | Miscellaneous |
|---|---|---|
| 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 | 19.520% / 13.482% | 9.599% / 9.970% |

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, 2018, the contributions recognized as part of pension expense were as follows:

| | Safety & Miscellaneous |
|---|---|
| Contributions – employer | $ 84,034 |
| Contributions – employee | $ 102,931 |

5. Defined Benefit Retirement Plan, continued:

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

As of June 30, 2018, the District reported net pension liability as follows:

| | |
|---|---|
| Net pension liability | $1,809,219 |

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, 2017, 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, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the 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, 2017 was as follows:

| | Miscellaneous Plan |
|---|---|
| Proportion June 30, 2016 | -0.0004079% |
| Proportion June 30, 2017 | -0.0003102% |
| Change – Increase/(Decrease) | -0.0000977% |

| | Safety Plan |
|---|---|
| Proportion June 30, 2016 | 0.0317442% |
| Proportion June 30, 2017 | 0.0304835% |
| Change – Increase/(Decrease) | 0.0012607% |

5. Defined Benefit Retirement Plan, continued:

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Changes in assumption | $ 287,129 | $ - |
| Net differences between projected and actual earnings on pension plan investment | 67,870 | - |
| Difference between expected and actual experiences | 14,625 | - |
| Changes in employer's proportion | - | 42,295 |
| Difference between the employee's contributions and employer's proportionate share | 44,041 | - |
| Pension contributions subsequent to measurement date | 84,034 | - |
| | $ 497,699 | $ 42,295 |

$84,034 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:

| Year Ended June 30 | |
|---|---|
| 2018 | $ 83,798 |
| 2019 | 198,837 |
| 2020 | 128,463 |
| 2021 | ( 39,728) |
| Thereafter | - |

5. Defined Benefit Retirement Plan, continued:

***Actuarial Assumptions*** – The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

| | Miscellaneous | Safety |
|---|---|---|
| Valuation date | June 30, 2016 | June 30, 2016 |
| Measurement date | June 30, 2017 | June 30, 2017 |
| 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.

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.

| Asset Class | New Strategic Allocation | Real Return Years 1-10(a) | Real Return Years 11+(b) |
|---|---|---|---|
| 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 | 2.0% | -0.55% | -1.05% |
| Total | 100% | | |

(a) An expected inflation of 2.5% used for this period.
(b) An expected inflation of 3.0% used for this period.

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 | $2,717,911 |
| Current Discount Rate | 7.15% |
| Net Pension Liability | $1,809,219 |
| 1% Increase | 8.15% |
| Net Pension Liability | $1,066,333 |

***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.

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 lease 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, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017.

Actuarial Assumptions

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

| | |
|---|---|
| Discount rate | 3.5% |
| Inflation | 2.75% |
| Payroll Increase | 2.75% |
| Healthcare Trend | 4% |

Discount Rate

The discount rate used to measure the total OPEB liability was 3.5%. The discount rate is based on an index of 20 year General Obligation municipal bonds.

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

**Change in Total OPEB Liability as of June 30, 2017**

| | Total OPEB Liability | Plan Fiduciary Net Position | Total OPEB Liability |
|---|---|---|---|
| Rollback balance at June 30, 2016 | $1,757,938 | $ - | $1,757,938 |
| Changes recognized for the measurement period: | | | |
| Service cost | 85,124 | - | 85,124 |
| Interest on total OPEB liability | 62,380 | - | 62,380 |
| Employer contributions | - | 34,074 | ( 34,074) |
| Benefit payments | ( 34,074) | ( 34,074) | - |
| Net changes during July 1, 2016 to June 30, 2017 | 113,430 | - | 113,430 |
| Balance at June 30, 2017 (Measurement Date) | $1,871,368 | $ - | $1,871,368 |

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:

| | Discount Rate 1% Lower | Valuation Discount Rate 3.5% | Discount Rate 1% Higher |
|---|---|---|---|
| Total OPEB liability | $2,201,446 | $1,871,368 | $1,607,069 |

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 1% Lower | Valuation Trend 4% | Trend 1% Higher |
|---|---|---|---|
| Total OPEB liability | $1,628,558 | $1,871,368 | $2,148,664 |

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

For the fiscal year ended June 30, 2018 the District recognized OPEB expense of $115,438. 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, $38,755 in contributions made after the measurement date are reflected as deferred outflows at June 30, 2018.

**Funding Policy**

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

8. Equity:

General fund:

Total fund balances consist of:

| | | |
|---|---|---|
| Restricted for: | | |
| Developer fees reserve | | $ 363,647 |
| Committed for: | | |
| Future capital replacement | $ 78,978 | |
| Petty cash | 500 | |
| Reserved other | 382,024 | |
| | | 461,502 |
| Unassigned: | | 374,573 |
| | | $ 1,199,722 |

Statement of net position (deficit):

Total net position consists of:

| | | |
|---|---|---|
| Net investment in capital assets | | $ 577,859 |
| Restricted: | | |
| Developer fees reserve | | 363,647 |
| Unrestricted: | | |
| Board designated: | | |
| Future capital replacement | $ 78,978 | |
| Petty cash | 500 | |
| Reserved other | 382,024 | |
| | 461,502 | |
| Undesignated: | (2,811,855) | |
| | | (2,350,353) |
| | | $(1,408,847) |

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, 2018 this reserve is analyzed as follows:

| | |
|---|---|
| Balance, beginning of year | $ 302,330 |
| Add, development fees and interest | 61,317 |
| Deduct, qualified expenditures | - |
| Balance, end of year | $ 363,647 |

10. Subsequent Events:

Management has evaluated subsequent events through December 11, 2018, the date these June 30, 2018 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 2018 fiscal year, the District purchased certain commercial insurance coverages to provide for these risks.

12. Restatements:

The District's net position at July 1, 2017 was restated by $778,163 and fund balance was restated by $939,012 to reflect the OPEB beginning balance in accordance with the implementation of GASB 75 – Accounting and Financial Reporting for Postemployment Benefits other than Pensions.

SUPPLEMENTAL DATA

RESCUE FIRE PROTECTION DISTRICT
PRINCIPAL OFFICIALS
JUNE 30, 2018

Board of Directors:

| | |
|---|---|
| Scott Thorne | Chair |
| Matt Koht | Vice Chair |
| Anne Walker | |
| Ken Humphreys | |
| Jason "Fritz" Butler | |

Operations:

| | |
|---|---|
| Thomas Keating | Fire Chief |
| Jodi Martin | Administrative Assistant |
| Joel Warman | Captain |
| Brett Jones | Captain |

RESCUE FIRE PROTECTION DISTRICT
SCHEDULE OF CASH FLOWS
for the year ending June 30, 2018

| | | |
|---|---|---|
| Cash flows from operating activities: | | |
| Change in net position (net loss) | | $( 128,758) |
| Adjustments to reconcile change in net position to net cash provided by operating activities | | |
| Depreciation | $ 61,827 | |
| (Increase) decrease in: | | |
| Accounts receivable | ( 14,092) | |
| Prepaid expense | ( 3,364) | |
| (Decrease) increase in: | | |
| Accounts payable and accrued liabilities | 1,923 | |
| Compensated absences | 4,962 | |
| Other Post-Employee Benefits and related deferreds | 115,438 | |
| Net pension liability and related deferreds | 23,893 | |
| | | 190,587 |
| Net cash provided by operating activities | | 61,829 |
| Cash flows from investing activities: | | |
| Purchase of equipment | - | |
| | | - |
| Net increase in cash | | 61,829 |
| Cash at beginning of year | | 1,265,962 |
| Cash at end of year | | $1,327,791 |

RESCUE FIRE DEPARTMENT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
As of June 30, 2018
Last 10 years (1)

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Proportion of the net pension liability | 0.01824% | 0.01884% | 0.03074% |
| Proportionate share of the net pension liability/asset | $1,809,219 | $1,629,933 | $1,278,862 |
| Covered – employee payroll | $ 578,350 | $ 646,121 | $ 646,121 |
| Proportionate Share of the net pension liability as percentage of covered-employee payroll | 312.824% | 252.264% | 156.612% |
| Plan fiduciary net position as a percentage of the total pension liability | 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 three years are shown.

RESCUE FIRE DEPARTMENT
SCHEDULE OF CONTRIBUTIONS FOR PENSIONS
As of June 30, 2018
Last 10 years (1)

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Contractually required contribution (actuarially determined) | $ 84,034 | $ 86,580 | $ 133,818 |
| Contributions in relation to the actuarially determined contributions | ( 84,034) | ( 86,580) | ( 164,326) |
| Contribution deficiency (excess) | $ - | $ - | $( 30,508) |
| Covered – employee payroll | $ 578,350 | $ 556,968 | $ 646,121 |
| Contributions as a percentage of covered employee payroll | 14.53% | 15.54% | 25.43% |
| Notes to Schedule: | | | |
| Valuation date: | 6/30/2016 | 6/30/2015 | 6/30/2014 |

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 three years are shown.

RESCUE FIRE PROTECTION DISTRICT
SCHEDULE OF CHANGES IN NET OPEB LIABILITY
As of June 30, 2018

| | 2018 |
|---|---|
| Total OPEB liability: | |
| Service cost | $ 85,124 |
| Interest on total OPEB liability | 62,380 |
| Benefit payments | ( 34,074) |
| Net change in total OPEB liability | 113,430 |
| Total OPEB liability, beginning | 1,757,938 |
| Total OPEB liability, ending | 1,871,368 |
| OPEB Fiduciary net position, beginning and ending | - |
| Net OPEB liability | $1,871,368 |
| Covered-employee payroll | $ 556,968 |
| Plan net OPEB liability as a percentage of covered-employee payroll | 335.99% |

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.