

**RODEO-HERCULES FIRE PROTECTION DISTRICT**

**MEMORANDUM ON INTERNAL CONTROL  
AND  
REQUIRED COMMUNICATIONS**

**FOR THE YEAR ENDED JUNE 30, 2016**

This Page Left Intentionally Blank

**RODEO-HERCULES FIRE PROTECTION DISTRICT**

**MEMORANDUM ON INTERNAL CONTROL  
AND  
REQUIRED COMMUNICATIONS**

**For the Year Ended June 30, 2016**

**Table of Contents**

	<b><u>Page</u></b>
<b><i>Memorandum on Internal Control</i></b> .....	1
Schedule of Other Matters .....	3
Status of Prior Year Significant Deficiencies .....	7
Status of Prior Year Other Matters .....	9
<b><i>Required Communications</i></b> .....	11
<b>Significant Audit Findings</b> .....	11
Accounting Policies .....	11
Unusual Transactions, Controversial or Emerging Areas .....	11
Accounting Estimates .....	12
Disclosures .....	12
Difficulties Encountered in Performing the Audit.....	12
Corrected and Uncorrected Misstatements .....	12
Disagreements with Management.....	13
Management Representations .....	13
Management Consultations with Other Independent Accountants.....	13
Other Audit Findings or Issues .....	13
<b>Other Information Accompanying Financial Statements</b> .....	13

This Page Left Intentionally Blank

## MEMORANDUM ON INTERNAL CONTROL

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

In planning and performing our audit of the basic financial statements of the Rodeo-Hercules Fire Protection District as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

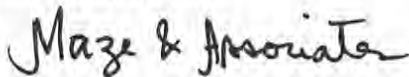
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Included in the Schedule of Other Matters are recommendations not meeting the above definitions that we believe to be of potential benefit to the District.

Management's written responses included in this report have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, Board of Directors, others within the organization, and agencies and pass-through entities requiring compliance with *Government Auditing Standards*, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads 'Maze & Associates' in a cursive, flowing script.

Pleasant Hill, California  
March 30, 2017

This Page Left Intentionally Blank

**RODEO-HERCULES FIRE PROTECTION DISTRICT**  
**SCHEDULE OF OTHER MATTERS**  
**For the Year Ended June 30, 2016**

**2016-01**      *Succession Planning*

*Government Accounting Standards* requires that the District designate an employee or a third party that has the skills, knowledge and experience (SKE) to review its financial statements. The prior Administrative Assistant performed this duty through the June 30, 2015 audit and assisted during the June 30, 2016 audit, but has retired as of our opinion date. In preparation for subsequent year's audits, the District should consider whether it has someone on staff that currently has the SKE, and if not, should consider seeking a volunteer or contracting with a third party to perform this function.

**Management's Response:** The District concurs with the Auditor's recommendation. Management will request additional funds in the fiscal year 2017-18 budget to get additional assistance.

**RODEO-HERCULES FIRE PROTECTION DISTRICT**  
**SCHEDULE OF OTHER MATTERS**  
**For the Year Ended June 30, 2016**

**2016-02**      ***NEW GASB PRONOUNCEMENTS OR PRONOUNCEMENTS NOT YET EFFECTIVE***

The following comment represents new pronouncements taking affect in the next two fiscal years. We cite them here to keep you abreast of developments:

**Effective in fiscal year 2016-17**

**GASB 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68***

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes.

**GASB 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans***

The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

**GASB 77 – *Tax Abatement Disclosures***

This Statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues.

**GASB 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans***

This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.



**RODEO-HERCULES FIRE PROTECTION DISTRICT  
SCHEDULE OF OTHER MATTERS  
For the Year Ended June 30, 2016**

**GASB 80 – *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14***

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

**GASB 82 – *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73***

The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

**Effective in fiscal year 2017-18:**

**GASB 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions***

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

**GASB 81 – *Irrevocable Split-Interest Agreements***

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

**Management's Response:** The District will implement all applicable GASB Pronouncements as they become effective.

**This Page Left Intentionally Blank**

**RODEO-HERCULES FIRE PROTECTION DISTRICT  
STATUS OF PRIOR YEAR SIGNIFICANT DEFICIENCIES  
For the Year Ended June 30, 2016**

**2015-02**      *Revenue Recognition*

In accordance with generally accepted accounting principles, the District must recognize revenue in the proper reporting period. During our audit, we noted that a \$65,000 receivable had been recorded for a settlement payment that was related to the fiscal year 2015-2016 period. We understand staff was not aware the amount should have been reported during fiscal year 2015-2016 and that revenue was overstated by this amount. We recommend staff ensure all receipts and disbursements be reported in the proper accounting period.

**Current Status:** The District's revenue recognition procedures appeared to be reasonable and in accordance with Generally Accepted Accounting Principles (GAAP).

**This Page Left Intentionally Blank**

**RODEO-HERCULES FIRE PROTECTION DISTRICT  
STATUS OF PRIOR YEAR OTHER MATTERS  
For the Year Ended June 30, 2016**

**2015-03**      *Succession Planning*

*Government Accounting Standards* requires that the District designate an employee or a third party that has the skills, knowledge and experience (SKE) to review its financial statements. The prior Administrative Assistant performed this duty through the June 30, 2015 audit, but has retired as of our opinion date. In preparation for next year's audit for fiscal year ending June 30, 2016, the District should consider whether it has someone on staff that currently has the SKE, and if not, should consider seeking a volunteer or contracting with a third party to perform this function.

**Current Status:** See 2016-01 in the current year Schedule of Other Matters above.

This Page Left Intentionally Blank

## REQUIRED COMMUNICATIONS

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

We have audited the basic financial statements of the Rodeo-Hercules Fire Protection District for the year ended June 30, 2016. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards and *Government Auditing Standards* and Uniform Guidance.

### Significant Audit Findings

#### *Accounting Policies*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year, except as follows:

The following pronouncement became effective and required modifications to the notes to financial statements.

#### **GASB Statement No. 72 – Fair Value Measurement and Application**

This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is 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. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The requirements of this Statement enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also enhances fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

The following pronouncements became effective but did not have a significant impact on the District's financial Statements:

#### **GASB Statement No. 76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments**

#### **GASB Statement No. 79 – Certain External Investment Pools and Pool Participants**

#### ***Unusual Transactions, Controversial or Emerging Areas***

We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

## ***Accounting Estimates***

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements are as follows:

*Estimated Fair Value of Investments:* As of June 30, 2016, the District's cash and investments were measured by fair value as disclosed in Note 2 to the financial statements. Fair value is essentially market pricing in effect as of June 30, 2016. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2016.

*Estimated Depreciation:* Management's estimate of the depreciation is based on useful lives determined by management. These lives have been determined by management based on the expected useful life of assets as disclosed in Note 1H to the financial statements. We evaluated the key factors and assumptions used to develop the depreciation estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

*Estimated Net Pension Liabilities and Pension-Related Deferred Outflows and Inflows of Resources:* Management's estimate of the net pension liabilities and deferred outflows/inflows of resources are disclosed in Note 7 to the financial statements and are based on actuarial studies determined by a consultant, which are based on the experience of the District. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

*Estimated Net OPEB Liability:* Management's estimate of the net OPEB liability is disclosed in Note 8 to the financial statements and is based on actuarial study determined by a consultant, which is based on the experience of the District. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

## ***Disclosures***

The financial statement disclosures are neutral, consistent, and clear.

## ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

## ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all/certain such misstatements. We did not propose any audit adjustments that, in our judgment, could have a significant effect, either individually or in the aggregate, on the District's financial reporting process.



### ***Disagreements with Management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management Representations***

We have requested certain representations from management that are included in a management representation letter dated March 30, 2017.

### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### ***Other Information Accompanying the Financial Statements***

With respect to the supplemental information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplemental information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

With respect to the required supplemental information accompanying the financial statements, we applied certain limited procedures to the required supplemental 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 did not express an opinion nor 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.

\*\*\*\*\*

This information is intended solely for the use of the Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties.

*Maze & Associates*

Pleasant Hill, California  
March 30, 2017

**RODEO-HERCULES FIRE PROTECTION DISTRICT**

**SINGLE AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2016**

This Page Left Intentionally Blank

**RODEO-HERCULES FIRE PROTECTION DISTRICT**

**SINGLE AUDIT REPORT  
For The Year Ended June 30, 2016**

**TABLE OF CONTENTS**

	<u>Page</u>
Schedule of Findings and Questioned Costs .....	1
Section I - Summary of Auditor's Results.....	1
Section II – Financial Statement Findings.....	2
Section III – Federal Award Findings and Questioned Costs.....	2
Schedule of Expenditures of Federal Awards.....	3
Notes to Schedule of Expenditures of Federal Awards .....	5
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	7
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance .....	9

This Page Left Intentionally Blank

**RODEO-HERCULES FIRE PROTECTION DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2016**

**SECTION I—SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified? \_\_\_\_\_ Yes      X   None Reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes      X   No

**Federal Awards**

Type of auditor's report issued on compliance for major programs:

Unmodified

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified? \_\_\_\_\_ Yes      X   None Reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

\_\_\_\_\_ Yes      X   No

Identification of major programs:

<u>CFDA#(s)</u>	<u>Name of Federal Program or Cluster</u>
97.083	Staffing for Adequate Fire and Emergency Response (SAFER)

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes      X   No

## **SECTION II – FINANCIAL STATEMENT FINDINGS**

Our audit did not disclose any significant deficiencies, or material weaknesses or instances of noncompliance material to the basic financial statements. We have also issued a separate Memorandum on Internal Control dated March 30, 2017 which is an integral part of our audits and should be read in conjunction with this report.

## **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

Our audit did not disclose any findings or questioned costs required to be reported in accordance with Uniform Guidance.



**RODEO-HERCULES FIRE PROTECTION DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Fiscal Year Ended June 30, 2016

<b>Federal Grantor Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Grant Identifying Number</b>	<b>Federal Expenditures</b>
Department of Homeland Security, Direct Program Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2013-FH-00267	<u>\$1,243,213</u>
Total Expenditures of Federal Awards			<u><u>\$1,243,213</u></u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

**This Page Left Intentionally Blank**

**RODEO-HERCULES FIRE PROTECTION DISTRICT**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended June 30, 2016**

**NOTE 1 - REPORTING ENTITY**

The Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the Rodeo-Hercules Fire Protection District, California.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of accounting refers to *when* revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All governmental funds and agency funds are accounted for using the modified accrual basis of accounting. Expenditures of Federal Awards reported on the Schedule are recognized when incurred.

**NOTE 3 - INDIRECT COST ELECTION**

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

This Page Left Intentionally Blank

**INDEPENDENT AUDITOR'S REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Rodeo-Hercules Fire Protection District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated March 30, 2017. Our report included an emphasis of a matter paragraph disclosing the implementation of new accounting principles.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

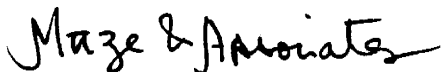
### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We have also issued a separate Memorandum on Internal Control dated March 30, 2017 which is an integral part of our audit and should be read in conjunction with this report.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Pleasant Hill, California  
March 30, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;  
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE**

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

***Report on Compliance for Each Major Federal Program***

We have audited Rodeo-Hercules Fire Protection District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

### ***Report on Internal Control Over Compliance***

Management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### ***Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance***

We have audited the financial statements of the governmental activities of the District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated March 30, 2017 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Maze & Associate*

Pleasant Hill, California  
March 30, 2017



**RODEO-HERCULES FIRE PROTECTION DISTRICT**  
**HERCULES, CALIFORNIA**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

This Page Left Intentionally Blank

**RODEO-HERCULES FIRE PROTECTION DISTRICT**  
**Basic Financial Statements**  
**For the Year Ended June 30, 2016**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>INTRODUCTORY SECTION:</b>	
Table of Contents	
<b>FINANCIAL SECTION:</b>	
<i>Independent Auditor's Report</i> .....	1
<i>Management's Discussion and Analysis</i> .....	5
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements:	
Statement of Net Position.....	12
Statement of Activities and Changes in Position.....	13
Fund Financial Statements:	
Governmental Funds -	
Balance Sheet .....	16
Reconciliation of the Governmental Funds – Balance Sheet with the Statement of Net Position .....	18
Statement of Revenues, Expenditures and Changes in Fund Balances.....	20
Reconciliation of the Net Change in Fund Balances – Total Governmental Funds with the Statement of Activities .....	22
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
General Fund .....	23
Notes to Basic Financial Statements .....	25
<b>Required Supplemental Information:</b>	
Schedule of Changes in the Net Pension Liability and Related Ratios.....	46
Schedule of Contributions .....	47
Schedule of Funding Progress – Other Post-Employment Benefits.....	48
<b>Supplemental Information:</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Capital Projects #1 Fund .....	50

This Page Left Intentionally Blank

## 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 as of and for the year ended June 30, 2016, 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 the 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 audits. 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, 2016 and the respective changes in financial position and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Emphasis of a Matter*

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 72 – *Fair Value Measurement and Application* which became effective during the year ended June 30, 2016, and required changes to the District’s footnotes.

The emphasis of this matter does not constitute a modification to our opinions.

## *Other Matters*

### *Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that Management’s Discussion and Analysis, pension and other post employment benefit tables be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Maze & Associates*

Pleasant Hill, California  
March 30, 2017

This Page Left Intentionally Blank



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2016. 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 net position of \$(16,087,919)
- The total Program Expenses were \$6,830,700
- The total Program Revenues were \$1,015,720
- The total General Revenues were \$5,825,069
- The change in Net Position represents an increase of \$10,089

#### Fund Financial Statements

- The General Fund operating revenues exceeded its expenses leaving a fund balance of \$306,518.
- The Hercules Fire Impact Fund operating revenues exceeded its expenses leaving a fund balance of \$62,329
- The Rodeo Fire Impact Fund revenues exceeded operating expenses leaving a fund balance of \$19,382.
- The Capital Projects #1 Fund operating expenses exceeded revenue leaving a fund balance of \$102,729.
- 2016 Fire Assessment Revenues equal \$947,742.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$306,518 the Hercules Fire Impact Fund was \$62,329; the Rodeo Fire Impact Fund was \$19,382; the Capital Projects No. 1 was \$102,729. In addition, the District has a Line of Credit funding source with the Kansas State Bank with a debt service fund balance of \$88,173.

### ANNUAL REPORT OVERVIEW

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

#### Government-Wide Financial Statements

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

## ANNUAL REPORT OVERVIEW, Continued

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

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

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

### **Fund Financial Statements**

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

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

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

## FINANCIAL ACTIVITIES OF THE DISTRICT AS A WHOLE

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

### Government-Wide Financial Statements

**Table 1**  
**Statement of Net Position**  
**Governmental Activities**

	2015-2016	2014-2015	Dollar Change	Percent Change
<b>Assets</b>				
Current assets	\$ 1,345,276	\$ 1,560,617	\$ (215,341)	-14%
Noncurrent Assets	153,173	188,173	(35,000)	-19%
Capital assets	2,168,004	2,451,983	(283,979)	-12%
<b>Total assets:</b>	<u>3,666,453</u>	<u>4,200,773</u>	<u>(534,320)</u>	<u>-13%</u>
<b>Deferred Outflows of Resources</b>				
Related to pension	4,214,568	283,821	3,930,747	1385%
<b>Liabilities</b>				
Current liabilities	555,148	585,314	30,166	5%
Noncurrent liabilities	18,467,100	16,239,457	(2,227,643)	-14%
<b>Total Liabilities:</b>	<u>19,022,248</u>	<u>16,824,771</u>	<u>2,197,477</u>	<u>13%</u>
<b>Deferred Inflows of Resources</b>				
Related to pension	4,946,692	3,582,831	(1,363,861)	-38%
<b>Net Position</b>				
Invested in capital assets, net of related debt	2,168,004	2,451,983	283,979	12%
Restricted for special projects	81,711	16,718	(64,993)	-389%
Debt Service - Capital Projects	88,173	88,173	-	0%
Unrestricted (as restated)	(18,425,807)	(18,654,882)	(229,075)	1%
<b>Total Net Position:</b>	<u>\$ (16,087,919)</u>	<u>\$ (16,098,008)</u>	<u>\$ 10,089</u>	<u>0%</u>

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

**Table 2  
Statement of Activities  
Governmental Activities**

	2015-2016	2014-2015	Dollar Change	Percent Change
<b>Expenses</b>				
Public safety - fire protection	\$ 6,830,700	\$ 9,100,239	\$ (2,269,539)	-25%
Legal fees	-	175,000	(175,000)	-100%
<b>Total Program Expenses:</b>	<b>\$ 6,830,700</b>	<b>\$ 9,275,239</b>	<b>\$ (2,444,539)</b>	<b>-26%</b>
<b>Revenues</b>				
Program revenues:				
Charges for Services	\$ 1,015,720	\$ 1,165,185	\$ (149,465)	-13%
Capital grants and contributions	-	-	-	-
General revenues:				
Property taxes	5,610,595	5,312,905	297,690	6%
Investment earnings	65,337	36,624	28,713	78%
Miscellaneous	149,137	118,975	30,162	25%
<b>Total Revenues</b>	<b>6,840,789</b>	<b>6,633,689</b>	<b>207,100</b>	<b>3%</b>
<b>Changes in net position</b>	<b>10,089</b>	<b>(2,641,550)</b>	<b>\$ 2,651,639</b>	<b>-100%</b>
<b>Net position - beginning of year, as restated</b>	<b>(16,098,008)</b>	<b>(13,456,458)</b>		
<b>Net position - end of year</b>	<b>\$ (16,087,919)</b>	<b>\$ (16,098,008)</b>		

*Expenses*

The Public Safety expenses totaled to \$6,986,215 for fiscal year ending 2016. In addition, depreciation expense, in the amount of \$285,079, was recognized. The remaining expenses are categorized as materials and services and capital projects.

*Program Revenues*

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

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

The City of Hercules continues to defer its annual paramedic subsidy to the District in the amount of \$65,000, annually.

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

Due to the financial crisis at the State, a freeze was placed on funding for SB90 mandated cost reimbursements. The District was assigned to the following strike team assignments in 2015/16: Lowell, Valley, Rock, Humboldt Complex, Wragg, Rough, and Mad River Complex.

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 taxes. During the last fiscal year, the overall assessed valuation decreased 5.6%. This decrease reflects the decrease in assessed valuations in the City of Hercules and Town of Rodeo. A considerable portion of this growth falls within the City of Hercules Redevelopment Area of which the District is to receive a portion of the pass-through property tax revenues. However due to the City of Hercules financial crisis, the District did not receive its pass-through monies in fiscal years 2010/11, 2011/12, 2012/13, 2013/14, 2014/15, and 2015/16 as stated above.

## **Fund Financial Statements**

### *Governmental Funds*

At June 30, 2016, the District's governmental funds reported combined fund balances of \$1,039,167 which is a decrease of \$221,635 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. The General Fund is the general operating fund of the District. It is used to account for all financial resources. The major revenue sources are property taxes and benefit assessments.

Overall, the General Fund expenditures increased by 5.25% from last year.

During fiscal year 2015-2016, the Capital Projects Fund No. 1 spent \$1,372 on capital. No expenditures were made in the Capital Projects Fund No. 2 or the Rodeo Fire Impact Fund.

## CAPITAL ASSETS

At the end of fiscal 2016, the District had \$2,168,004 in net capital assets. The following table identifies the specific governmental activity:

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

	2015-2016	2014-2015	Dollar Change	Percent Change
Land	\$ 7,437	\$ 7,437	\$ -	0%
Buildings and improvements	1,096,448	1,096,448	-	0%
Equipment	5,122,683	5,121,583	1,100	0%
Less accumulated depreciation	(4,058,564)	(3,773,485)	(285,079)	8%
<b>Capital Assets:</b>	<b>\$ 2,168,004</b>	<b>\$ 2,451,983</b>	<b>\$ (283,979)</b>	<b>-12%</b>

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

## ECONOMIC OUTLOOK AND MAJOR INITIATIVES

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

The economic condition of the Rodeo-Hercules Fire Protection District as it appears on the balance sheet reflects financial stability for future years as the District has made significant reductions in expenditures and has made efforts to increase its revenues. The District is currently in its third year of a FEMA Grant which allows the District full staffing for two stations. This Grant will expire May 8, 2017.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

**RODEO-HERCULES FIRE PROTECTION DISTRICT**

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

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

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

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

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

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

RODEO-HERCULES FIRE PROTECTION DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2016

ASSETS	<u>Governmental Activities</u>
Current Assets:	
Cash and investments (Note 2)	\$1,141,773
Accounts receivable	91,934
Due from other governments	<u>111,569</u>
Total Current Assets	<u>1,345,276</u>
Noncurrent Assets:	
Other assets:	
Restricted cash (Note 2 and 5)	88,173
Accounts receivable (Note 3)	<u>65,000</u>
Total other assets	<u>153,173</u>
Capital assets (Note 4):	
Non-depreciable	7,437
Depreciable capital assets, net	<u>2,160,567</u>
Total capital assets, net of accumulated depreciation	<u>2,168,004</u>
Total Noncurrent Assets	<u>2,321,177</u>
Total Assets	<u>3,666,453</u>
DEFERRED OUTFLOWS OF RESOURCES	
Related to pension (Note 7)	<u>4,214,568</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	90,474
Accrued payroll and benefits	303,808
Compensated absences, due within one year (Note 1G)	63,940
Lines of credit, due within one year (Note 5)	<u>96,926</u>
Total Current Liabilities	<u>555,148</u>
Noncurrent Liabilities:	
Compensated absences, due in more than one year (Note 1G)	149,192
Lines of credit, due in more than one year (Note 5)	367,162
Other post employment benefit obligations (Note 8B)	2,698,594
Net pension liability (Note 7)	<u>15,252,152</u>
Total Noncurrent Liabilities	<u>18,467,100</u>
Total Liabilities	<u>19,022,248</u>
DEFERRED OUTFLOWS OF RESOURCES	
Related to pension (Note 7)	<u>4,946,692</u>
NET POSITION (DEFICIT) (Note 6)	
Net investment in capital assets	2,168,004
Restricted for:	
Special projects and programs	81,711
Debt Service	88,173
Unrestricted	<u>(18,425,807)</u>
Total Net Position (Deficit)	<u>(\$16,087,919)</u>

See accompanying notes to basic financial statements



RODEO-HERCULES FIRE PROTECTION DISTRICT  
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues Operating Grants and Contributions	Governmental Activities Net (Expenses) Revenues
Governmental Activities:			
Fire protection	\$6,830,700	\$1,015,720	(\$5,814,980)
Total Governmental Activities	\$6,830,700	\$1,015,720	(5,814,980)
General Revenues (Expenses):			
Property tax			5,579,563
Home owner property tax relief			31,032
Investment earnings			65,337
Miscellaneous			149,137
Total General Revenues			5,825,069
Change in Net Position			10,089
Net Position (Deficit) Beginning			(16,098,008)
Net Position (Deficit) Ending			(\$16,087,919)

See accompanying notes to basic financial statements

This Page Left Intentionally Blank

<b>FUND FINANCIAL STATEMENTS</b>
----------------------------------

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

***GENERAL FUND***

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

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

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

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

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

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

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

***CAPITAL PROJECTS #1 FUND***

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

***DEBT SERVICE FUND***

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

RODEO-HERCULES FIRE PROTECTION DISTRICT  
 GOVERNMENTAL FUNDS  
 BALANCE SHEET  
 June 30, 2016

	General	Hercules Fire Impact Fee Special Revenue	Rodeo Fire Impact Fee Special Revenue
<b>ASSETS</b>			
Cash and investments (Note 2)	\$497,297	\$62,329	\$19,382
Restricted cash (Note 2 & 5)			
Accounts receivable	91,934		
Due from other governments	111,569		
	<b>Total Assets</b>	<b>\$62,329</b>	<b>\$19,382</b>
	<b>\$700,800</b>	<b>\$62,329</b>	<b>\$19,382</b>
<b>LIABILITIES</b>			
Accounts payable	\$90,474		
Accrued payroll	303,808		
	<b>Total Liabilities</b>		
	394,282		
<b>FUND BALANCES</b>			
<b>Fund Balances (Note 6):</b>			
Restricted		\$62,329	\$19,382
Unassigned	306,518		
	<b>Total Fund Balances</b>	62,329	19,382
	306,518	62,329	19,382
	<b>Total Liabilities and Fund Balances</b>	<b>\$62,329</b>	<b>\$19,382</b>
	\$700,800	\$62,329	\$19,382

See accompanying notes to basic financial statements

<u>2014 Fire Assessment Special Revenue</u>	<u>Capital Projects #1</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
\$460,036	\$102,729	\$88,173	\$1,141,773
			88,173
			91,934
			111,569
<u>\$460,036</u>	<u>\$102,729</u>	<u>\$88,173</u>	<u>\$1,433,449</u>
			\$90,474
			303,808
			394,282
		\$88,173	169,884
<u>\$460,036</u>	<u>\$102,729</u>		<u>869,283</u>
<u>460,036</u>	<u>102,729</u>	<u>88,173</u>	<u>1,039,167</u>
<u>\$460,036</u>	<u>\$102,729</u>	<u>\$88,173</u>	<u>\$1,433,449</u>

RODEO-HERCULES FIRE PROTECTION DISTRICT  
 Reconciliation of the  
 GOVERNMENTAL FUNDS - BALANCE SHEET  
 with the  
 STATEMENT OF NET POSITION  
 JUNE 30, 2016

Total fund balances reported on the governmental funds balance sheet \$1,039,167

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

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

Non-depreciable capital assets	7,437
Depreciable capital assets, net	2,160,567

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

Accounts receivable from Conoco Phillips	65,000
Compensated absences payable, due within one year	(63,940)
Compensated absences payable, due in more than one year	(149,192)
Other post employment benefits	(2,698,594)
Collective net pension liability and deferred inflows and outflows	(15,984,276)
Lines of credit, due within one year	(96,926)
Lines of credit, due in more than one year	(367,162)
	(367,162)

NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	(\$16,087,919)
---	----------------

See accompanying notes to basic financial statements

This Page Left Intentionally Blank

RODEO-HERCULES FIRE PROTECTION DISTRICT  
 GOVERNMENTAL FUNDS  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2016

	General	Hercules Fire Impact Fee Special Revenue	Rodeo Fire Impact Fee Special Revenue
REVENUES:			
District taxes	\$4,631,821		
Home owner property tax relief	31,032		
Intergovernmental revenue	1,015,720		
Use of money and property		\$60,972	\$4,025
Other	184,137		
	5,862,710	60,972	4,025
EXPENDITURES:			
Current:			
Public safety-fire protection	6,975,210		4
Debt service:			
Principal			
Interest			
	6,975,210		4
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,112,500)	60,972	4,021
OTHER FINANCING SOURCES			
Transfers in	1,350,160		
Transfers out			
	1,350,160		
NET CHANGE IN FUND BALANCES	237,660	60,972	4,021
Fund balances at beginning of year	68,858	1,357	15,361
Fund balances, at end of year	\$306,518	\$62,329	\$19,382

See accompanying notes to basic financial statements



<u>2014 Fire Assessment Special Revenue</u>	<u>Capital Projects #1</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
\$947,742			\$5,579,563
			31,032
			1,015,720
	\$340		65,337
			184,137
<u>947,742</u>	<u>340</u>		<u>6,875,789</u>
9,629	1,372		6,986,215
		\$94,109	94,109
		17,100	17,100
<u>9,629</u>	<u>1,372</u>	<u>111,209</u>	<u>7,097,424</u>
<u>938,113</u>	<u>(1,032)</u>	<u>(111,209)</u>	<u>(221,635)</u>
	65,000	111,209	1,526,369
<u>(1,415,160)</u>	<u>(111,209)</u>		<u>(1,526,369)</u>
<u>(1,415,160)</u>	<u>(46,209)</u>	<u>111,209</u>	
(477,047)	(47,241)		(221,635)
<u>937,083</u>	<u>149,970</u>	<u>88,173</u>	<u>1,260,802</u>
<u>\$460,036</u>	<u>\$102,729</u>	<u>\$88,173</u>	<u>\$1,039,167</u>

RODEO-HERCULES FIRE PROTECTION DISTRICT  
 Reconciliation of the  
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS  
 with the  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2016

The schedule below reconciles the Net Change in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (\$221,635)

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

Capitalized expenditures are added back to fund balance	1,100
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds.	(285,079)

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):

Award from ConocoPhillips	(35,000)
Settlement agreement - legal fees	175,000
Compensated absences	44,910
Other post employment benefits	(577,262)
Pension expense	813,946
Repayment of principal	94,109
	94,109

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$10,089
---	----------

See accompanying notes to basic financial statements

RODEO-HERCULES FIRE PROTECTION DISTRICT  
 GENERAL FUND  
 STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
District taxes	\$4,631,896	\$1,644,348	\$4,631,821	\$2,987,473
Home owner property tax relief	31,031	31,032	31,032	
Intergovernmental revenues			1,015,720	1,015,720
Other	180	180	184,137	183,957
	4,663,107	1,675,560	5,862,710	4,187,150
EXPENDITURES:				
Current:				
Public safety-fire protection	5,731,997	5,731,997	6,975,210	(1,243,213)
	5,731,997	5,731,997	6,975,210	(1,243,213)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(1,068,890)	(4,056,437)	(1,112,500)	2,943,937
OTHER FINANCING SOURCES				
Transfers in	1,350,160	1,350,160	1,350,160	
	1,350,160	1,350,160	1,350,160	
NET CHANGE IN FUND BALANCE				
	\$281,270	(\$2,706,277)	237,660	\$2,943,937
Fund balance at beginning of year			68,858	
Fund balance at end of year			\$306,518	

See accompanying notes to basic financial statements

This Page Left Intentionally Blank

**RODEO-HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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

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

**B. Basis of Presentation**

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

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

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

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

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

**RODEO-HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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

**C. Major Funds**

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

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

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

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

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

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

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

**Debt Service Fund** – is used to account for the District’s line of credit.

**D. Basis of Accounting**

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

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

**RODEO-HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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

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

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

***E. Budgets and Budgetary Accounting***

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

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

The District's General Fund expenditures exceeded budget by \$1,243,213, primarily due to an increase in pension costs with CCCERA.

**RODEO-HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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

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

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

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

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

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

***G. Accumulated Compensated Absences***

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

***H. Capital Assets and Depreciation***

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

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



**RODEO-HERCULES FIRE PROTECTION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

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

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

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

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

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

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

***J. Use of Estimates***

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

***K. New GASB Pronouncement***

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement, which became effective during the year ended June 30, 2016.

GASB Statement No. 72 – *Fair Value Measurement and Application*. The intention of this Statement is to enhance the comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. It also enhances fair value application guidance and related disclosures.

**RODEO-HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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

**L. 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 an asset or liability, either directly or indirectly.

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

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

**NOTE 2 – CASH AND INVESTMENTS**

**A. Policies**

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

**RODEO-HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

<b>NOTE 2 – CASH AND INVESTMENTS (Continued)</b>
--

**B. Classification**

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

Cash and investments were as follows at June 30, 2016:

Unrestricted cash and investments:	
Cash deposits with the County	\$1,035,340
Petty cash	400
LAIF	<u>106,033</u>
<b>Total unrestricted cash and investments</b>	<u><u>1,141,773</u></u>
Restricted cash and investments:	
Cash in bank - held by	
Kansas State Bank of Manhattan	<u>88,173</u>
<b>Total restricted cash and investments</b>	<u><u>88,173</u></u>
<b>Total cash and investments</b>	<u><u><u>\$1,229,946</u></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, 2016, the District had \$106,033 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, 2016, include a portion of the pool funds invested in structured notes and asset-backed securities. These investments matured in an average of 167 days.

**RODEO-HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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

*E. Fair Value Hierarchy*

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

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

**NOTE 3 – ACCOUNTS RECEIVABLE**

During fiscal year 2012-2013, the District amended its land use permit agreement with ConocoPhillips San Francisco Refinery (ConocoPhillips), whereby, ConocoPhillips will provide the District with \$50,000 per year, for five years, for the purchase of a rescue pumper. The District received its first \$50,000 payment in fiscal year 2013-2014, the second in fiscal year 2014-2015, and the third in fiscal year 2015-2016 which was transferred to the Capital Projects #1 fund. The remaining \$65,000 is recorded as a noncurrent receivable in the Statement of Net Position.

**RODEO-HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 4 – CAPITAL ASSETS**

Capital assets activity comprised the following:

	Balance June 30, 2015	Additions	Balance June 30, 2016
<b>Governmental Activities:</b>			
Capital assets not being depreciated:			
Land	\$7,437		\$7,437
Total capital assets not being depreciated	<u>7,437</u>		<u>7,437</u>
Capital assets being depreciated:			
Structures and improvements	1,096,448		1,096,448
Equipment and vehicles	5,121,583	\$1,100	5,122,683
Total capital assets being depreciated	<u>6,218,031</u>	<u>1,100</u>	<u>6,219,131</u>
Less accumulated depreciation:			
Structures and improvements	(389,973)	(21,929)	(411,902)
Equipment and vehicles	(3,383,512)	(263,150)	(3,646,662)
Total accumulated depreciation	<u>(3,773,485)</u>	<u>(285,079)</u>	<u>(4,058,564)</u>
Total depreciable assets	<u>2,444,546</u>	<u>(283,979)</u>	<u>2,160,567</u>
Governmental activity capital assets, net	<u>\$2,451,983</u>	<u>(\$283,979)</u>	<u>\$2,168,004</u>

**RODEO-HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 5 – LINES OF CREDIT**

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

On October 9, 2012, the District entered into a second line of credit with Kansas State Bank of Manhattan (Bank) to borrow \$146,000 for the purchase of personal protection clothing, firefighting equipment and rescue equipment. The remaining principal and interest (2.7% per year) is payable annually over the next five years, maturing on October 15, 2016, and are payable from general District revenues.

During fiscal year 2015-2016, the District paid \$94,109 in principal payments. As of June 30, 2016, 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>
2017	\$96,926	\$14,283	\$111,209
2018	69,019	11,382	80,401
2019	71,158	9,242	80,400
2020	73,364	7,037	80,401
2021	75,638	4,762	80,400
2022	77,983	2,417	80,400
	<u>\$464,088</u>	<u>\$49,123</u>	<u>\$513,211</u>

**NOTE 6 – NET POSITION AND FUND BALANCES**

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

**A. Net Position**

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

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

**RODEO-HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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

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

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

**B. Fund Balance**

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

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

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

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

*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.

**RODEO-HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 7 – PENSION PLAN**

**Plan Descriptions** – The District participates in the Contra Costa County Employees’ Retirement Association (CCCERA), a cost-sharing multiple employer defined benefit pension plan. CCCERA is governed by the Board of Retirement (Board) under the County Employee’s Retirement Law of 1937, as amended on July 1, 1945. It provides benefits upon retirement, death or disability of members, and covers substantially all of the employees of the County of Contra Costa and eighteen other member agencies.

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

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

The Plans’ provisions and benefits in effect at June 30, 2016, are summarized as follows:

	<b>Miscellaneous</b>	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	1.67 @ 55	2.5% @ 67
Benefit vesting schedule	10 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	52
Monthly benefits, as a % of eligible compensation	0% to 100%	0% to 100%
Required employee contribution rates	11.58%	11.26%
Required employer contribution rates	23.60%	19.03%

	<b>Safety</b>	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50
Monthly benefits, as a % of eligible compensation	0% to 100%	0% to 100%
Required employee contribution rates	17.04%	18.76%
Required employer contribution rates	17.29%	12.99%



**RODEO-HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 7 – PENSION 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, 2016, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous	Safety
Contributions - employer	\$0	\$520,650

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

As of June 30, 2016, 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	\$20,667
Safety	15,231,485
Total Net Pension Liability	\$15,252,152

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, 2015, 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, 2014 rolled forward to December 31, 2015 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 and 2015 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 its covered- employee payroll	Plan Fiduciary Net Pension as a percentage of the Total Pension Liability
2013	1.129%	\$16,612,346	\$1,766,704	940.30%	59.86%
2014	1.129%	13,499,212	2,069,510	652.29%	65.89%
2015	1.012%	15,252,152	2,342,844	651.01%	63.59%

**RODEO-HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 7 – PENSION PLAN (Continued)**

For the year ended June 30, 2016, the District recognized negative pension expense of \$813,946. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$270,088	
Differences between actual and expected experience		\$1,539,777
Changes in assumptions	568,906	432
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions		3,406,483
Net differences between projected and actual earnings on plan investments	3,375,574	
Total	\$4,214,568	\$4,946,692

The \$270,088 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2017	(\$645,705)
2018	(645,705)
2019	(279,701)
2020	568,899

**RODEO-HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 7 – PENSION PLAN (Continued)**

*Actuarial Assumptions* – The total pension liabilities in the December 31, 2014 actuarial valuations were determined using the following actuarial assumptions:

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

(1) Plus "across the board" real salary increases of 0.5% per year

(2) Vary by service, including inflation

(3) Net of pension plan investment expenses, including inflation

*Discount Rate* – The discount rate used to measure the total pension liability was 7.00% for the Plan. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as December 31, 2015.

**RODEO-HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 7 – PENSION PLAN (Continued)**

The long-term expected rate of return on pension plan investments was determined in 2014 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 investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

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

***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:

	Miscellaneous	Safety
1% Decrease	6.00%	6.00%
Net Pension Liability	28,499	21,003,345
Current Discount Rate	7.00%	7.00%
Net Pension Liability	\$20,667	\$15,231,485
1% Increase	8.00%	8.00%
Net Pension Liability	14,290	10,531,387

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

**RODEO-HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 8 – EMPLOYEE BENEFIT PLANS**

**A. *Deferred Compensation Plan***

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

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

**B. *Retiree Medical Benefits***

The District provides 50% of postretirement health care benefits to full time employees who retire directly from the District after attaining the age of 50 with 10 years of service, with any increase of 5% for every year of service exceeding 10 years of service. After 20 years of service the District provides 100% of postretirement health care benefits. As of June 30, 2016, there were 35 participants receiving these health care benefits.

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

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

**RODEO-HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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

**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, 2015 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 4.60% investment rate of return, (b) 3.00% general inflation rate, (c) 3.25% projected annual salary increase, and (d) health care cost trend rates of 5.0% to 6.7% for medical benefits. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least tri-ennially as results are compared to past expectations and new estimates are made about the future. The District's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 23-year fresh start amortization period on a closed basis.

**Funding Progress and Funded Status**

Generally accepted accounting principles permit contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such contributions are placed in an irrevocable trust or equivalent arrangement. During the fiscal year ended June 30, 2016, the District contributed \$57,116 to the Plan. As a result, the District has calculated and recorded the Net OPEB Asset/Liability, representing the difference between the ARC, amortization and contributions, as presented below:

Net OPEB obligation at June 30, 2015		\$2,121,332
Annual required contribution (ARC)	\$958,000	
Interest on Net OPEB Obligation (NOO)	85,000	
Adjustment to ARC	(104,000)	
Annual OPEB Cost	939,000	
Less contributions made during fiscal year:		
Contributions to CERBT	57,116	
Payments made for retiree premiums	304,622	
Increase in net OPEB obligations		577,262
Net OPEB obligation at June 30, 2015		\$2,698,594

**RODEO-HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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

The actuarial accrued liability (AAL) representing the present value of future benefits, included in the actuarial study dated June 30, 2015, amounted to \$8,944,000. The AAL is partially funded since assets have been transferred into CERBT. The District's contributions, along with investment income net of current year premiums resulted in assets with CERBT of \$1,516,570 as of June 30, 2016, which partially reduced the unfunded actuarial accrued liability.

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

Fiscal Year	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
June 30, 2014	\$688,000	\$340,463	49%	\$1,603,493
June 30, 2015	891,000	373,161	42%	2,121,332
June 30, 2016	939,000	361,738	39%	2,698,594

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded (Overfunded) Actuarial Accrued Liability (B - A)	Funded Ratio (A/B)	Covered Payroll (C)	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll [(B - A)/C]
6/30/2015	\$1,725,000	\$10,669,000	\$8,944,000	16.17%	\$2,785,000	321.15%

**RODEO-HERCULES FIRE PROTECTION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 9 – RISK MANAGEMENT**

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

Coverage	Insurance Company/ Risk Pool	Limit of Liability	Deductible/ SIR
Workers' Compensation	FASIS	\$5,000,000	\$0
Excess Worker Compensation	FASIS	5,000,000	500,000
All Risk Property	CSAC	550,000,000 (flood) 600,000,000 (property)	100,000 (flood) 500 disappearing (aop)
Earthquake	CSAC	715,000,000	2% per "unit" \$100,000 minimum
Boiler & Machinery	CSAC	100,000,000	5,000
Sabotage & Terrorism	CSAC	200,000,000	500,000
General & Automobile Liability	CSAC	50,000,000	None
Pollution Liability	CSAC	10,000,000	500,000
Crime - Forgery or Alteration	Fidelity	250,000	2,500
Crime - all other	Fidelity	5,000,000	25,000

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.

**NOTE 10 – COMMITMENTS AND CONTINGENCIES**

During fiscal year 2014-2015, the District became a defendant in an action that challenged the constitutionality of the District's 2015 Fire Protection and Emergency Response Services Assessment, which was passed in 2015 by over 58% of the assessed property owners. During fiscal year 2015-2016, the District entered into a settlement agreement with the plaintiff whereby the District is allowed to retain three years of assessments, however, is required to cease the levy and collection of future assessments beginning fiscal year 2016-2017. As part of the settlement agreement, the District also paid \$175,000 to the plaintiff for attorneys' fees and litigation costs. The \$175,000 was paid in full by the District in November 2015.



**REQUIRED SUPPLEMENTAL INFORMATION**

**REQUIRED SUPPLEMENTAL INFORMATION**

**RODEO-HERCULES FIRE PROTECTION DISTRICT  
Cost-Sharing Multiple Employer Defined Benefit Retirement Plan  
As of fiscal year ended June 30, 2016**

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS  
Last 10 Years\***

	<u>2016</u>	<u>2015</u>
<b>Net Change in Total Pension Liability</b>		
Service Cost	\$ 1,952,386	\$ 2,170,536
Interest on the Total Pension Liability	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	(590,374)	(510,910)
Expensed portion of current-period difference between expected and actual experience in the Total Pension Liability	(139,078)	(450,621)
Expensed portion of current-period changes of assumptions or other inputs	161,621	(186)
Member contributions	(863,851)	(883,512)
Projected earnings on plan investments	(5,065,803)	(5,273,953)
Expensed portion of current-period differences between actual and projected earnings on plan investments	864,172	(30,163)
Administrative expense	82,128	78,803
Other Expenses	6,764	
Recognition of beginning of year deferred outflows of resources as pension expense	(431,135)	
Net amortization of deferred amounts fr. Changes in proportion and differences between employer's contribution and proportionate share of contribution	(510,910)	
<b>Net change in total pension liability</b>	<u>\$ 1,359,234</u>	<u>\$ 1,436,004</u>
 <b>Reconciliation of Net Pension Liability</b>		
Beginning Net Pension Liability	\$ 13,499,212	\$ 16,612,346
Pension expense	1,359,234	1,436,004
Employer contributions	(2,186,912)	(966,307)
New net deferred inflows/outflows	3,536,036	(1,743,556)
New net deferred outflows to change in proportion	(955,418)	(1,839,275)
<b>Net pension liability - ending</b>	<u>\$ 15,252,152</u>	<u>\$ 13,499,212</u>
 Plan fiduciary net position as a percentage of the total pension liability	63.59%	65.89%
Covered - employee payroll	\$ 2,342,844	\$ 2,069,510
Net pension liability as percentage of covered-employee payroll	651.01%	652.29%

**Notes to Schedule:**

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

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

**REQUIRED SUPPLEMENTAL INFORMATION**

**RODEO-HERCULES FIRE PROTECTION DISTRICT**  
**Cost-Sharing Multiple Employer Defined Benefit Retirement Plan**  
**As of fiscal year ending June 30, 2016**  
**SCHEDULE OF CONTRIBUTIONS**  
**Last 10 Years\***

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

**Notes to Schedule**

Measurement date: 12/31/2015

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 PEPR
Mortality	RP-2014 Combined Healthy Mortality Table with setbacks and forwards

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

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

**REQUIRED SUPPLEMENTAL INFORMATION**

**RODEO-HERCULES FIRE PROTECTION DISTRICT  
 Schedule of Funding Progress Other Post-Employment Benefits  
 Last Three Actuarial Valuation  
 As of fiscal year ending June 30, 2016**

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

**SUPPLEMENTAL INFORMATION**

RODEO-HERCULES FIRE PROTECTION DISTRICT  
 CAPITAL PROJECTS #1 FUND  
 SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$340	\$340	\$340	
Total Revenues	340	340	340	
EXPENDITURES:				
Current:				
Public safety - fire protection	1,370	1,370	1,372	(\$2)
Total Expenditures	1,370	1,370	1,372	(2)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,030)	(1,030)	(1,032)	(2)
OTHER FINANCING SOURCES				
Transfers in	65,000	65,000	65,000	
Transfers out	(111,209)	(111,209)	(111,209)	
Total Other Financing Sources	(46,209)	(46,209)	(46,209)	
NET CHANGE IN FUND BALANCE	(\$47,239)	(\$47,239)	(47,241)	(\$2)
Fund balance at beginning of year			149,970	
Fund balance at end of year			\$102,729	