

**STANISLAUS CONSOLIDATED FIRE
PROTECTION DISTRICT**

Audited Financial Statements and
Compliance Report

June 30, 2019

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Stanislaus Consolidated Fire Protection District
Riverbank, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund and aggregate remaining fund information of the Stanislaus Consolidated Fire Protection District (the District) of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the Board of Directors
Stanislaus Consolidated Fire Protection District

Basis for Modified Opinion

The District has included land in the depreciable basis of several fire stations and has depreciated the land with the related buildings since the purchase date rather than reporting the land as non-depreciable capital assets. Also, the District did not record two developer contributed fire stations at the fair value at the acquisition date and instead has not assigned a value to those fire stations within capital assets. The changes necessary to report capital assets in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, could be material to the financial statements.

Opinions

In our opinion, except for the effects of not adjusting the capital assets to report land as nondepreciable capital assets and not recording contributed fire stations at fair value as described in the Basis for Modified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of the District as of June 30, 2019, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller’s Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2020 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions 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

To the Board of Directors
Stanislaus Consolidated Fire Protection District

accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Richardson & Company, LLP

June 11, 2020



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MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2019

This discussion and analysis of the performance of the Stanislaus Consolidated Fire Protection District ("SCFPD") provides an overview of the District's financial activities for the fiscal year ended June 30, 2019. It is management's view of the District's financial condition with the Independent Auditor's Report, the basic financial statements and the accompanying notes to those financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements include two types of statements that present different views of the District:

The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are fund-level financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.

These two kinds of statements report the District's net position and fund balance and changes in them. Net position in the government-wide statements and fund balance in the fund statements is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Generally, over time, increases and decreases in the district's net position and fund balance are one indicator of whether its financial health is improving or deteriorating.

The financial statements also include notes that explain some of the information in the statements and required supplementary information that further explains and supports the information in the financial statements. The notes are considered to be an integral part of the financial statements and should be considered with them when looking at the District's financial picture.

FINANCIAL ANALYSIS OF DISTRICT AS A WHOLE

The condensed balance sheets as of June 30, 2019 and 2018 were as follows:

CONDENSED BALANCE SHEETS

	June 30,		Change	%
	2019	2018		
Current and other assets	\$ 7,948,748	\$ 8,117,682	\$ (168,934)	-2%
Capital assets, net	<u>7,520,917</u>	<u>8,065,916</u>	<u>(544,999)</u>	<u>-7%</u>
Total assets	<u>15,469,665</u>	<u>16,183,598</u>	<u>(713,933)</u>	<u>-4%</u>
Deferred outflows of resources	<u>5,190,601</u>	<u>5,643,292</u>	<u>(452,691)</u>	<u>-8%</u>
Total assets and deferred outflows of resources	<u>\$ 20,660,266</u>	<u>\$ 21,826,890</u>	<u>\$ (1,166,624)</u>	<u>-5%</u>
Long-term liabilities	\$ 26,765,669	\$ 26,366,406	\$ 399,263	2%
Other liabilities	<u>1,317,782</u>	<u>1,073,137</u>	<u>244,645</u>	<u>23%</u>
Total liabilities	<u>28,083,451</u>	<u>27,439,543</u>	<u>643,908</u>	<u>2%</u>
Deferred inflows of resources	<u>944,866</u>	<u>846,067</u>	<u>98,799</u>	<u>12%</u>
NET POSITION				
Net investment in capital assets	5,870,023	6,175,750	(305,727)	-5%
Restricted	778,930	761,813	17,117	2%
Unrestricted	<u>(15,017,004)</u>	<u>(13,396,283)</u>	<u>(1,620,721)</u>	<u>12%</u>
Total net position	<u>(8,368,051)</u>	<u>(6,458,720)</u>	<u>(1,909,331)</u>	<u>30%</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 20,660,266</u>	<u>\$ 21,826,890</u>	<u>\$ (1,166,624)</u>	<u>-5%</u>

Cash decreased, long-term liabilities increased and capital assets decreased. Deferred outflows of resources decreased based on CalPERS changing assumptions on the inflation rate used to calculate the pension liability. Long-term liabilities increase due to the net pension and OPEB liabilities increasing from \$755K and \$647K, respectively, offset by \$567k in principal payments on all debt and a net decrease of \$436K in compensated absences.

The total net position decreased by \$1.9MM from the excess of expenses over revenue discussed below.

FINANCIAL ANALYSIS OF DISTRICT AS A WHOLE- continued

The condensed statements of activities as of June 30, 2019 and 2018 were as follows:

CONDENSED STATEMENTS OF ACTIVITIES

	June 30,		Change	%
	2019	2018		
REVENUES				
Program revenues:				
Charges for services	\$ 5,302,460	\$ 4,289,150	\$ 1,013,310	24%
Operating grants and contributions		140,824	(140,824)	-100%
Capital grants and contributions	32,217		32,217	100%
General revenues:				
Special assessments	7,094,949	6,795,251	299,698	4%
Property taxes	3,358,445	2,985,464	372,981	12%
RDA pass-through revenue	146,218	134,777	11,441	8%
Other revenues	214,591	316,124	(101,533)	-32%
Total revenues	<u>16,148,880</u>	<u>14,661,590</u>	<u>1,487,290</u>	<u>10%</u>
EXPENSES				
Public safety	<u>18,058,211</u>	<u>17,751,664</u>	<u>306,547</u>	<u>2%</u>
Change in net position	(1,909,331)	(3,090,074)	1,180,743	-38%
Net position, beginning of year	(6,458,720)	3,541,675	(10,000,395)	-282%
Restatement		<u>(6,910,321)</u>	<u>6,910,321</u>	<u>-100%</u>
Net position, beginning of year - as restated	<u>(6,458,720)</u>	<u>(3,368,646)</u>	<u>(3,090,074)</u>	<u>92%</u>
Net position, end of year	<u><u>\$ (8,368,051)</u></u>	<u><u>\$ (6,458,720)</u></u>	<u><u>\$ (1,909,331)</u></u>	<u><u>30%</u></u>

The City of Oakdale and Oakdale Rural Fire District contract drove most of the increase in revenues under charges for services. Other revenues decreased based on receiving a substantial insurance pay-out from a loss of a fire engine in Fiscal Year 17-18.

Expenditures increased due to a \$497,000 pay-out to employees that left SCFPD at the end of Fiscal Year 18-19 due to the termination of the City of Oakdale and Oakdale Rural Fire District contracts, including \$137,000 in additional overtime, \$60,000 increase in medical insurance, workers compensation increased \$86,000, the cash pension contributions increased \$200,000, and a \$234,000 non-cash increase in pension liability and related deferred inflows and outflows. Services and supplies remained the same with no major changes.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

On December 11, 2014, the Board of Directors approved District Resolution 2014-11 dissolving specific County of Stanislaus account designations and authorizing the transfer of funds from County accounts to newly designated District accounts and directed the District Staff to update the District Finance Policy. On March 12, 2015, the District adopted a new Finance Policy. The Policy established five separate components of fund balances:

Non-spendable Funds – inherently non-spendable. The District’s non-spendable funds consist of a long-term receivable from the City of Waterford for Station 24 off-site improvements.

Restricted Funds – externally enforceable limitations on use, imposed by law or constraints by creditors, grantors or contributors. The District currently has five restricted accounts:

1) District Fire Suppression Assessment-funds shall be expended only for the maintenance, operation, and servicing of fire suppression services and apparatus equipment. All fire suppression funds were spent at year-end.

2) Waterford/Hickman Impact Fee Fund-All Waterford/Hickman impact fees (unincorporated Waterford and Hickman) must be deposited in this account. These funds can only be spent on facilities and other capital purchases that benefit the Waterford/Hickman service area.

3) Waterford CEQA Fee Fund – All City of Waterford CEQA fees must be deposited in this account. These funds can only be spent on facilities and other capital purchases that benefit the City of Waterford service area.

4) Riverbank Impact Fee Fund-All Riverbank impact fees (unincorporated Riverbank) must be deposited in this account. These funds can only be spent on facilities and other capital purchases that benefit the Riverbank service area.

5) Riverbank CEQA Fee Fund- All City of Riverbank CEQA fees must be deposited in this account. These funds can only be spent on facilities and other capital purchases that benefit the City of Riverbank service area.

Committed Funds – The Board of Directors may commit a fund balance for specific purposes pursuant to constraints imposed by formal actions taken through an ordinance or resolution. These committed amounts cannot be used for any other purpose unless the Board removes or changes the specific use through the same type of formal action taken to establish the commitment. Board action to commit fund balance must occur within the fiscal reporting period; however, the amount or amounts can be determined subsequently. The District has no committed funds.

Assigned Funds – limitation resulting from intended use. Amounts that are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. The Fire Chief has the authority to assign amounts for specific purposes of reporting these amounts in the annual financial statements. Examples of assigned fund balance may include, but are not limited to the following assigned funds:

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS-continued

1) Employers Benefit Fund – Annually, the District conducts a study to determine the amount of funds required to cover all employee accrued leave balances. Annually, as part of the district budget process, this fund should be reviewed and revised to ensure adequate funds are available to cover accrued leave liabilities;

2) Facilities Fund – This fund is utilized to address capital facility upgrades, maintenance and replacement projects.

3) General Contingency Fund – These funds have two specific purposes: 1) to be used as a contingency for unforeseen District costs that cannot be funded through the normal budgetary funding allocation. 2) As a dry period, fund that allows the District to operate prior to receiving the semi-annual tax allocations. If used during dry periods, the contingency fund shall be replenished after semi-annual tax allocations.

4) Vehicle Apparatus Fund – This fund is to address vehicle and apparatus replacement.

Unassigned Funds – The District's General Fund falls under this category. Annual operating costs are funded out of this account. Payroll, supplies, non-capital equipment and professional services are funded by this account.

The CEQA and development fees collected for Riverbank during the fiscal year ending June 30, 2019 were \$34,319. Of this amount, \$5,233 was earned interest. The CEQA and development fees collected for Waterford during the fiscal year ending June 30, 2019 were \$22,400. Of this amount \$159 was earned interest.

In 2011 the state legislators mandated the dissolution of the redevelopment agencies (RDA), which took effect in February 2012. The proceeds of this dissolution are distributed to taxing agencies based on their percentage of tax collected. For the fiscal year ended June 30, 2019 the District collected \$146,218. It is important to note that these proceeds represent one-time revenues to the District. The amount and/or timing of future RDA revenues in the future cannot be predicted.

ANALYSIS OF THE DISTRICT'S CAPITAL ASSETS

Capital assets were as follows at June 30, 2019 and 2018:

	Balance at June 30, 2019	Balance at June 30, 2018	Change	%
Capital assets, not being depreciated:				
Land	\$ 280,000	\$ 280,000		
Work in process		623,254	\$ (623,254)	100.0%
Buildings and improvements	4,436,459	4,609,927	(173,468)	-4.0%
Vehicles	2,328,463	2,091,116	237,347	11.0%
Furniture and equipment	475,995	461,619	14,376	3.0%
Capital assets, net	<u>\$ 7,520,917</u>	<u>\$ 8,065,916</u>	<u>\$ (544,999)</u>	<u>-7.0%</u>

The district continues to replace aging equipment and made improvements to its facilities with purchase of:

Station 23 SCBA air compressor	\$ 12,929
Extrication Equipment	<u>29,509</u>
	<u>\$ 42,438</u>

In addition to the above acquisitions, The District identified obsolete and surplus equipment and will dispose of them in such a manner that best services the interest of the District.

ANALYSIS OF THE GENERAL FUND BUDGET

The statement of revenues, expenditures and changes in fund balance -budget and actual for the General Fund on page 15 of the financial statements shows the District's original and final budgets and a comparison of the final budget with actual results. Changes between the original and final budget were due to increases in the District's special assessments. During the same year, the District was also faced with decreases in capital expenses, personnel staffing overtime, health insurance and professional services. There were increases in services and supplies due to unforeseen apparatus maintenance and repairs.

FACTORS BEARING ON THE DISTRICT'S FINANCIAL FUTURE

Call volumes, services, and mandates have increased to the point where a review of the District's fire assessments became necessary in 2004. To maintain and increase the level of service, provide funding for personnel, operating equipment and facilities, a new special assessment was implemented 2005. The revenue generated by the special assessment has increased the District's ability to provide effective fire protection currently and in the future. The special assessment is not all encompassing and does not absolve the District from being fiscally responsible.

Secured and unsecured property tax collections increased by \$372,981 over the previous fiscal year. Special assessments increased \$299,698 over the previous year. Effective September 1, 2014, Stanislaus Consolidated Fire Protection District (District) entered into a five-year contract to provide services to the City of Oakdale (Oakdale) and the Oakdale Fire Protection District (OFPD). On the first day of each month, Oakdale Fire Protection District agreed to remit to the District one-twelfth of the fiscal year budget beginning September 2014.

The contracts with the City of Oakdale and Oakdale Rural Fire District expired on June 30, 2019 and they did not renew the contracts for services. Due to the financial impact of losing these two contracts for services, the District made significant changes in its operations. We closed/ browned-out station 23, reduced the hiring process, staffed station 24 with a 4/4 staffing model, and reduced the administration staff. For fiscal year 20-21, the District increased the special assessment by 3% and engaged with Fire Recovery USA to increase fee revenue.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the revenues it receives. If you have any questions regarding this report or need additional information, contact the Stanislaus Consolidated Fire Protection District, 3324 Topeka Street, Riverbank, CA 95367.

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2019

	General Fund	Non-major Special Revenue Funds	
		CEQA Funds	
		Riverbank	Waterford Hickman
ASSETS			
Cash and investments	\$ 6,265,613		
Restricted cash and investments	53	\$ 686,494	\$ 1
Accounts receivable	331		
Due from other governments	829,912		
Due from the City of Waterford in less than one year	24,654		
Due from the City of Waterford in more than one year	49,308		
Capital assets:			
Non-depreciable			
Depreciable, net			
TOTAL ASSETS	7,169,871	686,494	1
DEFERRED OUTFLOWS OF RESOURCES			
Pension plan			
Other postemployment benefits plan			
TOTAL DEFERRED OUTFLOWS OF RESOURCES			
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 7,169,871</u>	<u>\$ 686,494</u>	<u>\$ 1</u>
LIABILITIES			
Accounts payable	\$ 89,179		
Accrued payroll	574,160		
Due to other governments	125,212		
Interest payable			
Long-term liabilities:			
Compensated absences due within one year	497,003		
Debt due within one year			
Compensated absences due in more than one year			
Debt due in more than one year			
Net pension liability			
Other postemployment benefits liability			
TOTAL LIABILITIES	1,285,554		
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	630,691		
Pension plan			
Other postemployment benefits plan			
TOTAL DEFERRED INFLOWS OF RESOURCES	630,691		
FUND BALANCES/NET POSITION			
Fund balance:			
Restricted for debt service	53		
Restricted for CEQA and development fees projects		\$ 686,494	\$ 1
Assigned	3,310,006		
Unassigned	1,943,567		
TOTAL FUND BALANCES	5,253,626	686,494	1
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 7,169,871</u>	<u>\$ 686,494</u>	<u>\$ 1</u>
Net position:			
Net investment in capital assets			
Restricted for CEQA and development fees projects			
Unrestricted			
TOTAL NET POSITION			

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

Non-major Special Revenue Funds		Total Non-major Special Revenue Funds	Total Governmental Funds	Adjustments (Note K)	Statement of Net Position
Development Fees Funds	Waterford Hickman				
Riverbank	Hickman				
			\$ 6,265,613		\$ 6,265,613
\$ 90,577	\$ 1,805	\$ 778,877	778,930		778,930
			331		331
			829,912		829,912
			24,654		24,654
			49,308		49,308
				\$ 280,000	280,000
				7,240,917	7,240,917
<u>90,577</u>	<u>1,805</u>	<u>778,877</u>	<u>7,948,748</u>	<u>7,520,917</u>	<u>15,469,665</u>
				5,017,192	5,017,192
				173,409	173,409
				5,190,601	5,190,601
<u>\$ 90,577</u>	<u>\$ 1,805</u>	<u>\$ 778,877</u>	<u>\$ 7,948,748</u>	<u>12,711,518</u>	<u>20,660,266</u>
			\$ 89,179		89,179
			574,160		574,160
			125,212		125,212
				32,228	32,228
			497,003	625,720	1,122,723
				610,770	610,770
				988,209	988,209
				2,446,424	2,446,424
				13,217,179	13,217,179
				8,877,367	8,877,367
			<u>1,285,554</u>	<u>26,797,897</u>	<u>28,083,451</u>
			630,691	(630,691)	
				218,983	218,983
				725,883	725,883
			<u>630,691</u>	<u>314,175</u>	<u>944,866</u>
			53	(53)	
\$ 90,577	\$ 1,805	\$ 778,877	778,877	(778,877)	
			3,310,006	(3,310,006)	
			1,943,567	(1,943,567)	
<u>90,577</u>	<u>1,805</u>	<u>778,877</u>	<u>6,032,503</u>	<u>(6,032,503)</u>	
<u>\$ 90,577</u>	<u>\$ 1,805</u>	<u>\$ 778,877</u>	<u>\$ 7,948,748</u>		
				5,870,023	5,870,023
				778,930	778,930
				(15,017,004)	(15,017,004)
				<u>\$ (8,368,051)</u>	<u>\$ (8,368,051)</u>

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 2019

	General Fund	Non-major Special Revenue Funds	
		CEQA Funds	
		Riverbank	Waterford Hickman
PROGRAM REVENUES			
Charges for services			
Oakdale coverage	\$ 4,296,402		
Reimbursements from other agencies	719,880		
Fire investigation unit	163,835		
Development fees	522		
CEQA Fees		\$ 17,532	\$ 13,604
Capital grant revenue	32,217		
Capital reimbursement from City of Waterford for Station 24	24,654		
TOTAL PROGRAM REVENUES	<u>5,237,510</u>	<u>17,532</u>	<u>13,604</u>
EXPENDITURES/EXPENSES			
Current:			
Salaries and benefits	14,061,107		
Services and supplies	1,765,551		
Capital outlay	42,438		
Depreciation			
Debt service:			
Principal	567,372		
Interest	133,510		
TOTAL EXPENDITURES/EXPENSES	<u>16,569,978</u>		
NET PROGRAM REVENUES (EXPENSES)	<u>(11,332,468)</u>	<u>17,532</u>	<u>13,604</u>
GENERAL REVENUES			
Special assessments	7,094,949		
Property taxes	3,169,720		
RDA pass-through revenue	146,218		
Investment earnings	44,589	479	6
Miscellaneous	164,610		
TOTAL GENERAL REVENUES	<u>10,620,086</u>	<u>479</u>	<u>6</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(712,382)</u>	<u>18,011</u>	<u>13,610</u>
OTHER FINANCING SOURCES/(USES)			
Transfers in	38,398		
Transfers out		(5)	(20,044)
TOTAL OTHER FINANCING SOURCES/(USES)	<u>38,398</u>	<u>(5)</u>	<u>(20,044)</u>
EXCESS OF REVENUES AND EXPENDITURES OVER (UNDER) OTHER FINANCING SOURCES/(USES)	<u>(673,984)</u>	<u>18,006</u>	<u>(6,434)</u>
CHANGE IN NET POSITION			
Fund balance/net position, beginning of year	5,927,610	668,488	6,435
FUND BALANCE/NET POSITION, AT END OF YEAR	<u>\$ 5,253,626</u>	<u>\$ 686,494</u>	<u>\$ 1</u>

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

Non-major Special Revenue Funds		Total Non-major Special Revenue Funds	Total Governmental Funds	Adjustments (Note K)	Statement of Activities
Development Fees Funds	Waterford Hickman				
Riverbank	Hickman				
			\$ 4,296,402	\$ 70,494	\$ 4,366,896
			719,880		719,880
			163,835		163,835
\$ 11,554	\$ 8,637	\$ 20,191	20,713		20,713
		31,136	31,136		31,136
			32,217		32,217
			24,654	(24,654)	
<u>11,554</u>	<u>8,637</u>	<u>51,327</u>	<u>5,288,837</u>	<u>45,840</u>	<u>5,334,677</u>
			14,061,107	1,518,125	15,579,232
			1,765,551		1,765,551
			42,438	(42,438)	
				587,437	587,437
			567,372	(567,372)	
			133,510	(7,519)	125,991
			<u>16,569,978</u>	<u>1,488,233</u>	<u>18,058,211</u>
11,554	8,637	51,327	(11,281,141)	(1,442,393)	(12,723,534)
			7,094,949		7,094,949
			3,169,720	188,725	3,358,445
			146,218		146,218
4,754	153	5,392	49,981		49,981
			164,610		164,610
<u>4,754</u>	<u>153</u>	<u>5,392</u>	<u>10,625,478</u>	<u>188,725</u>	<u>10,814,203</u>
16,308	8,790	56,719	(655,663)	(1,253,668)	(1,909,331)
			38,398	(38,398)	
(386)	(17,963)	(38,398)	(38,398)	38,398	
(386)	(17,963)	(38,398)			
15,922	(9,173)	18,321	(655,663)	655,663	
				(1,909,331)	(1,909,331)
<u>74,655</u>	<u>10,978</u>	<u>760,556</u>	<u>6,688,166</u>	<u>(13,146,886)</u>	<u>(6,458,720)</u>
<u>\$ 90,577</u>	<u>\$ 1,805</u>	<u>\$ 778,877</u>	<u>\$ 6,032,503</u>	<u>\$ (14,400,554)</u>	<u>\$ (8,368,051)</u>

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended June 30, 2019

	Budgeted Amounts		(Budgetary Basis) Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Oakdale coverage	\$ 3,984,350	\$ 3,984,350	\$ 4,296,402	\$ 312,052
Reimbursements from other agencies	400,000	400,000	719,880	319,880
Fire investigation unit	165,000	165,000	163,835	(1,165)
Development fees			522	522
Capital grant revenue			32,217	32,217
Capital reimbursement from City of Waterford for Station 24			24,654	24,654
Special assessments	6,765,435	6,980,054	7,094,949	114,895
Property taxes	3,006,056	3,006,056	3,169,720	163,664
RDA pass-through revenue	83,772	83,772	146,218	62,446
Use of money and property	20,000	20,000	44,589	24,589
Miscellaneous	118,624	118,624	164,610	45,986
TOTAL REVENUES	14,543,237	14,757,856	15,857,596	1,099,740
EXPENDITURES				
Current				
Salaries and benefits	12,804,504	11,634,449	14,061,107	(2,426,658)
Services and supplies	1,524,981	1,552,090	1,765,551	(213,461)
Capital outlay	366,016	290,000	42,438	247,562
Debt service:				
Principal	328,100	328,100	567,372	(239,272)
Interest	82,758	82,758	133,510	(50,752)
TOTAL EXPENDITURES	15,106,359	13,887,397	16,569,978	(2,682,581)
OTHER FINANCING SOURCES/(USES)				
Transfers in			38,398	38,398
TOTAL OTHER FINANCING SOURCES/(USES)			38,398	38,398
NET CHANGE IN FUND BALANCE	\$ (563,122)	\$ 870,459	(673,984)	\$ (1,544,443)
Fund balance, beginning of year			5,927,610	
FUND BALANCE AT END OF YEAR			\$ 5,253,626	

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

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Stanislaus Consolidated Fire Protection District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The most significant accounting policies of the District are described below.

Background: The Stanislaus Consolidated Fire Protection District, (the District) was formed on March 3, 1995 by the reorganization of the Riverbank, Waterford-Hickman and the Empire Fire Protection Districts. The District is governed by a five-member Board of Directors serving four-year terms. Three members of the Board of Directors are appointed by Stanislaus County (the County) Board of Supervisors from the community of Empire, County Board of Supervisors District 1 and County Board of Supervisors District 2 and the other two members are appointed by the Cities of Riverbank and Waterford. The District is currently subject to various State of California statutes including Health and Safety Code Sections 13800-13960 "The Fire Protection District Law of 1987" and others. The District provides direct fire protection and related services within its boundaries and provides coordinated non-emergency fire services support to all other fire protection districts through the County. The District's boundaries are detailed on the official records of Stanislaus County.

Basis of Presentation – Government-wide financial statements: The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. The District has only governmental activities which are supported primarily by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) operating and capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Interest, taxes, internally dedicated resources and other items not properly included among program revenues are reported instead as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities (whether current or noncurrent), as well as deferred outflows and inflows of resources, associated with the District's activities are reported. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year which they are levied. Exchange transactions are reported when the exchange takes place. Nonexchange transactions in which the District gives or receives value without directly receiving or giving equal value in exchange include grants and entitlements. Revenues from nonexchange transactions are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Basis of Presentation – Fund Financial Statements: The accounts of the District are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions, or limitations.

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers all revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual basis accounting except for debt service expenditures, claims and judgements and compensated absences, which are recognized as expenditures to the extent they have matured and are payable from current financial resources. General capital asset acquisitions are reported as expenditures in governmental funds.

When both restricted and unrestricted net position/fund balance are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The District reports the following major governmental fund:

General Fund – The General Fund is the general operating fund of the District and accounts for revenues collected to provide services and finance the fundamental operations of the District. The fund is charged with all costs of operations.

The District also reports four nonmajor special revenue funds: The Riverbank and Waterford-Hickman CEQA Special Revenue Funds and the Riverbank and Waterford-Hickman Development Fees Funds. These funds are maintained to account for fees collected on new development as Fire Protection Facilities Fees under the authority of California Government Code 66000 et. Seq. and Stanislaus County Ordinance Code (County Code) Section 364(1) (part) 1991, which added Title 24, Fire Protection Facilities Fees, to the County Code. Development fees are collected only on those development projects not subject to the California Environment Quality Act (CEQA). These funds are held for the “construction, expansion or improvement of fire protection facilities” per Title 24, Chapter 24.01.010 of the County Code. Fire protection facility, as defined in the County Code, includes public improvements, public services and community amenities pertaining to fire protection.

Budgetary Accounting: An annual appropriated budget is adopted for the General Fund and special revenue funds by July 1 each year. Budgets are adopted on a basis consistent with generally accepted accounting principles. Budgetary control is exercised by major object and fund. All budgetary changes during the fiscal year require the approval of the District's Board of Directors. Unencumbered budget appropriations lapse at the end of the fiscal year. Expenditures of the General Fund exceeded the budget during the year ended June 30, 2019.

Restricted Assets: The District has restricted cash and investments in the CEQA and development fee funds that are restricted to certain capital improvements under the related agreements, including acquiring property and equipment, expanding and constructing new fire stations, acquiring fire apparatus and vehicles and other related costs, such as financing of these costs. The District also has fiscal agent cash and investments that is restricted for debt service payments on the District's Pension Obligation Bond.

Prepaid Costs: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid costs in both government-wide and fund financial statements. Prepaid costs of governmental funds are offset by a nonspendable portion of fund balance to indicate they do not represent resources available for future appropriation.

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Due from the City of Waterford: The amount reported as due from the City of Waterford represents the amount due under an agreement requiring the City to reimburse the District for the cost of certain improvements to Fire Station 24. Under the agreement, the City will pay the District \$24,654 each July from July 2018 through July 2021. No interest is due under the agreement.

Interfund Receivables and Payables: During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the government-wide statement of net position.

Capital Assets: Capital assets for governmental fund types are not capitalized in the funds used to acquire or construct them. Capital acquisitions are reflected as expenditures in the governmental fund, and the related assets are reported in the government-wide financial statements. Capital assets owned by the District are stated at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are recorded at the acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date.

Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 with at least five years expected life. Costs of assets sold or retired are eliminated from the accounts in the year of sale or retirement and the resulting gain or loss is included in the operating statement. In governmental funds, the sale of general capital assets is included in the statement of revenues, expenditures and changes in fund balances as proceeds from sale. Depreciation is recorded using the straight-line method over the useful lives of the assets as follows:

Buildings	10-30 years
Equipment	3-20 years
Vehicles	5-20 years
Furniture	10 years

Deferred Outflows and Inflows of Resources: In addition to assets and liabilities, the balance sheet will sometimes report separate sections for deferred outflows and inflows of resources. Deferred outflows of resources represent a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources represent an acquisition of net position that is applicable to a future reporting period. These amounts will not be recognized as an outflow of resources (expense) and inflow of resources (revenue) until the earnings process is complete. Deferred outflows and inflows of resources include amounts deferred related to the District’s pension plan and other postemployment benefits plan as described in Note E and F, respectively. Unavailable revenues in governmental funds arise when a potential revenue source does not meet both the “measurable” and “available” criteria for recognition in the current period. Revenues unavailable because they were not received in the availability period are recognized for the government-wide presentation.

Compensated Absences: Employees accumulate vacation and sick time in accordance with the employee’s respective “Memorandum of Understanding.” The amount of vacation and sick time vested and accrued depends on the years of service, employee classification, and date of hire and all vacation hours are payable at termination. Employees who work 56 hours per week earn 144 to 336 hours per year

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

and employees who work 40 hours per week earn 103 to 240 hours per year, depending on years of service. The maximum number of vacation hours that may be accrued is 756 hours for employees who work 56 hours per week and 600 hours for employees who work 40 hours per week. Sick leave may be accrued with no limit. Sick leave is accrued at 24 hours per month for employees who work 56 hours per week and at 17.14 hours per month for employees who work 40 hours per week. Sick leave is payable up to 25% of hours accrued if the employee terminates employment for a reason other than retirement, death or merger of the District and the remaining amount is forfeited. For employees who terminate from the District due to retirement, death or merger, sick leave may be converted to service credit for the District's pension plan, converted to health insurance benefits in retirement (OPEB) or cashed out up to a maximum percentage of hours accrued based on the employees' date of hire. The maximum percentage of accrued hours that may be cashed out is 25% for employees hired on or before July 1, 2017, 20% for employees hired between July 1, 2017 and December 31, 2019 and 10% for employees hired on or after January 1, 2020. The hours converted to service credit in the District's pension plan are included in the pension liability and the hours converted to health insurance benefits in retirement are included in the OPEB liability. Only the percentage of hours cashed out are included in the compensated absences liability. The current portion of the compensated absences liability is estimated based on historical trends. The cost of compensated absences is recognized in the period it is earned and is liquidated in the General Fund.

In May 2020, the Board of Directors approved a new "Memorandum of Understanding" between the District and Union Local 3399. As part of the new agreement, for employees hired before April 1, 2020 sick leave is accrued at 18 hours per month for employees who work 56 hours per week and at 12 hours per month for employees who work 40 hours per week and for employees hired after April 1, 2020 sick leave is accrued at 11.2 hours per month for employees who work 56 hours per week and at 8 hours per month for employees who work 40 hours per week. The maximum percentage of unused sick hours that may be cashed out was reduced to 25% if the employee was hired on or before July 1, 2017, 20% if the employee was hired after July 1, 2017. Employees hired on or after April 1, 2020 may not cash out sick leave.

Unearned Revenues: Unearned revenues arise when resources are received by the District before it has legal claim to them (i.e., when grant monies are received prior to the incurrence of qualifying expenditures). Unearned revenues consist of payments received from Oakdale Fire Protection District and the City of Oakdale on the District's agreements to provide fire services prior to incurring qualifying expenditures. The unearned revenues are credited against future billings under the agreements.

Long-term Liabilities: In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities. In the fund financial statements, the face amount of the debt issued is reported as other financing sources when received and principal and interest payments are reported as expenditures. Issuance costs are expensed when incurred.

Fund Equity: In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned and unassigned balances.

Nonspendable Funds – Fund balance should be reported as nonspendable when the amounts cannot be spent because they are either not in spendable form, or are legally or contractually required to be maintained intact. Nonspendable balances are not expected to be converted to cash within the next operating cycle, such as prepaid costs and long-term receivables. The District had no nonspendable fund balance.

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Funds – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted fund balance represents fiscal agent cash and investments held for future bond payments as well as CEQA fees and development fees collected for future capital expenditures.

Committed Funds – Fund balance should be reported as committed when the amounts can only be used for specific purposes pursuant to constraints imposed by a Resolution of the Board of Directors. These amounts cannot be used for any other purpose unless the Board modifies, or removes the fund balance commitment with another Resolution. The District had no committed fund balance.

Assigned Funds – Fund balance should be reported as assigned when the amounts are constrained by the government’s intent to be used for specific purposes but are neither restricted nor committed. The Board of Directors provides authority to create an assignment of fund balance to the Fire Chief under the Finance Policy. The District’s assigned fund balance represents amounts set aside for accrued leave balances and an amount set aside as an operating contingency reserve.

Unassigned Funds – Unassigned fund balance is the residual fund balance and includes all spendable amounts that have not been restricted, committed, or assigned to specific purposes.

Net Position: The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets – This category groups all capital assets into one component of net position. The outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

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

Unrestricted Net Position – This category represents net position of the District not restricted for any project or other purpose.

Property Taxes and Special Assessments: Secured property taxes are recognized during the period when levied. The levy date is July 1. Under California law, property taxes are assessed up to 1% of the value of taxable property, plus other increases approved by the voters. The County is responsible for assessing and collecting secured property taxes for the District in accordance with enabling state legislation. The County apportions secured taxes to the district under the “Teeter plan” – California Revenue and Taxation Code Sections 4701-4717. An allocation formula is used to distribute secured and supplemental taxes to the County and its districts. The District is credited with 100 percent of its apportionments regardless of the actual collections and delinquencies and accordingly, penalties and interest collected by the County are not allocated to the District. Apportionments are distributed according to the following schedule:

<u>Action</u>	<u>Date</u>	<u>Percent</u>
1st Apportionment	by December 25th	55 Percent
2nd Apportionment	by April 25th	40 Percent
3rd Apportionment	by June 25th	5 Percent

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Supplemental unsecured property taxes and special assessments are considered measurable and available when collected. The District assesses supplemental unsecured property taxes and special assessments on real property per California Government Code Section 50078. These assessments are not based on property values but on usage and are levied by parcel, square footage, dwelling unit, and/or space in accordance with Proposition 218. The assessments are remitted to the County for collection with secured property tax billings. The County deposits collections in the District's County treasury account. The County does not maintain separate accounts receivable by year but remits past due amounts upon collection. The special assessments are for the purpose of obtaining, furnishing, operating and maintaining fire suppression equipment or apparatus or for the purpose of paying the salaries and benefits of firefighting personnel, or both, whether or not fire suppression services are actually used by or upon a parcel, improvement or property.

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

Other Postemployment Benefits Plan (OPEB): For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. The District has no investments in its OPEB plans.

Interfund Transfers: Resources are reallocated between funds by reporting them as interfund transfers. For the purposes of the statement of activities, all interfund transfers within individual governmental funds have been eliminated. Interfund transfers represent the use of restricted funds for capital assets.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenditures. Actual results could differ from those estimates.

New Pronouncements: In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the lease guidance, unless specifically excluded in this Statement. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This Statement provides temporary relief to governments due to the COVID-19 pandemic by postponing the effective dates of Statements and Implementation Guides that first become effective or are scheduled to become effective for periods beginning after June 15, 2018 and later. Effective dates of the following Statements and Implementation Guides were postponed by one year: Statements No. 83, 84 and 88 to 93 as well as Implementation Guide No’s 2018-1, 2019-1 and 2019-2. Effective dates for Statement No. 87 and Implementation Guide No. 2019-3 were postponed by 18 months. The requirements of this Statement are effective immediately.

The District is currently analyzing the impact of the required implementation of these new statements.

NOTE B – CASH AND INVESTMENTS

At June 30, 2019, the District’s cash and investments consisted of the following:

Cash and investments	\$ 6,265,613
Restricted cash and investments	<u>778,930</u>
	<u>\$ 7,044,543</u>
Cash on hand	\$ 100
Deposits in financial institutions	3,609,021
Money market mutual funds	53
Investment in County of Stanislaus investment pool	<u>3,435,369</u>
	<u>\$ 7,044,543</u>

Investment policy: California statutes authorize districts to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The District does not have an investment policy that addresses interest rate risk, credit risk and concentrations of credit risk.

The County of Stanislaus (the County) maintains a cash and investments pool and allocates interest to the various funds quarterly based upon the average daily balances. Investments in the County pool are available on demand and are stated at fair value. The fair value of the County’s cash and investment pool is determined by the fair value of the underlying investments. Information about the County pool may be obtained from the notes to the County’s financial statements at www.stancounty.com/auditor.

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2019, the weighted average maturity of the investments contained in the County’s investment pool and money market mutual fund was approximately 470 and 31 days, respectively.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating issued by a nationally recognized statistical rating organization. The County’s investment pool does not have a rating provided

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE B – CASH AND INVESTMENTS (Continued)

by a nationally recognized statistical rating organization. The money market mutual fund was rated AAA at June 30, 2019.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Custodial credit risk does not apply to a local government's indirect deposits or investment in securities through the use of government investment pools (such as the County's investment pool). The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2019, the carrying amount and balance per bank of the District's bank deposits were \$3,609,021 and \$3,697,205, respectively. Of the balance per bank, \$250,000 was covered by federal depository insurance and the remaining amount was collateralized by the pledging financial institution's investment securities, which were not in the name of the District.

NOTE C – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

	Balance at June 30, 2018	Additions	Retirements	Reclassifications	Balance at June 30, 2019
Capital assets, not being depreciated:					
Land	\$ 280,000				\$ 280,000
Work in process	623,254			\$ (623,254)	
Total capital assets not being depreciated	903,254			(623,254)	280,000
Capital assets, being depreciated:					
Buildings and improvements	5,182,734				5,182,734
Vehicles	5,221,378			576,490	5,797,868
Furniture and equipment	2,003,402	\$ 42,438		46,764	2,092,604
Total capital assets being depreciated	12,407,514	42,438		623,254	13,073,206
Less accumulated depreciation:					
Building and improvements	(572,807)	(173,468)			(746,275)
Vehicles	(3,130,262)	(339,143)			(3,469,405)
Furniture and equipment	(1,541,783)	(74,826)			(1,616,609)
Total accumulated depreciation	(5,244,852)	(587,437)			(5,832,289)
Total capital assets being depreciated, net	7,162,662	(544,999)		623,254	7,240,917
Capital assets, net	\$ 8,065,916	\$ (544,999)	\$ -	\$ -	\$ 7,520,917

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE C – CAPITAL ASSETS (Continued)

Total depreciation expense for the year ended June 30, 2019 was \$587,437. Buildings and improvements above include the cost of land acquired with fire stations. The District is researching the cost of land to reclassify as nondepreciable assets. The District recorded two fire stations at no value rather than at the fair value at the date of acquisition as required by generally accepted accounting principles. The District is researching the value of the fire stations.

The land included in the table above represents the value of land acquired from the City of Waterford in a land swap to provide land for the Station 24 Replacement project reported as part of construction in progress above. The District provided land with a value of \$280,000 to the City for a parcel of land valued at \$205,000 and \$76,025 in development fee credits, of which \$75,000 were capitalized.

NOTE D – LONG-TERM LIABILITIES

The following is a summary of long-term liabilities activity for the year ended June 30, 2019:

	Balance June 30, 2018	Additions	Repayments	Balance June 30, 2019	Due Within One Year	Due in More Than One Year
Pension obligation bond	\$ 1,734,400		\$ (328,100)	\$ 1,406,300	\$ 359,300	\$ 1,047,000
Bank loan	1,437,034		(132,523)	1,304,511	140,479	1,164,032
Capital lease	453,132		(106,749)	346,383	110,991	235,392
Compensated absences	2,049,651	\$ 855,902	(794,621)	2,110,932	1,122,723	988,209
	<u>\$ 5,674,217</u>	<u>\$ 855,902</u>	<u>\$ (1,361,993)</u>	<u>\$ 5,168,126</u>	<u>\$ 1,733,493</u>	<u>\$ 3,434,633</u>

Pension Obligation Bond: On May 26, 2011 the District’s Board of Directors authorized the issuance of the 2011 Taxable Pension Obligation Bonds to refinance outstanding side fund obligations of the District’s pension plan with the California Public Employee’s Retirement System (CalPERS) in the amount of \$3,209,800. Principal and interest payments are due each January 15 and July 15 through July 15, 2022. Principal and interest payments range from \$163,589 to \$231,753 semi-annually. The bond is payable at a fixed 5% interest rate per annum unless in default when the rate would increase to 8%. Upon default, the trustee may declare all payments immediately due and payable.

Bank Loan: On October 1, 2017, the District entered into a \$1,500,000 lease purchase agreement with a bank to finance a portion of the improvements on Station 24 in Waterford, California. The agreement is structured as a sale by the District to the bank and lease-back by the District of two 2016 Pierce/Velocity Engines (Engines #26 and #21) and a 2013 Pierce/Velocity Engine, secured by a lien on the engines. Since the agreement has provisions that limit the transfer of risks and rewards of ownership to the bank, the agreement is accounted for as a secured financing under GASB Statement No. 62. Principal and interest payments will range from \$80,236 to \$85,030 and are due each April 1 and October 1 from April 1, 2018 to October 1, 2027. The loan is payable at a fixed interest rate of 2.33% per annum unless in default when the rate would increase to 12%.

Capital Lease: On May 10, 2018, the District entered into a \$576,490 master equipment lease purchase agreement with a bank to purchase a 2018 Rosenbauer Engine. The lease is secured by a lien on the engine. Principal and interest payments of \$124,758 are due on each June 1 from June 1, 2018 to June 1, 2022 at approximately 4% unless in default when the rate would increase to 10%. The District would

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE D – LONG-TERM LIABILITIES (Continued)

also be liable for any unpaid lease payments not covered by the repossession of the leased asset and the bank may declare all payments immediately due and payable under default provisions. The leased asset had a cost of \$576,490 and accumulated amortization of \$30,746 at June 30, 2019.

Future payments on the bond, bank loan and capital lease will be as follows:

Year Ended June 30,	Pension Bond			Bank Loan		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 359,300	\$ 65,970	\$ 425,270	\$ 140,479	\$ 29,581	\$ 170,060
2021	392,700	47,595	440,295	143,770	26,290	170,060
2022	428,200	27,525	455,725	147,141	22,919	170,060
2023	226,100	5,652	231,752	150,589	19,471	170,060
2024				154,117	15,943	170,060
2025-2029				568,415	26,795	595,210
	<u>\$ 1,406,300</u>	<u>\$ 146,742</u>	<u>\$ 1,553,042</u>	<u>\$ 1,304,511</u>	<u>\$ 140,999</u>	<u>\$ 1,445,510</u>

	Capital Lease		
	Principal	Interest	Total
2020	\$ 110,991	\$ 13,767	\$ 124,758
2021	115,403	9,356	124,759
2022	119,989	4,769	124,758
	<u>\$ 346,383</u>	<u>\$ 27,892</u>	<u>\$ 374,275</u>

Debt covenants for the pension obligation bond include requirements to present audited financial statements annually within 240 days after the close of the fiscal year. The District was not in compliance with this covenant for the years ended June 30, 2019 and 2018 as the audits were both completed after February 25, 2020 and 2019, respectively. Management believes the bank will waive this noncompliance.

Compensated Absences: Effective June 30, 2019 the City of Oakdale and Oakdale Fire Protection District terminated their fire services agreements with the District. The District laid-off 26 employees as a result of this action and paid out \$497,003 in accrued vacation, sick and holiday pay. This amount is reported as a liability in the General Fund at June 30, 2019.

NOTE E – DEFINED BENEFIT PENSION PLAN

Plan Descriptions: All qualified permanent and probationary employees are eligible to participate in the District’s cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS). The District participates in CalPERS PERF C Plan, which is made up of the Miscellaneous and Safety cost sharing pools and the following rate plans:

- | | |
|---------------------------------|----------------------------|
| Miscellaneous Classic Rate Plan | Safety Fire Rate Plan |
| Miscellaneous PEPR Rate Plan | Safety Fire PEPR Rate Plan |

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

Benefit provisions under the Plan are established by State statute and resolution of the Board of Directors. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

Benefits Provided: CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 (52 for PEPRA Miscellaneous rate plan) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the 1959 Survivor Benefit level 4 or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plan’s provisions and benefits in effect at June 30, 2019 are summarized as follows:

	Miscellaneous Pool		Safety Pool	
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
CalPERS membership date				
Benefit formula (at full retirement)	2.7% @ 55	2% @ 62	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50-67	52-67	50-55	50-57
Monthly benefits, as a % of compensation	2% to 2.7%	1% to 2.5%	3.00%	2.0% to 2.7%
Final average compensation period	1 year	3 years	1 year	3 years
Required employer contributions rates	12.212%	6.842%	20.556%	12.141%
Required employee contributions rates	8.000%	6.250%	9.000%	12.000%

The Miscellaneous Classic and Safety Fire rate plans are closed to new members that were not CalPERS eligible participants as of December 31, 2012.

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 the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

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

	Miscellaneous Pool	Safety Pool	Total
Actual contribution - employer	\$ 42,193	\$ 1,912,324	\$ 1,954,517

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

Net Pension Liability: As of June 30, 2019, the District reported a net pension liability for its proportionate share of the net pension liability of each risk pool as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous Pool	\$ 415,385
Safety Fire Pool	<u>12,801,794</u>
Total Net Pension Liability	<u><u>\$ 13,217,179</u></u>

The District's net pension liability for each risk pool is measured as the proportionate share of the net pension liability. The net pension liability of each of the risk pools is measured as of June 30, 2018, and the total pension liability for each risk pool used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the risk pools relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each risk pool as of June 30 was as follows:

	<u>Miscellaneous</u>	<u>Safety Fire</u>
Proportion - June 30, 2018	0.01074%	0.20147%
Proportion - June 30, 2019	<u>0.01102%</u>	<u>0.21818%</u>
Change - Increase (Decrease)	<u><u>0.00028%</u></u>	<u><u>0.01671%</u></u>

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions: For the year ended June 30, 2019, the District had pension expense of \$3,118,546. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<u>Miscellaneous Pool</u>		<u>Safety Pool</u>		<u>Totals</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to measurement date	\$ 42,193		\$1,912,324		\$1,954,517	
Changes in Assumptions	47,355	\$ (11,606)	1,256,079	\$ (169,468)	1,303,434	\$ (181,074)
Difference between expected and actual experience	15,938	(5,423)	275,067	(1,043)	291,005	(6,466)
Difference between employer's contributions and the employer's proportionate share of contributions		(12,459)	301,523		301,523	(12,459)
Change in employer's proportion	10,889		1,067,096	(18,984)	1,077,985	(18,984)
Net differences between projected and actual earnings on plan investments	2,054		86,674		88,728	
Total	<u>\$ 118,429</u>	<u>\$ (29,488)</u>	<u>\$4,898,763</u>	<u>\$ (189,495)</u>	<u>\$5,017,192</u>	<u>\$ (218,983)</u>

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

The amount 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 subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as pension expense as follows:

Fiscal Year Ended	
<u>June 30</u>	
2020	\$ 1,805,646
2021	1,222,960
2022	(92,506)
2023	<u>(92,408)</u>
	<u>\$ 2,843,692</u>

Actuarial Assumptions: The total pension liabilities in the June 30, 2018 measurement date for each of the risk pools were determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	Varies by Entry Age and Service
Projected Salary Increase	3.2% - 12.2% miscellaneous (1) 3.4% - 20.00% safety (1)
Investment Rate of Return	7.15%
Mortality	Derived using CalPERS Membership Data for all Funds

(1) Depending on age, service and type of employment

The underlying mortality table was developed using CalPERS specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website. All other actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the period 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study Report can be found on the CalPERS website under Forms and Publications.

Discount Rate: The discount rate used to measure the total pension liability was 7.15% in the June 30, 2019 accounting valuation for each risk pool. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each risk pool, CalPERS stress tested risk pools that would most likely result in a discount rate that would be different from the actuarially assumed discount rate.

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

Based on the testing, none of the tested risk pools run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% will be applied to all risk pools in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

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

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

Asset Class	New Strategic Allocation	Real Return Years 1-10(a)	Real Return Years 11+(b)
Global equity	50.00%	4.80%	5.98%
Fixed income	28.00%	1.00%	2.62%
Inflation assets	0.00%	0.77%	1.81%
Private equity	8.00%	6.30%	7.23%
Real assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

(a) An expected inflation of 2.00% used for this period.

(b) An expected inflation of 2.92% used for this period.

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 risk pool, calculated using the discount rate for each risk pool, 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:

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

	<u>Miscellaneous</u>	<u>Safety Fire</u>	<u>Total</u>
1% Decrease	6.15%	6.15%	6.15%
Net Pension Liability	\$ 653,699	\$ 19,782,195	\$ 20,435,894
Current Discount Rate	7.15%	7.15%	7.15%
Net Pension Liability	\$ 415,385	\$ 12,801,794	\$ 13,217,179
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability	\$ 218,661	\$ 7,082,606	\$ 7,301,267

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

Payables to the Plan: Contributions payable to the Plan were \$113,740 at June 30, 2019.

Change in Census Data After Measurement Date: Effective June 30, 2019, the City of Oakdale and Oakdale Fire Protection District terminated their fire services agreements with the District. The District laid-off 26 employees as a result of this action. Since this change was after the date used to measure the pension liability, it had no effect on the June 30, 2019 pension balances described above. However, this should result in a reduction of the pension liability and related deferred inflows and outflows in the future.

NOTE F – OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description: The District’s other postemployment benefits (OPEB) plan (the Plan) is a single-employer defined benefit healthcare plan administered by the District. The Plan provides access to healthcare benefits for eligible retirees and their dependents. Employees are eligible to participate in the District’s Retiree Healthcare Plan if they have accrued sick leave. The Board of Directors has the authority to establish and amend the benefit provisions of the Plan subject to collective bargaining arrangements. The District’s Plan does not issue separate financial statements. No assets are accumulated in a trust fund that meets the criteria in paragraph 4 of GASB Statement No. 75.

Funding Policy: The District provides retiree medical benefits through the California Public Employees’ Medical and Hospital Care Act (PEMHCA). The District pays the PEMHCA minimum contribution for active employees up to a limit related to a percentage of accrued sick leave the employee has at the date of retirement. Participants are not required to contribute to the Plan. The District allows retired employees to use the value of 25% of their accrued sick leave to pay medical insurance premiums in retirement at the District’s health plan premium rate rather than taking a cash payment for sick leave. The District funds the benefits on a pay-as-you-go basis. No trust has been established to hold plan assets. In May 2014, the Actuarial Standards Board released revisions to ASOP 6 requiring that the implied subsidy for claims in excess of premiums be valued for community rated plans such as PEMHCA.

Employees Covered by Benefit Terms: At the June 30, 2018 measurement date, the following employees were covered by the Plan’s benefit terms:

Active employees	77
Inactive employees or beneficiaries currently receiving benefit payments	10
	<u>87</u>

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE F – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

Contributions: The contribution requirements of Plan members and the District are established and may be amended by the District’s Board of Directors subject to the District’s Memorandums of Understanding with bargaining units. The required contribution is based on the actual retiree health insurance premium stipend required under the Plan. For the year ended June 30, 2019, the District contributed \$173,409 to the Plan through pay-as-you-go health and dental insurance benefit payments on behalf of Plan members. Plan members did not make any contributions to the Plan and the Plan is unfunded. The District does not contribute to a trust fund on behalf of employees.

OPEB Liability: The District’s OPEB liability of \$8,877,367 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017.

Actuarial Assumptions: The net OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Actuarial cost method	Entry-age normal cost method
Actuarial assumption:	
Discount rate	3.87%
Inflation	2.75%
Aggregate salary increase	3.00%
Healthcare cost trend rates	Non-Medicare - 7.5% for 2020, decreasing to 4.0% in 2076 and later years. Medicare - 6.5% for 2020, decreasing to 4.0% in 2076 and later years.
Dental and vision trend rate	3.00%
Mortality, Retirement, Disability, Termination	Derived using CalPERS 1997-2015 Experience Study
Contribution Policy	No pre-funding
Participation rates	Active medical 100%; dental 0% and vision current election.

Mortality improvements were based on a Society of Actuaries table. Short-term medical trend was developed based on consultation with a healthcare actuary. Long-term medical trend was developed using the Society of Actuaries Getzen Model of Long-Run Medical Cost Trends. CalPERS experience study reports may be accessed on the CalPERS website at www.calpers.ca.gov under Forms and Publications.

Change in Assumptions: The discount rate was changed to 3.87% at the June 30, 2018 measurement date. The discount rate at the June 30, 2017 measurement date was 3.58%.

Discount Rate: The discount rate used to measure the total OPEB liability was 3.87%. The discount rate is based on a Bond Buyer 20-bond Index: The 20-Bond index consist of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody’s Investors Service’s Aa2 rating and Standard & Poor’s Corp.’s AA.

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE F – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

Changes in the OPEB Liability:

	<u>Total and Net OPEB Liability</u>
Balance at June 30, 2018	\$ 8,230,483
Changes for the year:	
Service cost	716,667
Interest on the total OPEB liability	317,788
Assumption changes	(246,765)
Benefit payments	<u>(140,806)</u>
Net changes	<u>646,884</u>
Balance at June 30, 2019	<u>\$ 8,877,367</u>

Sensitivity of the OPEB Liability to Changes in the Discount Rate: The following presents the total OPEB liability of the District, as well as what the District's total OPEB 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 discount rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	2.87%	3.87%	4.87%
Total OPEB liability	\$ 9,756,121	\$ 8,877,367	\$ 8,075,444

Sensitivity of the OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that is 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB liability	\$ 7,871,354	\$ 8,877,367	\$ 10,081,379

OPEB Plan Fiduciary Net Position: The Plan does not have fiduciary net position as the District does not contribute to a qualified trust fund on behalf of the participants.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources: For the year ended June 30, 2019, the District recognized OPEB expense of \$963,227. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE F – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions		\$ 725,883
Employer contributions made subsequent to the measurement date	<u>\$ 173,409</u>	
Total	<u>\$ 173,409</u>	<u>\$ 725,883</u>

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability during the following fiscal year. Other amount reported as deferred outflows of resources and deferred inflow of resources related to OPEB will be recognized in OPEB expenses as follows:

Year Ended June 30	
2020	\$ (71,228)
2021	(71,228)
2022	(71,228)
2023	(71,228)
2024	(71,228)
Thereafter	<u>(369,743)</u>
	<u>\$ (725,883)</u>

Change in Census Data After Measurement Date: Effective June 30, 2019, the City of Oakdale and Oakdale Fire Protection District terminated their fire services agreements with the District. The District laid-off 26 employees as a result of this action. Since this change was after the date used to measure the OPEB liability, it had no effect on the June 30, 2019 pension balances described above. However, this should result in a reduction of the OPEB liability and related deferred inflows and outflows in the future.

NOTE G – RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance to cover claims and judgements against it. The District also participates in two Joint Powers Authorities (JPA), which are public entity risk pools that provide worker’s compensation insurance coverage, risk management and excess insurance.

Fire Agencies Self Insurance System: The District participates in the Fire Agencies Self Insurance System (FASIS) for worker’ compensation insurance coverage. FASIS was created pursuant to a Joint Powers Agreement between several California fire districts. FASIS exists to provide a program to pool worker’s compensation coverage for participating agencies. Each agency pays an annual premium to the system based on the number of personnel, estimated payroll and an experience factor, which is adjusted to reflect actual payroll and experience. FASIS reinsures through the Local Agency Excess Worker’s

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE G – RISK MANAGEMENT (Continued)

Compensation Authority, a joint powers authority, for claims in excess of \$750,000 per insured event. The District has no self-insured retention under the policy. Withdrawal from FASIS may be made only at the end of the fiscal year, and with twelve months’ notice. Separate financial statements are available at www.fasisjpa.org.

SDRMA: The District participates in the Special Districts Risk Management Authority (SDRMA) for general and auto liability, public officials’ and employees’ errors and omissions, employment practices, employee dishonesty, property loss, boiler and machinery, public officials’ personal liability and comprehensive and collision coverage. SDRMA is a risk-pooling self-insurance authority created under the provisions of the California Government Code Sections 6500 et. seq. Its purpose is to provide a full risk management program for California local governments. The District pays an annual premium based on its pro-rata share of charges for the pooled risk, claims adjusting, legal costs and administrative costs to operate the SDRMA.

The District’s deductible and coverage for SDRMA are as follows:

	<u>Coverage</u>	<u>Deductible</u>
General and auto liability (includes errors and omissions)	\$ 2,500,000	\$ 500-1,000
Employee dishonesty	1,000,000	none
Property loss	1 billion	1000
Boiler and machinery	100,000,000	1000
Public officials’ personal liability	500,000	1000
Comprehensive and collision	fully insured	250-1,000

The District has not had any claims exceed insurance coverage and has not had any reductions of insurance coverage during the past three years.

NOTE H –COMMITMENTS AND CONTINGENCIES

Contingencies: The District is a party to claims and lawsuits arising in the normal course of business. The District’s management does not believe that the ultimate liability, if any, arising from these claims will have a material adverse impact on the financial position of the District.

In August and September 2019, the District received a petition for parcel review and claim for refund from taxpayers within its jurisdiction. The taxpayers claimed their parcels were not properly categorized under the District’s assessment and seek a refund of fire assessment fees. Management believes the parcels were properly categorized. Should the petition be successful, the District could be required to refund \$1.4 million in fire assessment fees.

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE I – REGIONAL FIRE TRAINING COST SHARING AGREEMENT

Stanislaus Consolidated Fire Protection District is part of an agreement between Stanislaus County, City of Modesto and the Yosemite Community College District for construction and operation of the Regional Fire Training Center (RFTC) located in Modesto, California. There are approximately fifteen districts involved in this agreement. In the past, the county fire agencies’ portion of the Regional Fire Training Center agreement was paid individually by each signatory agency. With the approval to use Less Than County-Wide dollars to fund the county fire agency portion of the contract, each agency will no longer need to individually budget for reimbursement.

NOTE J - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Amounts reported for governmental activities in the governmental funds balance sheet are being adjusted to arrive at the statement of net position. The adjustments are as follows at June 30, 2019:

Fund balances - total governmental funds	\$ 6,032,503
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	7,520,917
Deferred outflows of resources related to the pension and OPEB plans will reduce the pension and OPEB liability in the future.	
Pension deferred outflows	5,017,192
OPEB deferred outflows	173,409
Long-term liabilities are not due and payable in the current period and accordingly are not reported in governmental funds. All liabilities, both current and long-term, are reported in the statement of net position. Those liabilities consist of:	
Interest payable	(32,228)
Compensated absences	(1,613,929)
Debt	(3,057,194)
Net pension liability	(13,217,179)
Other postemployment benefits liability	(8,877,367)
Long-term receivables are not available to pay current period expenditures and, therefore, are not recognized in the governmental funds. This amount represents deferred inflows of resources related to unavailable revenues recognized.	630,691
Deferred inflows of resources related to the pension and OPEB plans will be reflected in the pension and OPEB liability in the future.	
Pension deferred inflows	(218,983)
OPEB deferred inflows	(725,883)
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (8,368,051)</u></u>

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE J – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(CONTINUED)

Amounts reported for governmental activities in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances are adjusted to arrive at the Statement of Activities for Government-wide presentation. The adjustments for the fiscal year ended June 30, 2019 are as follows:

Net change in fund balance - Governmental Funds	\$ (655,663)
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The change in net position for governmental activities in the statement of activities is different because:

Some receivables that are deferred in governmental funds because the amounts do not represent current financial resources are recognized in the statement of net position. This amount represents the change in deferred inflows of resources - unavailable revenues.	234,565
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Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:

Capital outlay	42,438
Depreciation	(587,437)

Deferred outflows and inflows related to the District's pension and OPEB plans do not result in the receipt or use of current financial resources and are not reported in the governmental funds.

Change in deferred outflows of resources - pension plan	(485,294)
Change in deferred outflows of resources - OPEB plan	32,603
Change in deferred inflows of resources - pension plan	76,738
Change in deferred inflows of resources - OPEB plan	(175,537)

Governmental funds report debt issuance as revenue and debt service payments as expenditures. However, in the statement of activities, borrowing and repayments of principal of indebtedness increase and reduce long-term liabilities in the statement of net position.

Principal payments	567,372
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in accrued interest payable	7,519
Change in compensated absences liability	435,722
Change in net pension liability	(755,473)
Change in other postemployment benefits liability	(646,884)

NET CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ (1,909,331)
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STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE K – SUBSEQUENT EVENTS

On October 4, 2019, the District entered into a line of credit agreement with Westamerica Bank in the amount of \$1,000,000, which is collateralized by the assets of the District as defined in the agreement. This agreement was entered into as part of the District's Dry Period Funding Plan. The line of credit carries a variable interest rate that is based on an index called the "Westamerica Bank Index Rate" plus 0.5%. The bank disclosed the index rate plus 0.5% was 6.75% when the agreement was executed. The line of credit has a maturity date of November 30, 2020. The District drew down \$950,000 of this amount in December 2019 and January 2020. The outstanding principal balance along with interest of \$4,322 was repaid on January 15, 2020.

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the District's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the taxpayers, employees and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition and operations is uncertain. The possible effects include a reduction in the District's property taxes and special assessments if taxpayers are unable to pay the assessed amounts, which are the District's largest revenue sources.

NOTE L – RELATED PARTY TRANSACTIONS

The District's Board of Directors is appointed by the County of Stanislaus, City of Riverbank and City of Waterford. The County of Stanislaus collected tax revenue on behalf of the District for an administration fee of \$45,251 and provided dispatch services to the District for \$180,140 during the year ended June 30, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2019

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY - MISCELLANEOUS RISK POOL (UNAUDITED)
Last 10 Years**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Proportion of the net pension liability	0.01102%	0.01074%	0.01053%	0.00993%	0.00329%
Proportionate share of the net pension liability	\$ 415,385	\$ 423,280	\$ 365,749	\$ 272,467	\$ 204,566
Covered payroll - plan measurement period	\$ 298,209	\$ 299,389	\$ 124,291	\$ 121,708	\$ 120,671
Proportionate share of the net pension liability as percentage of covered payroll	139.29%	141.38%	294.27%	223.87%	169.52%
Plan fiduciary net position	\$ 1,346,362	\$ 1,237,636	\$ 1,154,611	\$ 1,033,925	\$ 1,000,805
Plan fiduciary net position as a percentage of the total pension liability	76.42%	74.52%	75.94%	79.14%	83.03%

**SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN - MISCELLANEOUS RISK POOL (UNAUDITED)
Last 10 Years**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution (actuarially determined)	\$ 42,193	\$ 43,990	\$ 40,536	\$ 21,302	\$ 17,637
Contributions in relation to the actuarially determined contributions	42,193	43,990	40,536	21,302	17,637
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll - employer fiscal year	\$ 209,376	\$ 298,209	\$ 299,389	\$ 124,291	\$ 121,708
Contributions as a percentage of covered payroll	20.15%	14.75%	13.54%	17.14%	14.49%
Notes to schedule:					
Date contributions rates were computed:	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012
Valuation date:	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Measurement date:	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Benefit changes: There were no changes to benefit terms.

Methods and assumptions used to determine contribution rates

Actuarial method				Entry Age Normal Cost Method	
Amortization method				Level percentage of payroll, closed	
Remaining amortization period				Varies, not more than 30 years	
Asset valuation method				15-year smoothed market	
Inflation				2.75%	
Salary increases				3% average, including inflation of 2.75%	
Investment rate of return and discount rate	7.375%	7.50%	7.50%	7.50%	7.50%
Retirement age				50-67 years.	

Omitted Years: GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date. Future years will be reported prospectively as they become available.

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2019

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY - SAFETY RISK POOL (UNAUDITED)**

Last 10 Years

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Proportion of the net pension liability	0.21818%	0.20147%	0.19932%	0.19168%	0.17845%
Proportionate share of the net pension liability	\$ 12,801,794	\$ 12,038,426	\$ 10,323,582	\$ 7,898,392	\$ 6,693,660
Covered payroll - plan measurement period	\$ 6,366,319	\$ 6,144,593	\$ 3,607,135	\$ 3,537,615	\$ 3,502,073
Proportionate share of the net pension liability as percentage of covered payroll	201.09%	195.92%	286.20%	223.27%	191.13%
Plan fiduciary net position	\$ 37,833,506	\$ 34,884,002	\$ 30,786,357	\$ 30,253,274	\$ 29,329,698
Plan fiduciary net position as a percentage of the total pension liability	74.72%	74.34%	74.89%	79.30%	83.03%

SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN - SAFETY RISK POOL (UNAUDITED)

Last 10 Years

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution (actuarially determined)	\$ 1,912,324	\$ 1,706,006	\$ 1,537,840	\$ 1,393,099	\$ 888,762
Contributions in relation to the actuarially determined contributions	<u>1,912,324</u>	<u>1,706,006</u>	<u>1,537,840</u>	<u>1,393,099</u>	<u>888,762</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll - employer fiscal year	\$ 6,400,003	\$ 6,366,319	\$ 6,144,593	\$ 3,607,135	\$ 3,537,615
Contributions as a percentage of covered payroll	29.88%	26.80%	25.03%	38.62%	25.12%
Notes to schedule:					
Date contribution rates were computed:	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012
Valuation date:	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Measurement date:	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Benefit changes: There were no changes to benefit terms.

Methods and assumptions used to determine contribution rates

Actuarial method		Entry Age Normal Cost Method			
Amortization method		Level percentage of payroll, closed			
Remaining amortization period		Varies, not more than 30 years			
Asset valuation method		15-year smoothed market			
Inflation		2.75%			
Salary increases		3.0% average, including inflation of 2.75%			
Investment rate of return and discount rate	7.375%	7.50%	7.50%	7.50%	7.50%
Retirement age		50-60 years.			

Omitted Years: GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date. Future years will be reported prospectively as they become available.

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2019

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS (UNAUDITED)

	<u>2019</u>	<u>2018</u>
Total OPEB liability		
Service cost	\$ 716,667	\$ 787,560
Interest	317,788	246,283
Changes in benefit terms		
Differences between expected and actual experience		
Changes in assumptions	(246,765)	(600,837)
Benefit payments	<u>(140,806)</u>	<u>(112,940)</u>
Net change in total OPEB liability	646,884	320,066
Total OPEB liability - beginning	<u>8,230,483</u>	<u>7,910,417</u>
Total OPEB liability - ending (a)	<u>\$ 8,877,367</u>	<u>\$ 8,230,483</u>
Plan fiduciary net position - ending (b)	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability - ending (a)-(b)	<u>\$ 8,877,367</u>	<u>\$ 8,230,483</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>0.00%</u>	<u>0.00%</u>
Covered-employee payroll - measurement period	<u>\$ 8,745,462</u>	<u>\$ 8,912,229</u>
Net OPEB liability as percentage of covered-employee payroll	<u>101.51%</u>	<u>92.35%</u>

Notes to schedule:

Benefit Changes: None

Changes in Assumptions: The discount rate was changed to 3.87% at June 30, 2019 from 3.58% at June 30, 2018.

Omitted years: GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2019

SCHEDULE OF CONTRIBUTIONS TO THE OPEB PLAN (UNAUDITED)

	<u>2019</u>	<u>2018</u>
Contractually determined contribution - employer fiscal year	\$ 173,409	\$ 140,806
Contributions in relation to the contractually determined contributions	<u>(173,409)</u>	<u>(140,806)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll - employer fiscal year	\$ 9,749,455	\$ 9,106,161
Contributions as a percentage of covered-employee payroll	1.78%	1.55%

Notes to Schedule:

Valuation date	June 30, 2017	June 30, 2017
Measurement period - fiscal year ended	June 30, 2018	June 30, 2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Cost Method		
Amortization method/period	Level percentage of payroll over working lifetime of employees of 11.9 years.		
Inflation	2.75%		
Payroll growth	3.00%		
Healthcare cost-trent rate	Non-Medicare 7.5% decreasing to 6.5% and Medicare 6.5% decreasing to 4%		
Retirement age	Retire directly from the District under Calpers. Age 55 to 62 and 5 years of service or disabled.		
Mortality	Derived using CalPERS membership data.		
Discount rate and investment rate of return		3.87%	3.58%

Omitted years: GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

COMPLIANCE REPORTS

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 Board of Directors
Stanislaus Consolidated Fire Protection District
Riverbank, 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 financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Stanislaus Consolidated Fire Protection District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 11, 2020. As described in Note C to the basic financial statements, our opinions were modified due to the District not reporting capital assets in accordance with generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control described as finding 2019-001 in the accompanying schedule of findings and responses that we consider to be a material weakness.

To the Board of Directors
Stanislaus Consolidated Fire Protection District

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 that are required to be reported under *Government Auditing Standards*.

The District's Response to Findings

The District's response to the findings identified in our audit is describe in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result 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.

Richardson & Company, LLP

June 11, 2020

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2019

INTERNAL CONTROL OVER FINANCIAL REPORTING

CURRENT YEAR FINDINGS

FINDING 2019-001

Criteria: Internal controls over financial reporting should be in place to ensure management has the ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

Condition: Although we noted improvement, numerous adjustments were identified during the audit.

Effect: A number of adjustments were required to report the District's financial statements in accordance with generally accepted accounting principles.

Cause: The District did not record all of the prior year audit adjustments, did not reverse all prior year accruals posted in current year revenues and expenses, did not identify all accounts requiring reconciliation prior to the start of the audit and did not include all of the accounts necessary to record the District's financial activity in the general ledger.

Recommendation: We recommend the District post all June 30, 2019 audit adjustments, reverse any accrual entries to ensure amounts accrued are not reported as year ending June 30, 2020 revenues and expenses, use the closing checklist to identify all accounts requiring reconciliation, and perform those reconciliations and record closing entries prior to the start of the audit. We also recommend the District set up all missing accounts included in audit adjustments in its general ledger and update those accounts during the closing process. A fund needs to be established for government-wide accounts containing all accounts necessary to report activity on the accrual basis.

Management's Response: The District will implement the recommendations prior to the June 30, 2020 audit.

PRIOR YEAR FINDINGS

Finding 2019-001 is a continuation of finding 2018-001 and 2017-001 related to internal control over financial reporting.

COMPLIANCE AND OTHER MATTERS

CURRENT YEAR FINDINGS

None

PRIOR YEAR FINDINGS

None