

**MONTEREY COUNTY
REGIONAL FIRE
PROTECTION DISTRICT**

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2020
AND INDEPENDENT AUDITORS' REPORT

**MONTEREY COUNTY REGIONAL
FIRE PROTECTION DISTRICT**

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**MONTEREY COUNTY REGIONAL
FIRE PROTECTION DISTRICT**

Board of Directors

June 30, 2020

<u>Member</u>	<u>Office</u>
Warren Poitras	President
Rich Speciale	Director
Chad Lindley	Director
George Haines	Director
Jim Slaten	Secretary



HAYASHI | WAYLAND

INDEPENDENT AUDITORS' REPORT

**Board of Directors,
Monterey County Regional
Fire Protection District
Salinas, California**

Report on the Financial Statements

We have audited the accompanying modified cash-basis financial statements of the **Monterey County Regional Fire Protection District** (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

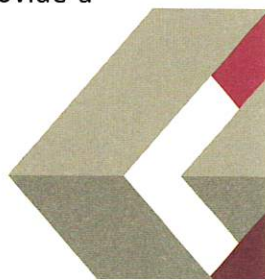
Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash-basis financial position of the **Monterey County Regional Fire Protection District** as of June 30, 2020, and the respective changes in modified cash-basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the General Fund Statement of Revenues, Expenditures and Changes in Fund Balances Modified Cash Basis – Budget and Actual and the notes thereon. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Salinas, California

January 26, 2021

Hayashi Wayland, LLP

**MONTEREY COUNTY REGIONAL
FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

This section of the *Monterey County Regional Fire Protection District (the District)* annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2020. Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year activities, resulting changes and currently known facts, please read it in conjunction with the District's financial statements. Comparisons to and analysis of the prior year are incorporated where appropriate.

FINANCIAL HIGHLIGHTS

- The District's net position decreased by \$18,841,037 for the year ended June 30, 2020. Since the District engages only in governmental-type activities, the decrease is all in the category of governmental-type net position. Net position (deficit) was \$(6,296,042) and \$12,544,995 as of June 30, 2020 and 2019, respectively.
- The District's total general revenues were \$18,104,876 and expenses were \$17,854,892 for the year ended June 30, 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District has chosen to present its financial statements using the reporting model for special-purpose governments engaged only in a single governmental program. This model allows the fund financial statements and the government-wide statements to be combined. The effect of internal activity between funds or groups of funds has been eliminated from these financial statements.

The financial statements include a Balance Sheet and Statement of Net Position – Modified Cash Basis, Statement of Revenues, Expenditures and Changes in Fund Balances and Statement of Activities – Modified Cash Basis, Notes to the Financial Statements, an Independent Auditors' Report thereon, a General Fund Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis – Budget and Actual and this Management's Discussion and Analysis. Readers of these financial statements are encouraged to consider the report as a whole to obtain a complete understanding of the District's financial condition.

Statement of Net Position – Modified Cash Basis

The Statement of Net Position – Modified Cash Basis is a report of the District's assets, liabilities and net position. Assets and liabilities are reported at book value, on a modified cash basis as of the statement date. Net position is reported in major categories reflecting any restriction thereon.

Statement of Activities – Modified Cash Basis

The Statement of Activities – Modified Cash Basis presents the District's revenues collected and expenses paid during the period on a modified cash basis.

Notes to Basic Financial Statements

The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 11 to 22 of this report.

COMPARATIVE ANALYSIS

Statement of Net Position – Modified Cash Basis

A comparative summary of the District's Statement of Net Position – Modified Cash Basis as of June 30 is as follows:

	<u>2020</u>	<u>2019</u>
ASSETS:		
Cash and cash equivalents	\$ 6,203,262	\$ 5,713,916
Receivables–net	289,283	245,283
Capital assets – net	<u>13,822,695</u>	<u>13,658,854</u>
Total assets	<u>20,315,240</u>	<u>19,618,053</u>
LIABILITIES:		
Accrued payroll	29,820	–
Loans payable	<u>26,581,462</u>	<u>7,073,058</u>
Total liabilities	<u>26,611,282</u>	<u>7,073,058</u>
NET POSITION:		
Net investment in capital assets – net of related debt	12,986,233	12,630,796
Unrestricted	(19,889,275)	(818,060)
Restricted	<u>607,000</u>	<u>732,259</u>
Total net position (deficit)	<u>\$ (6,296,042)</u>	<u>\$ 12,544,995</u>

Major Factors Affecting the Statement of Net Position – Modified Cash Basis

Net position may serve over time as a useful indicator of the District's financial position. Net position decreased by \$18,841,037 over the prior year due to the District issuing new bonds to reduce the PERS pension liability of \$20,250,000 and \$1,408,963 increase in revenue over expenses.

Capital Assets

As of June 30, 2020, the District's investment in capital assets totaled \$13,822,695, which is an increase of \$163,841 over the capital asset balance at June 30, 2019 of \$13,658,854. The increase is due to equipment purchases of \$980,962 exceeding the depreciation expense of \$817,121. Capital assets represents the largest portion of the District's net position. The District utilizes its capital assets to provide services that it is responsible for and these assets do not represent future expendable resources.

Long-Term Debt

At June 30, 2020, the District had \$26,581,462 of long-term debt, which is an increase of \$19,508,404 over the long-term debt balance at June 30, 2019. The increase is due to the purchase of a pension obligation bond of \$20,250,000 and repayments as required under the loan agreements totaling \$741,596. These repayments include \$550,000 repaid on the pension obligation bonds issued during the year ended June 30, 2012.

COMPARATIVE ANALYSIS (Continued)

Statement of Activities – Modified Cash Basis

A summary of the District's Statement of Activities – Modified Cash Basis for the years ended June 30 is as follows:

	<u>2020</u>	<u>2019</u>
General revenues:		
Property taxes	\$ 13,160,293	\$ 12,527,152
Public safety revenues	1,148,868	1,086,317
Reimbursements – equipment and overtime	692,418	1,469,067
Ambulance revenue	767,673	680,759
Grants	418,844	358,277
Others	<u>1,916,780</u>	<u>1,733,320</u>
Total general revenues	<u>18,104,876</u>	<u>17,854,892</u>
Expenses:		
Salaries and employee benefits	13,633,734	13,510,658
PERS obligation funding	20,250,000	–
Maintenance and operations	1,650,077	1,710,747
Grant expenditures	66,082	88,761
Contracted fire protection	196,000	196,000
Depreciation	817,121	719,805
Others	<u>332,899</u>	<u>361,170</u>
Total expenses	<u>36,945,913</u>	<u>16,587,141</u>
Change in net position	<u>\$ (18,841,037)</u>	<u>\$ 1,267,751</u>

Major Factors Affecting the Statement of Activities – Modified Cash Basis

Total revenues increase \$249,984 when compared to the previous year due to property taxes related to the continued development of the East Garrison development project.

Total expenses increased \$20,358,772 when compared to the previous year primarily due to an issuance of new bonds to cover the pension liability side fund.

Budgeting Highlights

The original budgeted revenues were increased by \$1,014,834 primarily due to anticipated increases in property tax revenue.

The original budgeted expenses were increased by \$1,220,085. The primary reason for the increase was an increase in anticipated salary and benefits.

FACTORS AFFECTING FUTURE PERIODS AND OTHER ISSUES

Significant factors noted by management affecting future periods are as follows:

The City of Salinas continues to move toward a major annexation of territory currently in the District. The District staff is working with LAFCO & the County regarding loss of property tax growth and the affect this will have on the District long term.

The District will continue to be cognizant of PERS impacts and future capital improvements demands as budgets are developed.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the Monterey County Regional Fire Protection District finances for all those interested. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Monterey County Regional Fire Protection District, 19900 Portola Drive, Salinas, CA 93908.

FINANCIAL STATEMENTS

MONTEREY COUNTY REGIONAL FIRE PROTECTION DISTRICT
BALANCE SHEET AND STATEMENT OF NET POSITION – MODIFIED CASH BASIS
JUNE 30, 2020

	<u>General Fund</u>	<u>Adjustments (See Note 2)</u>	<u>Statement of Net Position</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 6,203,262	\$ –	\$ 6,203,262
Receivables:			
Taxes – net	242,833	–	242,833
Other	46,450	–	46,450
Capital assets, net of accumulated depreciation	<u>–</u>	<u>13,822,695</u>	<u>13,822,695</u>
TOTAL ASSETS	<u>6,492,545</u>	<u>13,822,695</u>	<u>20,315,240</u>
<u>LIABILITIES AND FUND BALANCES/NET POSITION</u>			
LIABILITIES:			
Accrued payroll	29,820	–	29,820
Deferred revenue	242,833	(242,833)	–
Loans payable:			
Due within one year	–	1,548,361	1,548,361
Due in more than one year	<u>–</u>	<u>25,033,101</u>	<u>25,033,101</u>
Total liabilities	<u>272,653</u>	<u>26,338,629</u>	<u>26,611,282</u>
FUND BALANCES:			
Restricted –			
Fire mitigation fees	607,000	(607,000)	–
Unassigned	<u>5,612,892</u>	<u>(5,612,892)</u>	<u>–</u>
Total fund balances	<u>6,219,892</u>	<u>(6,219,892)</u>	<u>–</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,492,545</u>		
NET POSITION:			
Net investment in capital assets – net of related debt		12,986,233	12,986,233
Unrestricted		(19,889,275)	(19,889,275)
Restricted –			
Fire mitigation fees		<u>607,000</u>	<u>607,000</u>
TOTAL NET POSITION (DEFICIT)		<u>\$ (6,296,042)</u>	<u>\$ (6,296,042)</u>

See Notes to Financial Statements.

MONTEREY COUNTY REGIONAL FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
AND STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>General Fund</u>	<u>Adjustments (See Note 2)</u>	<u>Statement of Activities</u>
GENERAL REVENUES:			
Property taxes	\$ 13,134,725	\$ 25,568	\$ 13,160,293
Public safety revenues	1,148,868	-	1,148,868
Reimbursements – equipment and overtime	692,418	-	692,418
Ambulance revenue	767,673	-	767,673
Grants	418,844	-	418,844
Fire mitigation fees	297,967	-	297,967
Fire prevention fees	861,778	-	861,778
Investment earnings	106,984	-	106,984
Miscellaneous	<u>650,051</u>	<u>-</u>	<u>650,051</u>
Total general revenues	<u>18,079,308</u>	<u>25,568</u>	<u>18,104,876</u>
EXPENDITURES/EXPENSES:			
Fire protection – operations:			
Salaries and employee benefits	13,633,734	-	13,633,734
PERS obligation funding	-	20,250,000	20,250,000
Maintenance and operations	1,650,077	-	1,650,077
Grant expenditures	66,082	-	66,082
Contracted fire protection	196,000	-	196,000
Depreciation	-	817,121	817,121
Capital outlay	980,962	(980,962)	-
Debt service:			
Principal	741,596	(741,596)	-
Interest	<u>332,899</u>	<u>-</u>	<u>332,899</u>
Total expenditures/expenses	<u>17,601,350</u>	<u>19,344,563</u>	<u>36,945,913</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>477,958</u>	<u>(477,958)</u>	<u>-</u>
CHANGES IN FUND BALANCE/NET POSITION	-	(18,841,037)	(18,841,037)
FUND BALANCES/NET POSITION, Beginning of year	<u>5,741,934</u>	<u>6,803,061</u>	<u>12,544,995</u>
FUND BALANCES/NET POSITION (DEFICIT), End of year	<u>\$ 6,219,892</u>	<u>\$ (12,515,934)</u>	<u>\$ (6,296,042)</u>

See Notes to Financial Statements.

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MONTEREY COUNTY REGIONAL FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1. ORGANIZATION AND DESCRIPTION OF DISTRICT

The Monterey County Regional Fire Protection District was formed in 1934 to provide fire protection and emergency services. The original boundaries surrounded the City of Salinas and ran down River Road to Pine Canyon. Over the years, annexations into the District have increased its service area to approximately 360 square miles with a population of about 40,000 residents. The District changed its original name, Salinas Rural Fire Protection District to Monterey County Regional Fire Protection District in November 2009 and the District merged with Carmel Valley Fire Protection District on July 1, 2012. The District is governed by a five-member Board of Directors that is appointed by the Board of Supervisors of Monterey County. The District operates as an independent governmental entity under the California Health and Safety Code, section 13800.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Monterey County Regional Fire Protection District are summarized as follows:

Basis of Accounting – The District has elected to present its financial statements on the modified cash basis of accounting. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Recognition of assets is limited to uncollected property taxes, fees for future periods and amounts due other agencies and liabilities is limited to payroll withholdings.

Basis of Presentation – The District has chosen to present its financial statements using the reporting model for special-purpose governments engaged only in a single governmental program. This model allows the fund financial statements and the government-wide statements to be combined. The effect of internal activity between funds or groups of funds has been eliminated from these financial statements.

The government-wide financial statements are prepared using the modified cash basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund or account groups but report on the District as a whole and consist of a Statement of Net Position and Statement of Activities.

In addition to the government-wide financial statements, the District also presents fund financial statements that consist of a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis. These statements are presented based on the modified cash basis of accounting.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adjustments to Convert Statements to Modified Cash Basis – The Adjustments needed to adjust the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances of the District to a modified cash basis which consists of a Statement of Net Position and Statement of Activities is as follows:

Reconciliation of balance sheet – modified cash basis to statement of net position-Modified-cash basis:

Total fund balances per fund financial statements.	\$ 6,219,892
Property tax receivables are not available to pay for current period expenditures, and therefore are not reported in the funds.	242,833
Capital assets not reported in the fund financial statements because they are not current financial resources but are reported in the statement of net position.	13,822,695
Loans payable not reported in the fund financial statement because they are not current financial obligations but are reported in the statement of net position.	<u>(26,581,462)</u>
Net position for governmental activities	<u>\$ (6,296,042)</u>

Reconciliation of statement of revenues, expenditures, and changes in fund balances – modified cash basis to statement of activities – modified cash basis:

Net change in fund balances per fund financial statements.	\$ 477,958
Property tax revenues reported in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	242,833
Property tax revenues that become available and are recognized in the current year that related to prior years are not reported as revenues in the statement of activities.	<u>(217,265)</u>
Total forward	\$ 503,526

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Total forward	\$ 503,526
Capital outlays are reported as expenditures in the fund financial statements because they use current financial resources but are reported as capital assets in the statement of activities but are depreciated over the estimated useful life on the statement of activities:	
Capital assets capitalized	980,962
Depreciation	(817,121)
Some expenses reported in the Statement of Activities do not require the use of current resources, and therefore, not reported as expenditures in funds-	
PERS obligation funding	(20,250,000)
Principal on debt service are reported as expenditures in the fund financial statements because they use current financial resources, but are reported as a reduction in debt on the statement of net position.	
	<u>741,596</u>
Change in net position for governmental activities	<u>\$ (18,841,037)</u>

Cash and Investments – Pooled cash and investment accounts, which essentially operate as demand deposit accounts, are maintained by the Monterey County Treasurer’s Office. Available cash balances are controlled and invested by the County Treasurer in pooled investment funds in order to provide safety, liquidity and high investment returns for all funds. Interest earnings from these funds are generally credited to the District’s account on a quarterly basis based on its relative equity. The investments are stated at fair value, which equates cost.

An individual fund’s deposit in the pool can be liquidated at any time and therefore is considered a “cash equivalent” when preparing the financial statements.

The Monterey County Treasurer’s investment policy is in compliance with Section 53601 of the Government Code of the State of California, which permits investments in certain securities and participation in certain investment trading techniques or strategies.

The District also has cash held with a banking institution for accounts payable and payroll purposes.

Taxes Receivable and Deferred Inflows of Resources – Receivables are amounts due representing revenues earned or accrued in the current period. Receivables which have not been remitted within 60 days subsequent to year end are offset by deferred inflows of resources, and accordingly have not been recorded as revenue in the governmental fund. When the revenue becomes available, the revenue is recognized in the governmental fund. Deferred inflows are detailed on the Balance Sheet.

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. The allowance is based on an assessment of the current status of individual accounts. At June 30, 2020 the allowance was \$ –0–.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences – It is the District’s policy to allow the employees to accumulate vacation and sick leave at varying durations depending on years of service. The amount of potential vacation and sick leave at June 30, 2020 has not been calculated by the District.

Capital Assets – Capital assets which include property, plant and equipment assets, are reported in the government-wide financial statement. Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,500 for equipment and \$10,000 for structure, and an estimated useful life in excess of one year. Capital assets are accounted for at historical cost or estimated historical cost if actual historical cost is not known. Donated capital assets are accounted for at their estimated fair value on the date received. Purchased capital assets are recorded as expenditures in the governmental type funds. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are depreciated on a straight-line basis over their estimated useful lives; buildings 10–50 years, equipment and vehicles 5–20 years.

Long-Term Obligations – In the government-wide financial statement long-term debt is reported as liabilities.

Net Position – The Statement of Net Position presents the District’s assets and liabilities, with the difference reported as net position. Net position is reported in three categories.

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for notes and other debt attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* results when constraints placed on net position use is either externally imposed or imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

Property Taxes – The County of Monterey is responsible for the assessment, collection, and apportionment of property taxes for all taxing jurisdictions, including the District. Secured property taxes for each year ended June 30 are payable in equal installments, November 1 and February 1, and become delinquent on December 10 and April 10, respectively. The lien date is January 1 of each year. Property taxes are accounted for as collected and remitted by the County in the Governmental Funds. Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent if unpaid on August 31.

Effects of New Pronouncements – In May 2020, GASB issued Statement No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The implementation of this statement had no impact on the accompanying financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statements Issued but not yet Effective – The Governmental Accounting Standards Board (GASB) has released the following new standards which are not yet effective.

<u>Statement No.</u>	<u>Title</u>	<u>Effective for Fiscal Year Beginning on or After</u>
87	Leases	June 15, 2021
89	Accounting for Interest Costs Incurred before the End of a Construction Period	December 15, 2020
91	Conduit Debt Obligation	December 15, 2021
93	Replacement of Interbank Offered Rates	June 15, 2021
96	Subscription-Based Information Technology Arrangement	June 15, 2022

Fund Balance – In the Fund financial statements, fund balance consists of non-spendable fund balance which includes amounts that cannot be spent because they are not in spendable form, or they are legally or contractually required to be maintained intact. Restricted fund balances are amounts restricted to specific purposes. Committed fund balances are amounts that can only be used for specific purposes as pursuant to official action by the Board prior to the end of the reporting period. Assigned fund balances are amounts the Board intends to use for a specific purpose but is neither restricted nor committed. Unassigned fund balance represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

When restricted and other fund balance resources are available for use, the District has elected to use restricted resources first, followed by unrestricted amounts, respectively.

The Board has not established a policy for defining funds as committed or assigned, thus any funds which do not meet the definition of non-spendable or restricted are presented as unassigned.

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. Actual results could differ from those estimates.

Subsequent Events – Subsequent events have been evaluated through January 26, 2021, which is the date the financial statements were available to be issued.

NOTE 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2020 consisted of the following:

Cash on hand	\$	250
Deposits with financial institutions		1,500,194
Monterey County investment pool		<u>4,702,818</u>
Total cash and cash equivalents	\$	<u>6,203,262</u>

Fair Value – The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of the District’s investments are Level 1.

Investments Authorized by the California Government Code and the District Investment Policy – The California Government Code authorizes investments in U.S. treasury obligations, U.S. Agency securities, banker’s acceptances, commercial paper, negotiable certificates of deposit, repurchase agreements, reverse repurchase agreements, high-rated corporate notes, high-rated asset backed securities, and money market funds with certain limitations on the amounts and maturities. The District currently invests the majority of its funds in the local government investment pool administered by Monterey County. The County Treasury actively manages the pool portfolio that is approximately \$1.7 billion. Investments are limited to those instruments legally permitted under Section 53635 of the California Government Code and must meet the criteria of the Monterey County Treasury’s Investment Policy. The investment policy is reviewed and approved annually by the County Board of Supervisors. The Treasury’s compliance with the investment policy is also audited annually by an independent certified public accountant. A minimum of 30% of the portfolio, are kept in assets with a maturity of one year or less to provide liquidity. The liquidity is composed of cash in commercial bank accounts, overnight investments, short-term money market instruments, and other governmental investment pools. This degree of liquidity assures that funds are always available to meet normal and unexpected cash demands without the need to sell other investments that could result in a loss due to market conditions. The pool investment portfolio maintains a maximum weighted average maturity of two years.

Custodial Credit Risk Deposits – Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District has a deposit policy that complies with California Government Code Section commencing at 53630 (Public Deposits). As of June 30, 2020, \$1,328,178 of the District’s bank balances of \$1,578,178 was exposed to custodial credit risk as uninsured, but it’s collateralized by the pledging bank’s trust department not in the District’s name.

NOTE 4. CAPITAL ASSETS

The following is a summary of the changes in Capital Assets for the year ended June 30, 2020:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Increases/</u> <u>Reclassification</u>	<u>Decreases/</u> <u>Reclassification</u>	<u>Balance</u> <u>June 30, 2020</u>
Land	\$ 264,019	\$ -	\$ -	\$ 264,019
Structures and improvements	11,724,210	649,145	-	12,373,355
Equipment	9,092,613	331,817	(1,007)	9,423,423
Accumulated depreciation	<u>(7,421,988)</u>	<u>(817,121)</u>	<u>1,007</u>	<u>(8,238,102)</u>
Total	<u>\$ 13,658,854</u>	<u>\$ 163,841</u>	<u>\$ -</u>	<u>\$ 13,822,695</u>

NOTE 5. LONG-TERM DEBT

Long-term debt balances and transactions for the year ended June 30, 2020 are as follows:

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2020</u>	<u>Due Within</u> <u>One Year</u>
Pension Obligation Bonds	\$ 6,045,000	\$ 20,250,000	\$ 550,000	\$ 25,745,000	\$ 1,350,000
Muni Finance Lease	<u>1,028,058</u>	<u>-</u>	<u>191,596</u>	<u>836,862</u>	<u>198,361</u>
Total	<u>\$ 7,073,058</u>	<u>\$ 20,250,000</u>	<u>\$ 741,596</u>	<u>\$ 26,581,462</u>	<u>\$ 1,548,361</u>

Pension Obligation Bonds – On April 1, 2012, the District purchased Pension Obligation Bonds for the sole purpose of refinancing the outstanding “side fund” obligations in the amount of \$9,260,000. The bonds are subject to mandatory redemption every year between September 1, 2012 and September 1, 2027 with increase in interest rate of .75% to 5.65%, as set forth in the “Indenture of Trust.”

On November 1, 2019, the District purchased Pension Obligation Bonds for the sole purpose of refinancing the outstanding “side fund” obligations in the amount of \$20,250,000. The bonds are subject to mandatory redemption every year between September 1, 2020 and September 1, 2039 with increase in interest rate of 2.20% to 3.60%, as set forth in the “Indenture of Trust.”

This debt was incurred to retire a previously unrecorded liability between the District’s funded status of the CalPERS plan versus the funded status of the entire risk pool.

Municipal Finance Lease – On June 7, 2012, the District entered into a 12-year lease agreement with Municipal Finance Corporation for the purpose of consolidating its outstanding debt in the amount of \$2,123,756 at an interest rate of 3.5%. The District consolidated an outstanding loan of \$912,711, used for the Toro Expansion Project and Certificates of Participation issued by Carmel Valley Fire Protection District in the amount of \$1,211,045, used for improvements to its fire station facilities, among other things, and refunding or prepaying certain leases.

NOTE 5. LONG-TERM DEBT(Continued)

Long-term debt repayments are as follows:

	<u>Principal Repayments</u>	<u>Interest</u>	<u>Total Payments</u>
2021	\$ 1,548,361	\$ 1,084,234	\$ 2,632,595
2022	1,590,364	880,246	2,470,610
2023	1,647,615	824,437	2,472,052
2024	1,705,122	764,110	2,469,232
2025 – Thereafter	<u>20,090,000</u>	<u>5,507,963</u>	<u>25,597,963</u>
Total	<u>\$ 26,581,462</u>	<u>\$ 9,060,990</u>	<u>\$ 35,642,452</u>

NOTE 6. FUND BALANCE – DESIGNATED

Designated – The Board of Directors of the District have designated certain revenues towards tentative spending plans. These revenues have been designated as follows:

Emergencies	\$ 649,427
Apparatus replacement	75,708
Breathing support maintenance	14,511
Salary and benefit reserve	1,192,479
Defibrillator replacement	143,638
Specialized equipment	73,000
SCBA cylinder replacement	98,006
Contingencies	<u>60,000</u>
Total	<u>\$ 2,306,769</u>

Since the District has not adopted a policy defining funds as committed or assigned as required by GASB Statement 54, the designated funds are not reflected on the balance sheet.

NOTE 7. GENERAL FUND – RESTRICTED

Fire Mitigation Fees – The District adopted Resolution 1996–01, January 30, 1996, pertaining to imposing fire development fees on new construction developments within the District. The purpose of the fee is to enable the District to provide and maintain its level of service of fire protection services. As required by Ordinance 3602 of the Monterey County Code, all fees collected shall be segregated and expended for the purpose of providing capital facilities and equipment to serve new development within the service area of the District. The Fire Mitigation Fee balance is \$607,000 as of June 30, 2020.

NOTE 8. PENSION PLAN

General Information About the Pension Plan

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the Local Government’s separate Safety (fire) and Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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 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: Basic Death Benefit, the 1957 Survivor Benefit, 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 Plans’ provisions and benefits in effect at June 30, 2020, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
<u>Hire date</u>		
Benefit formula	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	7%	7.25%
Required employer contribution rates	9.150%	7.072%
	Safety	
	Prior to January 1, 2013	On or after January 1, 2013
<u>Hire date</u>		
Benefit formula	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	3.0%	2.0% to 2.7%
Required employee contribution rates	9%	12.75%
Required employer contribution rates	21.748%	13.786%

NOTE 8. PENSION PLAN (Continued)

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2020, the contributions paid for each Plan were as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Contributions – employer	\$ 24,463	\$ 2,378,237

Pension Obligation Bonds – The District issued Pension Obligation Bonds on April 1, 2012 and November 1, 2019 in the amount of \$9,260,000 and \$20,250,000, respectively, which was used for the purpose of retiring a previously unrecorded liability for the District’s unfunded PERS obligations.

The District’s financial statements are presented on the modified cash basis of accounting therefore long-term liabilities such as pension liability are not reflected in the financial statements.

NOTE 9. DEFERRED COMPENSATION PLAN

The District has a deferred compensation plan for its eligible employees wherein amounts earned by the employees are paid at a future date. This plan meets the requirements of Internal Revenue Code 457. All full-time, regular employees are eligible to participate in the plan beginning on the day of hire. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The plan was originally established in conformity with Section 457 of the Internal Revenue Code which prevented governments from placing plan assets in a trust for the benefit of participants. Consequently, the participating employees’ assets were potentially at risk of loss by the claims of the District’s general creditors. In 1996, Congress amended Section 457 by requiring governments to place plan assets in a trust for the exclusive benefit of participants and their beneficiaries, thus protecting the plan assets from the District’s general creditors.

Through its plan administrators, the District has complied with the amended Section 457 requirements. Governmental Accounting Standards Board Statement (GASB) 32 states that if a fiduciary relationship no longer exists between the governmental entity and the Section 457 Deferred Compensation Plan, the governmental entity should no longer report the assets of the plan in its financial statements.

The District believes that, since it does not provide investment advice or administer the plan, it does not maintain a fiduciary relationship with the plan. Therefore, it does not report the plan assets in its financial statements.

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS

Plan Description – The District provides employment and postemployment healthcare benefits for its retirees. The District is obligated to contribute toward health insurance premiums for certain employees retired from the District until they reach age 65. The retiree must be eligible to receive retirement benefits (PERS) within one year of separation from the District. The District is required to pay the amount up to the current premium rate for the “Basic Plan” for “1 Party” under the PERS Care Policy. For the former Carmel Valley Fire District retirees, the District is required to pay 75% of the PORAC premium rate for the retiree and dependents. This is a lifetime benefit.

Funding Policy – The contribution rate is determined annually by the CalPERS Board of Directors with the annual release of the CalPERS premiums which include the District’s subscribed insurance premiums. The healthcare reimbursement rates for the District’s retirees are defined in the Memorandum of Understanding between the District and the various employee groups. The District currently funds these benefits on a pay-as-you-go basis. No assets have been segregated and restricted to provide postemployment benefits. As of June 30, 2020, the District has 26 retirees receiving benefits, 18 active employees eligible to receive benefits in the future, and 48 active employees not yet fully eligible for benefits.

The District’s financial statements are presented on the modified cash basis of accounting therefore long-term liabilities such as OPEB liability are not reflected in the financial statements.

NOTE 11. INSURANCE PROGRAM

The District has entered into a Joint Exercise of Powers Agreement pursuant to the provisions of the California Government Code, Sections 989, 990, 990.4, 990.8, 6500–6515, and Labor Code, Section 3700(b). The local government agencies consist of the following Monterey County Special Districts:

North County Fire Protection District
Monterey County Regional Fire Protection District

The local agencies under the agreement have formed the Monterey County Local Agencies Insurance Authority, as an Administrator, to establish, operate, and maintain insurance programs for workers’ compensation, group insurance programs, including property and casualty benefits, and risk management programs.

The purpose of these joint protection programs is to reduce the amount and frequency of their losses, pool their self-insured losses, and jointly purchase general liability insurance.

For the year ended June 30, 2020, the District has contributed \$675,751 to the program for the purpose of maintaining general liability and workers’ compensation programs. No other available insurance programs have been purchased by the District as of June 30, 2020.

The summarized statement of net position – modified cash basis of the Monterey County Local Agencies Insurance Authority as of June 30, 2020 is as follows:

Total Assets	<u>\$ 2,846,354</u>
Total Liabilities	<u>\$ (2,846,354)</u>
Total Net Position	<u>\$ 0</u>

Separate financial statements are available at Monterey County Local Agencies Insurance Authority, 19900 Portola Drive, Salinas, California 93908.

NOTE 12. FIRE PROTECTION AND EMERGENCY SERVICES

The District has contracted with the City of Salinas Fire Department to receive fire protection and emergency services within the District's boundaries. For the year ended June 30, 2020, the District paid \$196,000 for these services.

NOTE 13. SUBSEQUENT EVENTS

Effective June 30, 2020, the Board of Directors terminated the Monterey County Local Agencies Insurance Authority. As part of this dissolution the District was assigned as percentage of Certificates of Deposit held by the Insurance Authority as well as a percentage of the Insurance Authority' cash accounts. These funds were received subsequent to year end.

Effective July 1, 2020, the Fire Agencies Self Insurance System is the District's Workers' Compensation Insurance provider.

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SUPPLEMENTAL INFORMATION

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MONTEREY COUNTY REGIONAL FIRE PROTECTION DISTRICT
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – MODIFIED CASH BASIS – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property taxes	\$ 11,546,176	\$ 12,375,197	\$ 13,134,725	\$ 759,528
Public safety revenues	1,086,317	1,148,868	1,148,868	-
Ambulance revenue	500,000	500,000	767,673	267,673
Reimbursements – equipment and overtime	129,000	129,000	692,418	563,418
Grants	315,250	321,952	418,844	96,892
Fire mitigation fees	150,000	150,000	297,967	147,967
Fire prevention fees	155,000	315,000	861,778	546,778
Investment earnings (loss)	-	-	106,984	106,984
Sale of fixed assets	15,000	-	-	-
Other revenues	<u>154,940</u>	<u>126,500</u>	<u>650,051</u>	<u>523,551</u>
Total general revenues	<u>14,051,683</u>	<u>15,066,517</u>	<u>18,079,308</u>	<u>3,012,791</u>
SALARIES AND EMPLOYEE BENEFITS:				
Salaries	6,022,444	6,159,424	5,862,865	296,559
Overtime *	705,865	762,660	1,220,940	(458,280)
Retirement	2,195,381	2,535,742	2,408,696	127,046
Health insurance	1,635,863	1,719,377	1,699,080	20,297
Longevity	816,152	860,389	838,076	22,313
Workers' compensation insurance	598,669	598,669	624,805	(26,136)
Holiday pay	267,856	472,733	388,766	83,967
FLSA settlement	-	-	237,764	(237,764)
Social Security and Medicare	119,620	120,880	127,752	(6,872)
Volunteer pay	80,800	53,300	30,760	22,540
Sick/vacation payout	169,800	51,906	113,807	(61,901)
Uniform allowance	48,455	47,604	45,452	2,152
Long-term disability	23,060	27,214	25,797	1,417
Unemployment	<u>15,750</u>	<u>15,750</u>	<u>9,174</u>	<u>6,576</u>
Total salaries and employee benefits	<u>\$ 12,699,715</u>	<u>\$ 13,425,648</u>	<u>\$ 13,633,734</u>	<u>\$ (208,086)</u>

MONTEREY COUNTY REGIONAL FIRE PROTECTION DISTRICT
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – MODIFIED CASH BASIS – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
MAINTENANCE AND OPERATIONS:				
Other professional services	\$ 503,290	\$ 397,405	\$ 365,310	\$ 32,095
Vehicle maintenance	202,800	172,450	194,099	(21,649)
911 County radio	150,320	232,582	141,562	91,020
Medical supplies	106,189	97,256	95,189	2,067
Station expense	32,908	24,030	30,219	(6,189)
Covid-19 expenses	-	-	34,842	(34,842)
General liability insurance	95,000	90,000	50,946	39,054
Gasoline and fuel	90,000	104,000	97,103	6,897
Building maintenance	61,900	55,000	42,245	12,755
Medical services	51,572	45,589	47,227	(1,638)
District special expense	73,753	11,352	32,022	(20,670)
Equipment maintenance	53,780	53,913	36,686	17,227
Utilities	38,600	47,800	43,353	4,447
Telephone	30,060	30,660	31,485	(825)
Protective clothing	31,399	42,144	25,995	16,149
Conference and schools	24,560	27,760	19,600	8,160
Office supplies	26,275	24,000	16,664	7,336
Communication maintenance	13,050	10,172	9,255	917
Subscriptions	33,895	36,395	31,700	4,695
Auditing services	18,900	19,300	19,300	-
Legal services	70,000	110,000	158,069	(48,069)
Water	17,200	18,000	18,465	(465)
Computer maintenance	12,975	9,191	16,351	(7,160)
Education and training	11,575	14,340	14,168	172
Volunteers	5,000	8,000	15,030	(7,030)
Permits	8,025	8,000	7,517	485
Food	10,000	12,000	10,375	1,625
Sewer and garbage	7,500	8,200	8,873	(673)
Breathing support	5,000	5,000	983	4,017
Leases and rentals	6,500	6,500	4,550	1,950
Memberships	3,325	3,560	4,841	(1,281)
Bank service charge	2,500	2,200	1,165	1,035
Directors' fees	3,990	3,990	4,485	(495)
Small tools	1,800	1,200	1,084	116
Payroll expenses	-	-	2,800	(2,800)
Legal notices	5,000	5,000	680	4,320
Stationary Cascade Systems	3,475	3,000	1,345	1,655
Air systems maintenance	11,525	14,044	14,494	(450)
Total maintenance and operations	<u>\$ 1,823,641</u>	<u>\$ 1,754,033</u>	<u>\$ 1,650,077</u>	<u>\$ 103,956</u>

MONTEREY COUNTY REGIONAL FIRE PROTECTION DISTRICT
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – MODIFIED CASH BASIS – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
GRANT EXPENDITURES	\$ 10,000	\$ 10,000	\$ 66,082	\$ (56,082)
CONTRACTED FIRE PROTECTION	<u>196,000</u>	<u>196,000</u>	<u>196,000</u>	<u>–</u>
CAPITAL OUTLAY:				
Equipment	216,500	797,744	356,227	441,517
Facilities	696,000	659,000	423,226	235,774
Structure	112,000	100,000	165,431	(65,431)
Grant capital expenditure	<u>72,000</u>	<u>109,068</u>	<u>36,078</u>	<u>72,990</u>
Total capital outlay	<u>1,096,500</u>	<u>1,665,812</u>	<u>980,962</u>	<u>684,850</u>
DEBT SERVICE:				
Principal	720,063	741,596	741,596	–
Interest	<u>361,406</u>	<u>334,321</u>	<u>332,899</u>	<u>1,422</u>
Total debt service	<u>1,081,469</u>	<u>1,075,917</u>	<u>1,074,495</u>	<u>1,422</u>
TOTAL EXPENDITURES	<u>16,907,325</u>	<u>18,127,410</u>	<u>17,601,350</u>	<u>526,060</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (2,855,642)</u>	<u>\$ (3,060,893)</u>	<u>\$ 477,958</u>	<u>\$ 3,538,851</u>

See Notes to General Fund Statement of Revenues, Expenditures and
Changes in Fund Balances – Modified Cash Basis – Budget and Actual.

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MONTEREY COUNTY REGIONAL FIRE PROTECTION DISTRICT
NOTES TO GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – MODIFIED CASH BASIS – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1. BUDGET

The Board of Directors legally adopts an annual operating budget which may be amended by the Board throughout the year. The budget is prepared on the modified cash basis of accounting, which is the same basis of actual results. Budget amounts reflect the original budget adopted by the Board and the final budget after all applicable amendments. All budget appropriations lapse at year-end.

*The District budgets for anticipated overtime but does not budget for reimbursable overtime as this can vary year to year greatly based on demand. Budget variance noted is primarily due to reimbursable overtime.