MONTEREY COUNTY
REGIONAL FIRE
PROTECTION DISTRICT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2017

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, 2017

Member	Office
Warren Poitras	President
Rich Speciale	Director
Donn Trenner	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*** as of and for the year ended June 30, 2017, 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.

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HAYASHI & WAYLAND ACCOUNTING & CONSULTING, LLP | LOCATIONS IN CARMEL, KING CITY, PASO ROBLES & SALINAS

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, 2017, 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, Schedule of Funding Progress of Other Post Employment Benefits, 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.

January 23, 2018

Hayashi Wayland, LLP

MONTEREY COUNTY REGIONAL
FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

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, 2017. 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 increased by $1,982,007 for the year ended June 30, 2017. Since the District engages only in governmental-type activities, the increase is all in the category of governmental-type net position. Net position was $2,812,522 and $830,515 as of June 30, 2017 and 2016, respectively.
- The District's total general revenues were $16,369,568 and expenses were $14,387,561 for the year ended June 30, 2017.

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 with comparative data for the prior period. 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 25 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:

	2017	2016
ASSETS:		
Cash and cash equivalents	$ 4,991,026	$ 4,357,753
Receivables–net	179,353	162,234
Capital assets – net	6,134,015	5,480,056
Total assets	11,304,394	10,000,043
LIABILITIES –		
Loans payable	8,491,872	9,169,528
Total liabilities	8,491,872	9,169,528
NET POSITION:		
Net investment in capital assets – net of related debt	4,742,143	3,915,528
Unrestricted	(2,645,481)	(3,738,416)
Restricted	715,860	653,403
Total net position	$ 2,812,522	$ 830,515

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 increased by $1,982,007 over the prior year. This is partially due to additional income of $493,317 received by the District for the East Garrison development. There is an agreement between the County and the District that they will receive a portion of funding for taking over jurisdiction of this development.

Capital Assets

As of June 30, 2017, the District's investment in capital assets totaled $6,134,015, which is an increase of $653,959 over the capital asset balance at June 30, 2016 of $5,480,056. The increase is due to equipment purchases of $1,150,296 exceeding the depreciation expense of $488,839 and loss of $7,498 related to the disposition of assets not fully depreciated.

Long-Term Debt

At June 30, 2017, the District had $8,491,872 of long-term debt. During the year the District made repayments as required under the loan agreements totaling $677,656. These repayments include $505,000 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:

	2017	2016
General revenues:		
Property taxes	$ 10,902,931	$ 10,336,180
Public safety revenues	1,089,454	966,295
Reimbursements – equipment and overtime	1,788,560	1,220,987
Ambulance Revenue	781,181	771,964
Capital grants	480,239	420,116
Others	1,327,203	650,337
Total general revenues	16,369,568	14,365,879
Expenses:		
Salaries and employee benefits	11,809,794	11,022,028
Maintenance and operations	1,449,739	1,512,403
Grant expenditures	39,394	259,859
Contracted fire protection	196,000	195,069
Depreciation	488,839	421,203
Others	403,795	494,972
Total expenses	14,387,561	13,905,534
Change in net position	$ 1,982,007	$ 460,345

Major Factors Affecting the Statement of Activities – Modified Cash Basis

Total revenues increased $2m when compared to the previous year primarily due to an increase in property tax revenue. Property values in the Salinas area have increased over the past several years, which has caused property tax revenue received by the District to increase. Increase in property taxes is also due to additional taxes received for the East Garrison community. Reimbursed overtime revenue increased $567k when compared to prior year due to high fire season in California throughout the fiscal year.

Total expenses increased $482k when compared to the previous year primarily due to an increase in salaries and employee benefits. This increase was caused by increases in additional firemen hired during the fiscal year as well as overtime paid due to a high fire season. In addition increased expenses in retirement benefits, health insurance and workers' compensation insurance.

Budgeting Highlights

The original budgeted revenues were increased by $899,125 primarily due to anticipated increases in property tax revenue, ambulance revenue and capital grants.

The original budgeted expenses were increased by $579,064. The primary reason for the increase was an increase in anticipated salary, benefits, and capital expenditures.

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, 2017

	General Fund	Adjustments (See Note 2)	Statement of Net Position
ASSETS			
Cash and cash equivalents	$ 4,991,026	$ –	$ 4,991,026
Receivables:			
Taxes – net	156,652	–	156,652
Other	22,701	–	22,701
Capital assets, net of accumulated depreciation	–	6,134,015	6,134,015
TOTAL ASSETS	$ 5,170,379	6,134,015	11,304,394
LIABILITIES AND FUND BALANCES/NET POSITION			
LIABILITIES:			
Deferred revenue	$ 156,652	(156,652)	–
Loans payable:			
Due within one year	–	698,751	698,751
Due in more than one year	–	7,793,121	7,793,121
Total liabilities	156,652	8,335,220	8,491,872
FUND BALANCES:			
Restricted –			
Fire mitigation fees	715,860	(715,860)	–
Unassigned	4,297,867	(4,297,867)	–
Total fund balances	5,013,727	(5,013,727)	–
TOTAL LIABILITIES AND FUND BALANCES	$ 5,170,379		
NET POSITION:			
Net investment in capital assets – net of related debt		4,742,143	4,742,143
Unrestricted		(2,645,481)	(2,645,481)
Restricted –			
Fire mitigation fees		715,860	715,860
TOTAL NET POSITION		$ 2,812,522	$ 2,812,522

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, 2017

	General Fund	Adjustments (See Note 2)	Statement of Activities
GENERAL REVENUES:			
Property taxes	$ 10,879,253	$ 23,678	$ 10,902,931
Public safety revenues	1,089,454	–	1,089,454
Reimbursements – equipment and overtime	1,788,560	–	1,788,560
Ambulance revenue	781,181	–	781,181
Fire mitigation fees	308,823	–	308,823
Fire prevention fees	110,556	–	110,556
Capital grants	480,239	–	480,239
Investment earnings	19,523	–	19,523
Sale of fixed assets	8,610	(7,498)	1,112
Other revenues	887,189	–	887,189
Total general revenues	16,353,388	16,180	16,369,568
EXPENDITURES/EXPENSES:			
Fire protection – operations:			
Salaries and employee benefits	11,809,794	–	11,809,794
Maintenance and operations	1,449,739	–	1,449,739
Grant expenditures	39,394	–	39,394
Contracted fire protection	196,000	–	196,000
Depreciation	–	488,839	488,839
Capital outlay	1,150,296	(1,150,296)	–
Debt service:			
Principal	677,656	(677,656)	–
Interest	403,795	–	403,795
Total expenditures/expenses	15,726,674	(1,339,113)	14,387,561
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	626,714	(626,714)	–
CHANGES IN FUND BALANCE/NET POSITION	–	1,982,007	1,982,007
FUND BALANCES/NET POSITION, Beginning of year	4,387,013	(3,556,498)	830,515
FUND BALANCES/NET POSITION, End of year	$ 5,013,727	$ (2,201,205)	$ 2,812,522

See Notes to Financial Statements.

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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.	$ 5,013,727
Property tax receivables are not available to pay for current period expenditures, and therefore are not reported in the funds.	156,652
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.	6,134,015
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.	(8,491,872)
Net position for governmental activities	$ 2,812,522
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.	$ 626,714
Property tax revenues reported in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	156,652
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.	(132,974)
Total forward	$ 650,392

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Total forward	$ 650,392
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:	(7,498)
Capital assets capitalized	1,150,296
Depreciation	(488,839)
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.	677,656
Change in net position for governmental activities	$ 1,982,007

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. The investments are stated at fair value, which equates cost.

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, 2017 the allowance was $ –0– .

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, 2017 has not been calculated by the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement improve financial reporting by requiring disclosures for essential tax abatement information that is not consistently or comprehensively reported to the public at present. There was no significant effect on the financial statements due to the implementation.

NOTE 2. <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)</u>

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

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statements No. 45 and No. 57 related to postemployment benefits other than pensions. Statement No. 75 establishes new accounting and financial reporting requirements for OPEB plans. The requirements of this Statement will improve the decision-usefulness of information in employer and governmental non-employer contributing entity financial reports and will enhance its value for assessing accountability and inter-period equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. The provisions in this Statement are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The District has no plan for early implementation of this Statement. At this time, the District is not certain of the effect the adoption of Statement No. 75 will have on the accompanying financial statements.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefore. This Statement requires similar disclosures for a government's minority shares of AROs. The requirements in this Statement are effective for fiscal years beginning after June 15, 2018. Earlier application is encouraged. The District has no plan for early implementation of this Statement. At this time the District is not certain of the effect the adoption of Statement No. 83 will have on the accompanying financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements in this Statement are effective for fiscal years beginning after December 15, 2018. Earlier application is encouraged. The District has no plan for early implementation of this Statement. At this time the District is not certain of the effect the adoption of Statement No. 84 will have on the accompanying financial statements.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement will

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The District has no plan for early implementation of this Statement. At this time the District is not certain of the effect the adoption of Statement No. 85 will have on the accompanying financial statements

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The District has no plan for early implementation of this Statement. At this time the District is not certain of the effect the adoption of Statement No. 86 will have on the accompanying financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. 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. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. 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, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for fiscal years beginning after December 15, 2019. Earlier application is encouraged. The District has no plan for early implementation of this Statement. At this time the District is not certain of the effect the adoption of Statement No. 87 will have on the accompanying financial statements.

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.

NOTE 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 23, 2018, 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, 2017 consisted of the following:

Cash on hand	$ 250
Deposits with financial institutions	2,001,609
Monterey County investment pool	2,989,167
Total cash and cash equivalents	$ 4,991,026

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 $1.4 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.

NOTE 3. <u>CASH AND CASH EQUIVALENTS (Continued)</u> –

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, 2017 $1,823,356 of the District's bank balances of $2,281,581 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. <u>CAPITAL ASSETS</u>

The following is a summary of the changes in Capital Assets for the year ended June 30, 2017:

	Balance July 1, 2016	Increases/ Reclassification	Decreases/ Reclassification	Balance June 30, 2017
Land	$ 264,019	$ –	$ –	$ 264,019
Structures and improvements	5,065,341	949,128	(191,236)	5,823,233
Equipment	8,243,619	201,168	(760,979)	7,683,808
Accumulated depreciation	(8,092,923)	(488,839)	944,717	(7,637,045)
Total	$ 5,480,056	$ 661,457	$ (7,498)	$ 6,134,015

NOTE 5. <u>LONG–TERM DEBT</u>

Long-term debt balances and transactions for the year ended June 30, 2017 are as follows:

	July 1, 2016	Additions	Retirements	June 30, 2017	Due Within One Year
Pension Obligation Bonds	$ 7,605,000	$ –	$ 505,000	$ 7,100,000	$ 520,000
Muni Finance Lease	1,564,528	–	172,656	1,391,872	178,751
Total	$ 9,169,528	$ –	$ 677,656	$ 8,491,872	$ 698,751

Pension Obligation Bond – 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."

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.

NOTE 5. LONG–TERM DEBT (Continued)

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.

Long-term debt repayments are as follows:

	Principal Repayments	Interest	Total Payments
2018	$ 698,751	$ 384,355	$ 1,083,106
2019	720,063	361,405	1,081,468
2020	741,596	334,093	1,075,689
2021	773,361	302,697	1,076,058
2022 – 2026	3,968,101	944,934	4,913,035
2027 – 2029	1,590,000	90,578	1,680,578
Total	$ 8,491,872	$ 2,418,062	$ 10,909,934

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	$ 531,372
Apparatus replacement	50,554
Breathing support maintenance	24,771
Salary and benefit reserve	984,296
Defibrillator replacement	117,813
JAWS replacement	89,600
Communications equipment	65,500
SCBA cylinder replacement	39,400
Contingencies	54,000
Total	$ 1,957,306

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 $715,860 as of June 30, 2017.

NOTE 8. PENSION PLAN

A. General Information About the Pension Plans

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: the 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, 2017, are summarized as follows:

	Miscellaneous	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
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%	6.5%
Required employer contribution rates	8.262%	6.93%

NOTE 8. PENSION PLAN (Continued)

	Safety	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
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%	12.25%
Required employer contribution rates	19.334%	12.82%

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, 2017, the contributions paid for each Plan were as follows:

	Miscellaneous	Safety
Contributions – employer	$ 12,828	$ 1,621,450

Pension Obligation Bonds – The District issued Pension Obligation Bonds on April 1, 2012 in the amount of $9,260,000, which was used for the purpose of retiring a previously unrecorded liability for the District's unfunded PERS obligations.

The Districts 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.

NOTE 9. DEFERRED COMPENSATION PLAN (Continued)

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.

Funding Policy – The contribution rate is determined annually by an independent actuary. The contribution rate is based on the Annual Required Contribution (ARC) an amount that is actuarially determined in accordance with the parameters of GASB Statement 45. 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, 2015, the District has 27 retirees receiving benefits, 13 active employees eligible to receive benefits in the future, and 42 active employees not yet fully eligible for benefits.

Annual OPEB Cost and Net OPEB Obligation – The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost of the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation.

Annual required contribution (ARC)	$ 856,500
Interest on net OPEB obligation	117,600
Adjustment to ARC	(135,600)
Annual OPEB cost (expense)	838,500
Contributions made	(150,648)
Change in net OPEB obligation	687,852
Net OPEB obligation, beginning of year	4,081,254
Net OPEB obligation, end of year	$ 4,769,106

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

The Districts' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ending June 30 were as follows:

Fiscal Year Ending	Annual OPEB Cost	Actual Contribution Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	$ 659,400	$ 144,267	22%	$ 3,342,000
2016	$ 856,500	$ 153,628	18%	$ 4,033,772
2017	$ 856,500	$ 150,648	18%	$ 4,769,106

Funding Status and Funding Progress – As of June 30, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $11,415,700, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $6,040,494, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 189%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2015 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions include a 3% investment rate of return (discount rate). The unfunded actuarial liability is being amortized over a closed thirty year period as a level percentage of future payroll assumed to grow 3% per year. The remaining amortization period at June 30, 2017 was twenty-eight years.

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

NOTE 11. INSURANCE PROGRAM (Continued)

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, 2017, the District has contributed $682,826 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, 2017.

The summarized statement of net position – modified cash basis of the Monterey County Local Agencies Insurance Authority as of June 30, 2017 is as follows:

Total Assets	$ 4,164,645
Total Net Position	$ 4,164,645

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, 2017, the District paid $196,000 for these services.

NOTE 13. MOBILE AIR SUPPORT UNIT

The District has entered into a Joint Exercise of Powers Agreement pursuant to the provisions of the California Government Code Section 6502. The local government agencies consist of the following Monterey County Cities and Special Districts:

Aromas Fire Protection District
Carmel Highlands Fire Protection
City of Monterey
City of Seaside
City of Salinas
City of Soledad
City of Carmel-By-The-Sea
City of Marina
Monterey Regional Fire Protection District
North County Fire Protection District
Spreckels Community Services District
Cypress Fire Protection District
Pebble Beach Community Services District

NOTE 13. <u>MOBILE AIR SUPPORT UNIT (Continued)</u>

The local agencies under that Agreement have formed the Monterey County Fire Agencies Air Support Group (MCFAASG) to equip, operate and maintain a functional mobile air support unit for efficient operation of their respective fire departments.

Monterey County Regional Fire Protection District shall be designated to administer the Agreement and shall act as agent of the MCFAASG for purposes of completing the buildup of components and maintenance of the high-pressure air compressor and lighting unit. The capital and maintenance costs of the unit shall be shared among all members of the MCFAASG on an equal share basis.

SUPPLEMENTAL INFORMATION

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MONTEREY COUNTY REGIONAL FIRE PROTECTION DISTRICT
SCHEDULE OF FUNDING PROGRESS OF OTHER POST EMPLOYMENT BENEFITS
FOR THE YEAR ENDING JUNE 30, 2017

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/14	7/1/2012	$ –	$ 8,097,000	$ 8,097,000	–	$ 5,193,760	156%
6/30/15	7/1/2012	$ –	$ 8,097,000	$ 8,097,000	–	$ 5,276,680	153%
6/30/16	6/30/2015	$ –	$ 11,415,700	$ 11,415,700	–	$ 5,798,699	197%
6/30/17	6/30/2015	$ –	$ 11,415,700	$ 11,415,700	–	$ 6,040,494	189%

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, 2017

	Budgeted Amounts			Variance With Final Budget
	Original	Final	Actual Amounts	Favorable (Unfavorable)
REVENUES:				
Property taxes	$ 9,768,436	$ 10,166,787	$ 10,879,253	$ 712,466
Public safety revenues	944,316	1,023,914	1,089,454	65,540
Reimbursements – equipment and overtime	128,448	130,994	1,788,560	1,657,566
Ambulance revenue	400,000	450,000	781,181	331,181
Fire mitigation fees	150,000	150,000	308,823	158,823
Fire prevention fees	65,000	65,000	110,556	45,556
Capital grants	126,300	488,000	480,239	(7,761)
Investment earnings (loss)	–	–	19,523	19,523
Sale of fixed assets	–	–	8,610	8,610
Other revenues	48,500	55,430	887,189	831,759
Total general revenues	11,631,000	12,530,125	16,353,388	3,823,263
SALARIES AND EMPLOYEE BENEFITS:				
Salaries	4,843,397	5,107,068	5,120,113	(13,045)
Volunteer pay	105,640	100,640	61,220	39,420
Longevity	596,160	654,494	668,426	(13,932)
Holiday pay	209,731	231,036	225,772	5,264
Part-time	5,000	–	–	–
Uniform allowance	38,254	43,354	43,491	(137)
Overtime *	683,126	621,957	1,809,702	(1,187,745)
Sick/vacation payout	36,000	36,000	42,418	(6,418)
Long-term disability	16,820	21,002	21,165	(163)
Retirement	1,417,059	1,660,675	1,640,844	19,831
Health insurance	1,392,320	1,477,954	1,447,279	30,675
Workers' compensation insurance	592,780	598,910	596,683	2,227
Unemployment	20,440	21,280	10,353	10,927
Social Security and Medicare	97,097	98,530	120,049	(21,519)
Total salaries and employee benefits	$ 10,053,824	$ 10,672,900	$ 11,807,515	$ (1,134,615)

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, 2017
(Continued)

	Budgeted Amounts			Variance With Final Budget
	Original	Final	Actual Amounts	Favorable (Unfavorable)
MAINTENANCE AND OPERATIONS:				
Protective clothing	$ 169,758	$ 85,220	$ 61,085	$ 24,135
Bank service charge	–	2,300	4,191	(1,891)
Telephone	20,260	22,660	26,218	(3,558)
911 County radio	174,720	139,820	127,308	12,512
Food	10,300	9,500	11,172	(1,672)
Station expense	26,100	30,700	26,819	3,881
General liability insurance	102,000	104,000	86,143	17,857
Vehicle maintenance	202,000	198,500	203,536	(5,036)
Communication maintenance	6,900	11,100	20,006	(8,906)
Equipment maintenance	41,940	42,360	38,271	4,089
Air systems maintenance	1,500	9,600	2,391	7,209
Breathing support	6,423	5,002	6,333	(1,331)
Computer maintenance	5,952	7,043	4,467	2,576
Stationary Cascade Systems	4,425	2,975	2,750	225
Building maintenance	68,325	63,010	67,962	(4,952)
Medical supplies	97,700	100,450	104,449	(3,999)
Memberships	2,285	2,485	4,770	(2,285)
Subscriptions	24,836	27,284	27,224	60
Office supplies	23,290	26,740	26,316	424
Auditing services	16,250	17,700	18,000	(300)
Legal services	40,000	45,000	71,808	(26,808)
Medical services	24,022	29,830	25,122	4,708
Other professional services	265,400	279,060	292,717	(13,657)
Legal notices	6,000	6,000	700	5,300
Small tools	1,500	1,500	3,273	(1,773)
District special expense	43,750	20,853	17,440	3,413
Directors’ fees	3,990	3,990	2,790	1,200
Education and training	13,700	15,780	10,503	5,277
Conference and schools	22,950	14,400	16,916	(2,516)
Volunteers	8,350	–	–	–
Leases and rentals	7,000	7,000	4,200	2,800
Gasoline and fuel	110,000	105,000	73,408	31,592
Utilities	35,000	32,000	32,820	(820)
Water	12,000	14,500	13,521	979
Sewer and garbage	6,500	6,500	5,913	587
Payroll expenses	–	–	2,279	(2,279)
Permits	8,500	9,000	9,197	(197)
Total maintenance and operations	$ 1,613,626	$ 1,498,862	$ 1,452,018	$ 46,844

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, 2017
(Continued)

	Budgeted Amounts			Variance With Final Budget
	Original	Final	Actual Amounts	Favorable (Unfavorable)
GRANT EXPENDITURES	$ 2,000	$ 6,000	$ 39,394	$ (33,394)
CONTRACTED FIRE PROTECTION	195,036	196,000	196,000	–
CAPITAL OUTLAY:				
Equipment	706,000	471,200	820,554	(349,354)
Facilities	360,000	560,000	246,166	313,834
Structure	45,000	13,850	14,481	(631)
Grant capital expenditure	53,300	195,080	69,095	125,985
Total capital outlay	1,164,300	1,240,130	1,150,296	89,834
DEBT SERVICE:				
Principal	666,800	677,657	677,656	1
Interest	420,700	403,801	403,795	6
Total debt service	1,087,500	1,081,458	1,081,451	7
TOTAL EXPENDITURES	14,116,286	14,695,350	15,726,674	(1,031,324)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ (2,485,286)	$ (2,165,225)	$ 626,714	$ 2,791,939

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

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.