

EAST CONTRA COSTA FIRE PROTECTION DISTRICT
BRENTWOOD, CALIFORNIA
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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EAST CONTRA COSTA FIRE PROTECTION DISTRICT
Basic Financial Statements
For the Year Ended June 30, 2017

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Basic Financial Statements
For the Year Ended June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
East Contra Costa Fire Protection District
Brentwood, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the East Contra Costa 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 basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
General Fund	Unmodified
Special Revenue Funds:	
Bethel Island Development Fee	Unmodified
East Diablo Development Fee	Unmodified
Cypress Lakes CFD	Unmodified
Oakley Development Fee	Unmodified

Basis for Qualified Opinion on Governmental Activities

As discussed in Note 3A, the District does not maintain complete detailed records of its capital assets and has not calculated or recorded depreciation. Generally accepted accounting principles require the recording of depreciation and that capital assets should be recorded at supportable historical values.

As discussed in Note 6B, the District has not calculated the July 1, 2010 beginning balance of its net other post-employment benefits liability. Generally accepted accounting principles require the recording of the net other post-employment benefits asset or liability beginning with the fiscal year ended June 30, 2008. The balance of the net other post-employment benefits obligation in the financial statements as of June 30, 2017 includes only activity for the years ended June 30, 2011 through 2017. In addition, the annual required contributions used in fiscal years 2014 through 2017 are based on the County's January 1, 2012 actuarial valuation. The County's actuarial valuation subsequent to that date does not include the District and the District did not obtain an updated actuarial valuation.

Qualified Opinion

In our opinion, except for the effects of the matters described in the "Basis for Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the District as of June 30, 2017, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the District as of June 30, 2017, and the respective changes in financial position and the respective budgetary comparisons listed in the Table of Contents as part of the basic financial statements for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The District has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements. Our opinion on the basic financial statements is not affected by this missing information.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplemental Information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Pleasant Hill, California
July 16, 2018

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EAST CONTRA COSTA FIRE PROTECTION DISTRICT

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

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

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

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

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

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

EAST CONTRA COSTA FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS	<u>Governmental Activities</u>
Current Assets:	
Cash and investments (Note 2)	\$15,168,746
Accounts Receivable:	
Due from other governments	14,658
Other receivables	27,948
Prepays	<u>5,400</u>
Total Current Assets	<u>15,216,752</u>
Capital Assets (Note 3):	
Non-depreciable	300,988
Depreciable	<u>8,880,459</u>
Total Capital Assets	<u>9,181,447</u>
Total Assets	<u>24,398,199</u>
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions (Note 5C)	<u>7,124,555</u>
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities	<u>180,155</u>
Noncurrent Liabilities:	
Compensated absences, due in more than one year (Note 1I)	235,821
Net pension liability (Note 5C)	23,362,447
Net OPEB obligation (Note 6B)	<u>4,708,278</u>
Total Noncurrent Liabilities	<u>28,306,546</u>
Total Liabilities	<u>28,486,701</u>
DEFERRED INFLOWS OF RESOURCES	
Related to pensions (Note 5C)	<u>7,565,291</u>
NET POSITION (DEFICIT) (Note 4)	
Net investment in capital assets	9,181,447
Restricted for:	
Facilities and equipment	1,465,788
Unrestricted	<u>(15,176,473)</u>
Total Net Position (Deficit)	<u><u>(\$4,529,238)</u></u>

See accompanying notes to basic financial statements

EAST CONTRA COSTA FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Governmental Activities Net (Expenses) Revenues</u>
Governmental Activities:			
Fire Protection:			
General	\$11,213,680	\$915,918	(\$10,297,762)
Cypress Lakes	785	166,018	165,233
Facilities and equipment:			
Bethel Island	24	3,045	3,021
Total Governmental Activities	<u>\$11,214,489</u>	<u>\$1,084,981</u>	<u>(10,129,508)</u>
General Revenues:			
Property tax			12,515,243
Pass-throughs from other agencies			638,057
Home owner property tax relief			90,404
Other in-lieu taxes			14,967
Investment earnings			98
Other			<u>15,785</u>
Total General Revenues			<u>13,274,554</u>
Change in Net Position			3,145,046
Net Position (Deficit) - Beginning			<u>(7,674,284)</u>
Net Position (Deficit) - Ending			<u><u>(\$4,529,238)</u></u>

See accompanying notes to basic financial statements

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FUND FINANCIAL STATEMENTS

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

GENERAL FUND

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

BETHEL ISLAND DEVELOPMENT FEE SPECIAL REVENUE FUND

The Bethel Island Development Fee Fund is used to account for developer fees collected from the Bethel Island area for facilities and equipment. Funds may be used only for facilities, not operations, and are to provide necessary facilities and equipment as a result of growth. The funds cannot be used for existing facility deficiencies.

EAST DIABLO DEVELOPMENT FEE SPECIAL REVENUE FUND

The East Diablo Development Fee Special Revenue Fund is used to account for developer fees collected from the East Diablo area for facilities and equipment. Funds may be used only for facilities, not operations, and are to provide necessary facilities and equipment as a result of growth. The funds cannot be used for existing facility deficiencies.

CYPRESS LAKES CFD SPECIAL REVENUE FUND

The Cypress Lakes CFD Special Revenue Fund is used to account for special assessments collected in the Cypress Lake area and is to be used only for operations and maintenance in the area. The tax is applicable to 629 parcels, of which 99% is built out. Revenue is transferred to the General Fund to help support services in this area.

OAKLEY DEVELOPMENT FEE SPECIAL REVENUE FUND

The Oakley Development Fee Special Revenue Fund is used to account for developer fees collected in the City of Oakley for facilities and equipment. Funds may be used only for facilities, not operations, and are to provide necessary facilities and equipment as a result of growth. The funds cannot be used for existing facility deficiencies.

EAST CONTRA COSTA FIRE PROTECTION DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017

	Special Revenue Funds				Total Governmental Funds	
	General Fund	Bethel Island Development Fee	East Diablo Development Fee	Cypress Lakes CFD		Oakley Development Fee
ASSETS						
Assets:						
Cash and investments (Note 2)	\$13,702,967	\$55,132	\$1,378,587		\$32,060	\$15,168,746
Accounts Receivable:						
Due from other governments	14,628	30				14,658
Other receivables	27,948					27,948
Due from other funds (Note 1K)	66,552					66,552
Prepays	5,400					5,400
Total Assets	\$13,817,495	\$55,162	\$1,378,587		\$32,060	\$15,283,304
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$180,134	\$21				\$180,155
Due to other funds (Note 1K)				\$66,552		66,552
Total Liabilities	180,134	21		66,552		246,707
Fund Balances (Note 4):						
Nonspendable - prepaids	5,400					5,400
Restricted for:						
Facilities and equipment		55,141	\$1,378,587		\$32,060	1,465,788
Assigned to:						
Facilities and equipment	1,682,324					1,682,324
Employee benefits	1,772,759					1,772,759
Unassigned	10,176,878			(66,552)		10,110,326
Total Fund Balances (Deficit)	13,637,361	55,141	1,378,587	(66,552)	32,060	15,036,597
Total Liabilities and Fund Balances	\$13,817,495	\$55,162	\$1,378,587		\$32,060	\$15,283,304

See accompanying notes to basic financial statements

EAST CONTRA COSTA FIRE PROTECTION DISTRICT
 GOVERNMENTAL FUNDS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2017

	Special Revenue Funds					Total Governmental Funds
	General Fund	Bethel Island Development Fee	East Diablo Development Fee	Cypress Lakes CFD	Oakley Development Fee	
REVENUES:						
District taxes	\$12,515,243					\$12,515,243
Intergovernmental revenues	915,918					915,918
Pass-throughs from other Agencies	638,057					638,057
Home owner property tax relief	90,404					90,404
Other in-lieu taxes	14,967					14,967
Special assessments				\$166,018		166,018
Developer fees		\$3,045				3,045
Use of money and property		98				98
Other	15,785					15,785
Total Revenues	14,190,374	3,143		166,018		14,359,535
EXPENDITURES:						
Current:						
Public safety-fire protection:						
Salaries and benefits	9,439,536					9,439,536
Services and supplies	2,697,127					2,697,127
Other charges		24		785		809
Total Expenditures	12,136,663	24		785		12,137,472
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,053,711	3,119		165,233		2,222,063
OTHER FINANCING SOURCES (USES)						
Transfers in (Note 1H)	728,406					728,406
Transfers out (Note 1H)				(728,406)		(728,406)
Total Other Financing Sources (Uses)	728,406			(728,406)		
NET CHANGE IN FUND BALANCES	2,782,117	3,119		(563,173)		2,222,063
Fund balances at beginning of year	10,855,244	52,022	\$1,378,587	496,621	\$32,060	12,814,534
Fund balances (deficit) at end of year	<u>\$13,637,361</u>	<u>\$55,141</u>	<u>\$1,378,587</u>	<u>(\$66,552)</u>	<u>\$32,060</u>	<u>\$15,036,597</u>

See accompanying notes to basic financial statements

EAST CONTRA COSTA FIRE PROTECTION DISTRICT
 Reconciliation of the
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 with the
 CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2017

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$2,222,063
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Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Additions to capital assets are added to fund balance	63,626
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ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Compensated absences	10,567
Net pension liability and deferred outflows/inflows of resources	1,870,806
Net OPEB obligation	<u>(1,022,016)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$3,145,046</u></u>
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See accompanying notes to basic financial statements

EAST CONTRA COSTA FIRE PROTECTION DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	GENERAL FUND			EAST DIABLO DEVELOPMENT FEE FUND		
	Original and Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)	Original and Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
REVENUES:						
District taxes	\$12,362,784	\$12,515,243	\$152,459			
Intergovernmental Revenues	1,398,756	915,918	(482,838)			
Pass-throughs from other Agencies	250,000	638,057	388,057			
Home owner property tax relief		90,404	90,404			
Other in-lieu taxes		14,967	14,967			
Special assessments						
Charges for services	450,000		(450,000)			
Other		15,785	15,785			
Total Revenues	14,461,540	14,190,374	(271,166)			
EXPENDITURES:						
Current:						
Public safety-fire protection:						
Salaries and benefits	10,850,474	9,439,536	1,410,938			
Services and supplies	3,248,442	2,697,127	551,315			
Other charges						
Total Expenditures	14,098,916	12,136,663	1,962,253			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	362,624	2,053,711	1,691,087			
OTHER FINANCING SOURCES (USES)						
Transfers in	435,887	728,406	292,519			
Transfers out				(\$132,600)		\$132,600
Total Other Financing Sources (Uses)	435,887	728,406	292,519	(132,600)		132,600
NET CHANGE IN FUND BALANCE	\$798,511	2,782,117	\$1,983,606	(\$132,600)		\$132,600
Fund balance at beginning of year		10,855,244			\$1,378,587	
Fund balance at end of year		\$13,637,361			\$1,378,587	

See accompanying notes to basic financial statements

CYPRESS LAKES CFD FUND

Original and Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
\$163,000	\$166,018	\$3,018
163,000	166,018	3,018
1,000	785	215
1,000	785	215
162,000	165,233	3,233
(728,406)	(728,406)	
(728,406)	(728,406)	
(\$566,406)	(563,173)	\$3,233
	496,621	
	(\$66,552)	

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EAST CONTRA COSTA FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *District Services and Reporting Entity*

The District was formed in 2002 from the consolidation of the Bethel Island, East Diablo and Oakley Fire Protection Districts governed by the Contra Costa County Board of Supervisors. On October 27, 2009, the Board of Supervisors consented to a change in the governing structure of the District from an appointed board of directors comprised of the County's Board of Supervisors to a board composed of nine directors appointed by the cities of Brentwood (four) and Oakley (three) and the County of Contra Costa (two). The District's restructured Board was established in February 2010 and the District began independent operations on July 1, 2010.

The District encompasses approximately 250 square miles and serves the incorporated cities of Brentwood and Oakley, and the unincorporated communities of Bethel Island, Discovery Bay, Knightsen, Byron and Marsh Creek and Morgan Territory.

Fire suppression personnel working out of three to five stations include medical emergency response for basic life support. In addition, the County provides advanced life support (paramedics) and ambulance services out of several of the stations. Ambulance services are provided through a contract with Contra Costa County Emergency Medical Services by American Medical Response at no cost to the District. The District also contracts with California Department of Forestry and Fire Protection (CAL FIRE) for coverage during the non-peak fire season in the Marsh Creek-Morgan Territory Area.

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

The District contracted with the County of Contra Costa to provide administrative and accounting services for the District through December 31, 2014. Beginning January 1, 2015, those services are provided on a contract basis through the City of Brentwood. The County continues to provide revenue collection and investment services for the District.

The District maintains its headquarters at City of Brentwood – City Hall, 150 City Park Way, Brentwood, California 94513.

B. *Basis of Presentation*

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

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

EAST CONTRA COSTA FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

C. Major Funds

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

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

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

Bethel Island Development Fee Special Revenue Fund - is used to account for developer fees collected from the Bethel Island area for facilities and equipment. Funds may be used only for facilities, not operations, and are to provide necessary facilities and equipment as a result of growth. The funds cannot be used for existing facility deficiencies.

East Diablo Development Fee Special Revenue Fund - is used to account for developer fees collected from the East Diablo area for facilities and equipment. Funds may be used only for facilities, not operations, and are to provide necessary facilities and equipment as a result of growth. The funds cannot be used for existing facility deficiencies.

EAST CONTRA COSTA FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cypress Lakes CFD Fee Fund – is used to account for special assessments collected in the Cypress Lake area and is to be used only for operations and maintenance in the area. The tax is applicable to 629 parcels, of which 99% is built out. Revenue is transferred to the General Fund to help support services in this area.

Oakley Development Fee Special Revenue Fund – is used to account for developer fees collected in the City of Oakley for facilities and equipment. Funds may be used only for facilities, not operations, and are to provide necessary facilities and equipment as a result of growth. The funds cannot be used for existing facility deficiencies.

D. Basis of Accounting

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

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

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

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

E. Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Chief submits to the Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.

EAST CONTRA COSTA FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. The budget is legally enacted by Board resolution.
4. All budget transfers must be approved by the Chief or designee during the fiscal year. The Chief has the authority to make administrative adjustments to appropriations as long as there is no funding source incompatibility and provided those changes do not increase overall appropriations or will not have an effect on budgeted year-end fund balances except for adjustments associated with Board approved debt issuances and adjustments to capital improvement project funding sources as long as the total financial commitment to the project does not change. Budget transfers required to hire additional permanent personnel require the approval of the Board. The legally adopted budget requires that expenditures not exceed total appropriations at the fund level.
5. Budgets are adopted for all Governmental Funds, except the Bethel Island and Oakley Development Fee Special Revenue Funds.
6. Formal budgetary integration is employed as a management control device during the year for all budgeted funds.
7. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
8. Operating program appropriations supported by a purchase order, including capital equipment, may be carried over from one budget year to the next with the approval of the Chief.
9. Budgeted amounts appearing in the budgetary comparison statements are as originally adopted or as amended by the Board.

F. Property Taxes and Special Assessment Revenue

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

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

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

**EAST CONTRA COSTA FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

G. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net position or balance sheet report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position or balance sheet report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

H. *Restricted Use of Developer Fees and Special Assessments*

Developer fees collected by the District were formed under Government Code Section 66000 to mitigate the impacts of new development on fire facilities. Funds may only be used for facilities, not operations, and are to provide necessary facilities and equipment as the result of growth. The funds cannot be used for existing facility discrepancies. The following fees were formed prior to the Districts’ merger in 2002 and the fees were supported by facilities specific to the individual Districts, therefore, by law, separate accounting, investment and expenditure is mandatory. Fees are collected from new development as residential and non-residential building permits are issued.

- Bethel Island Fire Protection District Facility Fee
- East Diablo Fire Protection District Facility Fee (applicable to Brentwood, Byron and Discovery Bay)
- Oakley Fire Protection District (applicable to Oakley and Knightsen)

The Cypress Lakes Community Facilities District special assessments are special taxes applicable to the boundaries of the Cypress Lakes (now Summer Lakes) development in the City of Oakley for the purpose of operations and maintenance. The tax is applicable to 629 parcels, of which 99% is built out. Revenue is transferred to the General Fund to help support services in this area. The Cypress Lakes Community Facilities District transferred \$728,406 to the General Fund to fund operations during the year ended June 30, 2017.

EAST CONTRA COSTA FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. *Compensated Absences*

Compensated absences comprise unpaid vacation and holiday leave which are accrued as earned. Employees may only accumulate up to two years of vacation time. For all governmental funds amounts expected to be paid out for permanent liquidation are recorded as fund liabilities; the long-term portion is recorded in the Statement of Net Position. Sick pay does not vest and therefore is not accrued. The liability for compensated absences is determined annually.

The changes in the compensated absences were as follows:

	Governmental Activities
Beginning Balance	\$246,388
Net change	(10,567)
Ending Balance	\$235,821

The long-term portion of governmental activities compensated absences is primarily liquidated by the General Fund.

J. *Fair Value Measurements*

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

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

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

**EAST CONTRA COSTA FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Current Interfund Balances

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after at the end of the fiscal year. The Cypress Lakes CFD Special Revenue Fund owed the General Fund \$66,552 as of June 30, 2017.

L. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CASH AND INVESTMENTS

A. Policy and Classification

The District has authorized the Treasurer of the County to administer the investment of the District's cash and investments, with the exception of cash in banks. The District has authorized the City of Brentwood to administer cash in bank.

The Board adopted an investment policy in November 2014 that allows the District to invest only in the Contra Costa County Investment Pool. Under that Policy, the District is authorized to invest in the instruments in the table below, which also identifies certain provisions of the California Government Code or the District's investment policy where it is more restrictive. However, Board approval is required prior to making any such investments:

<u>Permitted Investment/Deposit</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>	<u>Maximum Maturity</u>
U.S. Treasury Notes, Bonds, Bills or Certificates of Indebtedness	Unlimited	25%	5 years
Negotiable Certificates of Deposit	30%	25%	5 years

Prior to adoption of the Investment Policy, the District also invested in the Local Agency Investment Fund through the Treasurer of the County. The Local Agency Investment Fund account was closed during fiscal year 2017.

Cash and investments consisted of the following at June 30, 2017:

County Investment Pool	\$14,428,381
Cash in bank	<u>740,365</u>
Total cash and investments	<u>\$15,168,746</u>

The District's investment in the Contra Costa County Investment Pool is exempt from the fair value hierarchy.

EAST CONTRA COSTA FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 2 – CASH AND INVESTMENTS (Continued)

B. Contra Costa County Investment Pool

The Contra Costa County Investment Pool was rated by Standard & Poor’s (S & P) on September 29, 2017 and was assigned a fund credit quality rating of “AAAF” and a fund volatility rating of “S1+.” The “AAAF” rating is S & P’s highest fund credit quality rating with the “S1+” volatility rating reflecting low sensitivity to changing market conditions. The District’s balance in the Pool is available for withdrawal on demand. Additional information about the Pool is included in the County’s Comprehensive Annual Financial Report that can be obtained from the Contra Costa County Office of the Auditor Controller, 625 Court Street, Martinez, California 94553-1282.

NOTE 3 – CAPITAL ASSETS

A. Policies

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. Capital assets with a value of \$25,000 or more are recorded as capital assets.

Generally accepted accounting principles require that the District’s capital assets, other than land, be depreciated over the estimated useful lives of those assets. Due to the transfer of accounting for the capital assets from the County to the District, the District has not calculated or recorded the balance of accumulated depreciation for the applicable assets.

In addition, although the District has inventoried its capital assets in use, other than the land above, that inventory has not been reconciled with the detail of the buildings and improvements, equipment and vehicles contributed by the County as of July 1, 2010. Therefore, the District has not made any adjustments to capital assets contributed by the County after that date, other than to record additions and retirements of buildings and certain vehicle subsequent to July 1, 2010.

B. Additions and Retirements

Capital assets comprised the following:

	Balance as of June 30, 2016	Additions	Balance as of June 30, 2017
Governmental Activities:			
Land	\$300,988		\$300,988
Depreciable capital assets:			
Buildings and improvements	3,890,222		3,890,222
Equipment and vehicles	4,926,611	\$63,626	4,990,237
Total depreciable capital assets	8,816,833	63,626	8,880,459
Governmental activity capital assets	\$9,117,821	\$63,626	\$9,181,447

EAST CONTRA COSTA FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 3 – CAPITAL ASSETS (Continued)

In September 2015, the District entered into an agreement with Contra Costa County Fire Protection District (CCCFPD) under which CCCFPD will operate and maintain the District's fire boat in the District's territory, in return for being able to operate the fire boat in CCCFPD's territory. Under generally accepted accounting principles, the entity that is responsible for the maintenance of a jointly used capital asset should record that asset in its capital asset records. As a result, the District has recorded the retirement of the fire boat in fiscal year 2016 as a transfer to CCCFPD. When the agreement terminates in fiscal year 2020, the District will record the return of the capital asset at that time, unless the terms of the agreement are extended.

NOTE 4 – NET POSITION AND FUND BALANCES

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

A. Net Position

Net Position is the excess of all the District's assets and deferred outflows of resources over all its liabilities and deferred inflows of resources, regardless of fund. Net Position is divided into three captions. These captions apply only to Net Position and are described below:

Net investment in capital assets describes the portion of Net Position which is represented by the current net book value of the District's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Position, if any, which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter. These principally include developer fees received for facilities and equipment and special assessments for operations in a specific area.

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

B. Fund Balance

The District's fund balances are classified based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the District prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

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

EAST CONTRA COSTA FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 4 – NET POSITION AND FUND BALANCES (Continued)

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

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

Assigned fund balances are amounts constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the Board of Directors or its designee, the Fire Chief, and may be changed at the discretion of the Board of Directors or its designee. This category includes encumbrances; nonspendables, when it is the District's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

C. *Minimum Fund Balance and Fund Balance Reserve Policies*

The District's Budget Policies require the District to strive to maintain the following fund balances:

- 1) The District will strive to maintain an Operating Reserve of 20% of annual appropriations in the General Fund's unassigned fund balance. This is considered the minimum level necessary to maintain the District's credit worthiness and adequately provide for contingencies for unseen operating or capital needs and cash flow requirements. The Operating Reserve can only be used for one-time, emergency expenditures as determined by the Board.
- 2) The District will maintain a Capital Improvement Replacement Reserve to provide a funding source for repair or improvement of existing assets valued at \$25,000 or greater. The annual contribution to this reserve is calculated as 1% of the annual General Fund operating budget. Capital asset damage or insurance recoveries will be credited to the Capital Improvement Replacement Reserve.
- 3) The District will establish and maintain an Equipment Replacement Reserve to provide for the timely replacement of vehicles and capital equipment with a useful life of five years or more or an individual replacement cost of \$10,000 or more as determined by the Chief. The annual contribution to this reserve is calculated as 1% of the annual General Fund operating budget. Sales of surplus equipment as well as any related damage and insurance recoveries will be credited to the Equipment Replacement Reserve.

EAST CONTRA COSTA FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 4 – NET POSITION AND FUND BALANCES (Continued)

- 4) The District will maintain an Other Post Employment Benefits (OPEB) Reserve to provide a funding source for post employment retirement health benefits. The annual minimum contribution to this fund will be 30% of the Actuarial Required Contribution (ARC) while working towards a long term OPEB funding strategy. Interest earnings will be credited to the OPEB Reserve.

The balances of each reserve as of June 30, 2017, which are included in the assigned and unassigned fund balance of the General Fund, were as follows:

Reserved:	
20% Reserve	\$2,787,277
Capital Improvement Reserve	809,861
Equipment Replacement Reserve	872,463
OPEB Reserve	1,772,759
Unreserved	<u>7,389,601</u>
Total General Fund Assigned and Unassigned Fund Balance	<u><u>\$13,631,961</u></u>

NOTE 5 - PENSION PLAN

A. Plan Description

The District participates in the Contra Costa County Employees' Retirement Association (CCCERA), a cost-sharing multiple employer defined benefit pension plan. CCCERA is governed by the Board of Retirement under the County Employee's Retirement Law of 1937, as amended on July 1, 1945, the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures, and policies adopted by the Board of Retirement. It provides service retirement, disability, death and survivor benefits to the eligible General and Safety members employed by the County of Contra Costa. CCCERA also provides retirement benefits to the employee members for sixteen other participating agencies which are members of CCCERA.

All regular full-time employees of the District become members of CCCERA effective on the first day of the first full pay period after employment. Part-time employees in permanent positions must work at least 20 hours a week in order to be a member of CCCERA. Benefits are based on years of credited service, equal to one year of full time employment. Members may elect service retirement at age of 50 with 10 years of service credit, age 70 regardless of service, or with twenty years of service, regardless of age. The retirement benefit the member will receive is based upon age at retirement, final average compensation, years of retirement service credit and retirement plan and benefit tier.

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

EAST CONTRA COSTA FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 5 - PENSION PLAN (Continued)

The District's contributions to the plan are based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from CCCERA's actuary after the completion of the annual actuarial valuation. Employees are required to make contributions to CCCERA regardless of the retirement plan or benefit tier in which they are included.

B. Contributions

Employer and employee contributions and COLA contributions are based on statute and rates recommended by an independent actuary and adopted by the Board of Retirement. The rates are set to provide a retirement benefit equal to a fractional part of the highest year(s) salary, based on membership and benefit tier. The District's required contribution rate for fiscal year 2016 was 126.82% of covered payroll for employees hired prior to January 1, 2013 and 118.18% of covered payroll for employees hired on or after January 1, 2013. The District must contribute these amounts. Required contributions for the year ended June 30, 2017 were \$3,844,670.

The employee contribution is based on the age at the time the individual enters the plan. Under the contract agreement with the employees, the District pays 50% of the employees' portion of the required contributions, excluding the cost of living contribution.

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

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

As of June 30, 2017, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$23,362,447.

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of December 31, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of December 31, 2016 and 2015 was as follows:

Proportion - December 31, 2015	1.526%
Proportion - December 31, 2016	1.668%
Change - Increase (Decrease)	0.14%

EAST CONTRA COSTA FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 5 - PENSION PLAN (Continued)

For the year ended June 30, 2017, the District recognized pension expense of \$1,973,864. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$1,900,992	
Differences between actual and expected experience		\$1,916,355
Changes in assumptions	676,025	442
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	423,411	5,648,494
Net differences between projected and actual earnings on plan investments	4,124,127	
Total	<u>\$7,124,555</u>	<u>\$7,565,291</u>

The \$1,900,992 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2018	(\$1,671,685)
2019	(1,174,034)
2020	500,518
2021	3,473
2022	-
Thereafter	-

D. Actuarial Assumptions

For the measurement period ended December 31, 2016, the total pension liability was determined by rolling forward the December 31, 2015 total pension liability. The plan provisions used in the measurement of the net pension liability are the same as those used in the CCCERA actuarial valuation as of December 31, 2015. The total pension liability and the Plan's fiduciary net position include liabilities and assets held for the post retirement death benefit reserve.

EAST CONTRA COSTA FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 5 - PENSION PLAN (Continued)

The total pension liability as of December 31, 2016 and December 31, 2015 were determined by actuarial valuations as of December 31, 2015 and December 31, 2014, respectively. The actuarial assumptions used were based on the results of an experience study for the period January 1, 2012 through December 31, 2014. They are generally the same as the assumptions used in the December 31, 2014 and the December 31, 2015 funding actuarial valuations except that, for GASB 68 purposes, the investment return assumption used is net of investment expenses only and is not net of administrative expenses, and actuarial assumptions adopted by the CCCERA Board for the year ended December 31, 2015 were used to calculate the total pension liability as of December 31, 2015. Note that the leave cashout assumption for Safety Tier C has been reduced to zero effective with the December 31, 2014 funding actuarial valuation and that change has been reflected in the December 31, 2014 measurement for GASB 68 purposes. The following actuarial assumptions were applied to all periods included in the measurement for both the December 31, 2015 and December 31, 2014 total pension liabilities:

Valuation Date	December 31, 2015
Measurement Date	December 31, 2016
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level percent of payroll
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation Rate	2.75%
Payroll Growth	2.75% (1)
Projected Salary Increase	4.00% - 13.75% (2)
Cost of Living Adjustments	2.75%
Investment Rate of Return	7.00% (3)
Mortality	RP-2014 Healthy Annuitant Mortality Table projected to 2030 with Scale AA, set back two years

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

(2) Vary by service, including inflation

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

EAST CONTRA COSTA FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 5 - PENSION PLAN (Continued)

Discount Rate - The discount rate used to measure the total pension liability for the Plan was 7.0% as of both December 31, 2016 and December 31, 2015. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments of 7.0% was applied to all periods of projected benefit payments to determine the Total Pension Liability as of both December 31, 2016 and December 31, 2015.

The long-term expected rate of return on pension plan investments was determined in 2013 using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. This return is combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation (approved by the Board of Retirement) and projected arithmetic real rates of return for each major asset class, after deducting inflation but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

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

**EAST CONTRA COSTA FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 5 - PENSION PLAN (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease	6.00%
Net Pension Liability	\$35,377,439
Current Discount Rate	7.00%
Net Pension Liability	\$23,362,447
1% Increase	8.00%
Net Pension Liability	\$13,573,716

E. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CCCERA financial reports.

NOTE 6 – OTHER EMPLOYEE BENEFIT PLANS

A. Deferred Compensation Plan

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

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

B. Retiree Medical Benefits

Plan Description and Eligibility

The District participated in the County of Contra Costa's Post Retirement Health Benefit Plan (County Plan), a multiple-employer defined benefit healthcare plan, through December 31, 2014. The plan provided postemployment medical and dental insurance benefits to eligible retired employees and their dependents. The County contracts with Kaiser Permanente, Health Net, Contra Costa Health Plans, and the California Public Employees' Retirement System (CalPERS) to provide medical benefits and Delta Dental and PMI Deltacare for dental benefits.

EAST CONTRA COSTA FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 6 – OTHER EMPLOYEE BENEFIT PLANS (Continued)

The District established its own Post Retirement Health Benefit Plan effective January 1, 2015 (District Plan). The District Plan provides postemployment medical and dental insurance benefits to eligible retired employees and their dependents. The District contracts with the California Public Employees' Retirement System (CalPERS) to provide medical benefits. Benefit provisions are established and may be amended through negotiations between the District and the respective bargaining units.

District retirees are eligible for membership in the Plan upon retirement from the District (drawing a pension from CCCERA).

As of June 30, 2017, there were 19 District participants receiving these health care benefits.

Funding Policy

The contribution requirements of program members and the employers in the County Plan, including the District, are established and may be amended through negotiations between the County and the respective bargaining units. For the fiscal year ended June 30, 2017, the County Plan's funding was based on the "pay-as-you-go" basis plus a contribution of \$20,535,000 to the Contra Costa County Other Postemployment Benefits Irrevocable Trust Fund. For the fiscal year ended June 30, 2017, the District's Plan's funding was also based on the "pay-as-you-go" basis. For fiscal year ended June 30, 2017, the District paid \$233,754 as its "pay-as-you-go" cost to both Plans.

Annual OPEB Cost and Net OPEB Obligation

Generally accepted accounting principles permit contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such contributions are placed in an irrevocable trust or equivalent arrangement. Although the District has established a reserve in the General Fund for future OPEB benefits as discussed in Note 4C and has set-aside \$1,772,759 to fund future benefits, the reserve cannot be considered contributions as discussed above. During the fiscal year ended June 30, 2017, the District contributed only the pay-as-you-go premiums toward the ARC amounting to \$233,754. The District records the accrued liability and expense in the General Fire Protection classification of the Government-wide Statement of Net Position and Statement of Activities. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

EAST CONTRA COSTA FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 6 – OTHER EMPLOYEE BENEFIT PLANS (Continued)

Annual required contribution*	\$873,000
Interest on net OPEB obligation	232,972
Adjustment to annual required contribution	<u>(317,710)</u>
Annual OPEB cost	788,262
Contributions:	
Pay-as-you-go premiums	<u>233,754</u>
Change in net OPEB obligation	1,022,016
Net OPEB obligation at June 30, 2016*	<u>3,686,262</u>
 Net OPEB Obligation at June 30, 2017	 <u><u>\$4,708,278</u></u>

* Generally accepted accounting principles require that the District's calculate the Net OPEB obligation or asset beginning in the fiscal year ended June 30, 2008. Due to the transfer of accounting for the OPEB activity from the County to the District in fiscal year 2011, the District has not calculated or recorded the historical balance of the Net OPEB obligation through June 30, 2010. Only activity for fiscal year 2011 and subsequent years is reflected in the table above.

In addition, the fiscal years 2014 through 2017 annual required contributions are based on the County's January 1, 2012 actuarial valuation. The County's actuarial valuation subsequent to that date does not include the District and the District has not yet obtained an actuarial valuation subsequent to that date.

The District's annual required contributions and actual contributions for the fiscal year are set forth below:

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2017	\$788,262	(\$233,754)	-30%	\$4,708,278

Funded Status and Funding Progress

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 exceptions and new estimates are made about the future.

The Schedule of Funding Progress below and the required supplementary information immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the most recent actuarial study is presented below:

**EAST CONTRA COSTA FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 6 - EMPLOYEE BENEFIT PLANS (Continued)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded (Overfunded) Actuarial Accrued Liability (B - A)	Funded Ratio (A/B)	Covered Payroll (C)	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll [(B - A)/C]
1/1/2012	\$65,491,000	\$1,034,125,000	\$968,634,000	6.33%	\$623,723,000	155.30%

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 January 1, 2012, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 6.32% discount and a 7.75% investment rate of return (net of administrative expenses), which is the expected long-term investment return on the county's own investments and an annual healthcare cost trend rate of 10% initially, reduced by 1% decrements to an ultimate rate of 5% after five years. Both rates included a 3.5% inflation assumption. The UAAL is being amortized as a level dollar amount over 30 years on a closed basis. The remaining amortization period is twenty-five years.

Additional information about the County Plan may be obtained from the Contra Costa County Office of the Auditor Controller, 625 Court Street, Martinez, CA 94553-1282.

NOTE 7 – RISK MANAGEMENT

A. Insurance Coverage

The District participates in two joint ventures discussed below to provide insurance coverage through formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these entities exercise full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each joint venture is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective joint venture, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board. Obligations and liabilities of these joint ventures are not the District's responsibility and the District does not have an equity interest in the assets of each joint venture except upon dissolution of the joint venture.

**EAST CONTRA COSTA FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 7 – RISK MANAGEMENT (Continued)

A summary of the District’s insurance is as follows:

Coverage	JPA (Risk Pool)	Limit of Liability	Deductible/ SIR
Workers' Compensation	FASIS (LAWCX)	Statutory Limit	None
All Risk Property	CCCFDIP (CSAC)	\$550,000,000 (flood)	2% per "unit," \$100,000 minimum (flood)
		\$600,000,000 (property)	\$500 disappearing (property)
		\$200,000,000 (terrorism)	\$500 disappearing (mobile equipment) \$500,000 (terrorism)
Earthquake	CCCFDIP (CSAC)	\$715,000,000	2% per "unit," \$100,000 minimum
Boiler & Machinery	CCCFDIP (CSAC)	\$100,000,000	\$5,000
General & Automobile Liability	CCCFDIP (CSAC)	\$50,000,000	None
Pollution Liability	CCCFDIP (CSAC)	\$10,000,000	\$500,000

The District did not have any claim settlements that exceed the insurance coverage in the last three years. Outstanding claims payable at year-end and the incurred but not reported (IBNR) amount was calculated to be immaterial for presentation purposes.

B. Fire Agencies Self Insurance System

Formed in 1984, the Fire Agencies Self Insurance System (FASIS) is a statewide self-insured joint powers authority, comprised of fire and community service districts. In addition to operating as a risk-sharing pool to cover the worker’s compensation losses of its district members, FASIS provides all of the services necessary for the operation and maintenance of its joint coverage program afforded to member districts.

An eleven-member Board of Directors has the fiduciary responsibility of following the rules set out in the governing documents of FASIS and applicable state laws. The governing documents contain provisions on funding of losses, self-insurance, excess coverage, and the respective powers of the Board of Directors, Administration and Officers of FASIS.

FASIS self-insures the first \$500,000, and through participation in the Local Agency Workers’ Compensation Excess Joint Powers Authority (LAWCX), members are afforded excess coverage from \$500,001 to statutory limits for each occurrence. The District paid \$355,860 to FASIS for fiscal year 2017 coverage.

Audited financial statements for FASIS are available from FASIS, 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833.

C. Contra Costa County Fire District Insurance Pool

The Contra Costa County Fire District Insurance Pool (CCCFDIP) arranges for and provides public liability, property damage and self-insurance between the county, its special districts and independent county fire protection districts through participation in the CSAC Excess Insurance Authority. The CCCFDIP is governed by the Board of Supervisors of Contra Costa County and funding for the program is provided through equitable cost sharing by the member agencies. The District paid \$77,232 to CCCFDIP for fiscal year 2017 coverage.

**EAST CONTRA COSTA FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 7 – RISK MANAGEMENT (Continued)

A report of financial activities of CCCFDIP is available from the County of Contra Costa, Risk Management Division, 2530 Arnold Drive, Suite 140, Martinez, CA 94553.

D. Government Crime Insurance Commercial Policy

The District purchased a government crime insurance commercial policy with the following coverages and deductibles:

Coverage	Limit of Liability	Deductible
Employee theft	\$5,000,000	\$50,000
Forgery or alteration	\$1,000,000	\$25,000
Inside premises (robbery or burglary of other property)	\$5,000,000	\$25,000
Outside premises	\$5,000,000	\$25,000
Computer fraud	\$5,000,000	\$25,000
Funds transfer fraud	\$5,000,000	\$25,000

NOTE 8 – COMMITMENTS AND CONTINGENCIES

A. Litigation

The District is subject to litigation arising in the normal course of business. In the opinion of the District’s Attorney, there is no pending litigation which is likely to have a material adverse effect on the financial position of the District.

B. Memorandum of Understanding for Implementation of Fire and Medical Services Task Force Recommendations

The District entered into a Memorandum of Understanding (MOU) in May 2016 with the City of Brentwood, City of Oakley and Contra Costa County for the implementation of recommendations of the Fire and Medical Services Task Force. The Task Force was formed to identify and recommend both short-term and long-term solutions to improve fire and medical emergency response capabilities within the District. The Task Force members include the Fire Chief and a Battalion Chief for the District, the Chiefs of Staff from the two County Supervisors offices, the President, Vice-President and Board Member for the Firefighters Association Local 1230, the City Manager for the City of Oakley, and the City Manager of the City of Brentwood.

Under the terms of the MOU, the three entities agree to implement the final recommendations of the Task Force and establish a process for funding a fourth station within the District (Knightsen Station) and other elements in the recommendations. The recommendations also include a provision for the three agencies to provide two years of funding for additional and temporary fire and medical emergency response services totaling \$1.36 million, in addition to the District allocating \$874 thousand of funding for the services. The District received funding of \$388,927 from the three agencies during fiscal year 2016 and \$970,892 during fiscal year 2017. The MOU terminated on July 31, 2017.

**EAST CONTRA COSTA FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 8 – COMMITMENTS AND CONTINGENCIES (Continued)

C. Lease of Fire Station 58

In May 2016, the District entered into a lease agreement with the Town of Discovery Bay for Fire Station 58 for a term of 24 months. Monthly rental payments are \$1,300 and the Town is responsible for the day to day maintenance and upkeep of the Station. The lease payments commenced on July 1, 2016 and the District received lease payments totaling \$15,600 during fiscal year 2017.

D. City of Brentwood Lease Agreement

The District entered into a lease agreement with the City of Brentwood in January 2017 for 600 square feet of office space to serve as the District's administrative offices. The monthly Base Rent under the lease is \$900, and the District was required to pay a security deposit of \$1,800. The lease term ends June 30, 2018, but automatically renews each year, unless it is terminated with a 90-day notice, and the lease includes a provision for an annual increase in the monthly rent by the Consumer Price Index.

E. Federal Grant Program

The District participates in a federal grant program. This program is subject to audit by the District's independent accountants in accordance with the provisions of the federal Single Audit Act as amended and applicable State requirements. No cost disallowances have been proposed as a result of audits completed to date; however, this program is still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time. The District expects such amounts, if any, to be immaterial.

NOTE 9 – SUBSEQUENT EVENTS

Delta Coves Community Services District

The District formed the Delta Coves Community Services District (CSD) in May 2016. The District will be included in the property tax roll beginning in fiscal year 2018.

EAST CONTRA COSTA FIRE PROTECTION DISTRICT REQUIRED SUPPLEMENTARY INFORMATION
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Cost-Sharing Multiple Employer Defined Benefit Retirement Plan
As of fiscal year ended June 30, 2017
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Last 10 Fiscal Years*

	2017 (2)	2016 (2)	2015 (2)
Proportion of the net pension liability	1.668%	1.526%	2.033%
Proportionate share of the net pension liability	\$23,362,447	\$22,992,216	\$24,313,820
Covered payroll	\$2,981,911	\$2,578,801 ⁽¹⁾	\$3,033,964 ⁽¹⁾
Proportionate share of the Net Pension Liability as percentage of covered payroll	783.47%	891.59%	801.39%
Plan's fiduciary net position as a percentage of the total pension liability	73.30%	70.89%	74.65%

Notes to Schedule:

(1) Covered employee payroll represents compensation earnable and pensionable compensation.

Only compensation earnable and pensionable compensation that would possibly go into the determination of retirement benefits are included.

(2) The amounts presented for each fiscal year were determined as of 12/31 of the prior calendar year.

* Fiscal year 2015 was the 1st year of implementation.

**EAST CONTRA COSTA FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION**

**Cost-Sharing Multiple Employer Defined Benefit Retirement Plan
As of fiscal year ending June 30, 2017
SCHEDULE OF CONTRIBUTIONS
Last 10 Years***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 3,844,670	\$ 3,389,367	\$ 3,483,172
Contributions in relation to the actuarially determined contributions	<u>3,844,670</u>	<u>3,389,367</u>	<u>3,483,172</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$ 3,142,047	\$ 2,712,190	\$ 2,698,762
Contributions as a percentage of covered payroll	122.36%	124.97%	129.07%

Notes to Schedule

Measurement Date:	12/31/2014	12/31/2013	12/31/2012
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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	8 years **
Asset valuation method	Market value of assets, less unrecognized returns in each of the last nine semi-annual accounting periods.
Inflation	3.25%
Salary increases	4.75% - 14.00%
Cost of living adjustments	3% per year, except as noted below ***
Investment rate of return	7.25%
Retirement age	50 years Classic, 52 years PEPRA
Mortality	RP-2000 Combined Healthy Mortality Table projected to 2030 with Scale AA, set back one year

* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

** Remaining balance of December 31, 2007 UAAL is amortized over a fixed (decreasing or closed) period with 9 years remaining as of December 31, 2013 and 10 years remaining as of December 31, 2014. Any changes in UAAL after December 31, 2007 will be separately amortized over a fixed 18-year period effective with that valuation. Effective December 31, 2013, any changes in UAAL due to plan amendments (with the exception of a change due to retirement incentives) will be amortized over a 10-year fixed period effective with that valuation. The entire increase in UAAL resulting from a temporary retirement incentive will be funded in full upon adoption of the incentive.

*** Except for Tier 3 disability benefits and Tier 2 benefits that are valued as a 3.25% increase per year. Safety Tier C benefits and benefits for PEPRA Tier 4 and Tier 5 members covered under certain memoranda of understanding are assumed to increase at 2% per year. All increases are contingent upon actual increases in CPI.

EAST CONTRA COSTA FIRE PROTECTION DISTRICT REQUIRED SUPPLEMENTARY INFORMATION
--

OTHER POST-EMPLOYMENT BENEFITS PLAN SCHEDULES

SCHEDULE OF CONTRIBUTIONS

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

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2015	\$815,097	\$204,421	25%	\$3,129,561
June 30, 2016	801,059	244,358	31%	3,686,262
June 30, 2017	788,262	(233,754)	-30%	4,708,278

SCHEDULE OF FUNDING PROGRESS

The County Plan's Schedule of Funding Progress below presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the actuarial studies is presented below:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded (Overfunded) Actuarial Accrued Liability (B - A)	Funded Ratio (A/B)	Covered Payroll (C)	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll [(B - A)/C]
1/1/2010	\$41,092,000	\$1,047,028,000	\$1,005,936,000	3.92%	\$604,834,000	166.32%
1/1/2011	61,720,000	1,078,665,000	1,016,945,000	5.72%	599,734,000	169.57%
1/1/2012	65,491,000	1,034,125,000	968,634,000	6.33%	623,723,000	155.30%

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**EAST CONTRA COSTA FIRE PROTECTION DISTRICT
SUPPLEMENTAL INFORMATION
For the Year Ended June 30, 2017**

The **General Fund** is comprised of four subfunds as follows:

General Operations Fund is the general operating fund of the District. It is used to account for all financial resources not required to be accounted for in another fund. The major revenue sources for this Fund are property taxes and pass-throughs from other agencies. Expenditures are made for public safety and other operating expenditures.

Equipment Replacement Fund was established to provide for the timely replacement of vehicles and capital equipment with a useful life of five years or more or an individual replacement cost of \$10,000 or more or as determined by the Fire Chief. The annual contribution to this fund will initially be calculated as 1% of the annual operating (general operations) appropriations with the intent that ultimately it will be based on the annual use allowance which is determined based on the estimated life of the vehicle or equipment and its original purchase cost. Interest earnings and sales of surplus equipment as well as any related damage and insurance recoveries will be credited to the Equipment Replacement Fund.

Capital Improvement Replacement Fund was established to provide a funding source for repair or improvement of existing assets valued at \$25,000 or greater as determined by the Fire Chief. The annual contribution to this fund will initially be calculated as 1% of the annual operating (general operations) appropriations with the intent that ultimately it will be based on depreciation. Interest earnings will be credited to the Capital Improvement Replacement Fund.

Other Post Employment Benefits (OPEB) Fund was established to provide a funding source for post employment retirement health benefits. The annual minimum contribution to this fund will be 30% of the Actuarial Required Contribution (ARC) while working towards a long term OPEB funding strategy. Interest earnings will be credited to the OPEB Fund.

EAST CONTRA COSTA FIRE PROTECTION DISTRICT
GENERAL FUND
SUBCOMBINING BALANCE SHEET
JUNE 30, 2017

	<u>General Operations</u>	<u>Capital Improvement</u>	<u>Equipment Replacement</u>	<u>OPEB</u>	<u>Total General Fund</u>
ASSETS					
Assets:					
Cash and investments	\$10,247,884	\$809,861	\$872,463	\$1,772,759	\$13,702,967
Accounts Receivable:					
Due from other governments	14,628				14,628
Other receivables	27,948				27,948
Due from other funds	66,552				66,552
Prepays	5,400				5,400
	<u>5,400</u>				<u>5,400</u>
Total Assets	<u><u>\$10,362,412</u></u>	<u><u>\$809,861</u></u>	<u><u>\$872,463</u></u>	<u><u>\$1,772,759</u></u>	<u><u>\$13,817,495</u></u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$180,134				\$180,134
	<u>180,134</u>				<u>180,134</u>
Fund Balances:					
Nonspendable - prepaids	5,400				5,400
Assigned for:					
Facilities and equipment		\$809,861	\$872,463		1,682,324
Employee benefits				\$1,772,759	1,772,759
Unassigned	10,176,878				10,176,878
	<u>10,176,878</u>				<u>10,176,878</u>
Total Fund Balances	<u><u>10,182,278</u></u>	<u><u>809,861</u></u>	<u><u>872,463</u></u>	<u><u>1,772,759</u></u>	<u><u>13,637,361</u></u>
Total Liabilities and Fund Balances	<u><u>\$10,362,412</u></u>	<u><u>\$809,861</u></u>	<u><u>\$872,463</u></u>	<u><u>\$1,772,759</u></u>	<u><u>\$13,817,495</u></u>

EAST CONTRA COSTA FIRE PROTECTION DISTRICT
GENERAL FUND
SUBCOMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>General Operations</u>	<u>Capital Improvement</u>	<u>Equipment Replacement</u>	<u>OPEB</u>	<u>Intrafund Eliminations</u>	<u>Total General Fund</u>
REVENUES:						
District taxes	\$12,515,243					\$12,515,243
Intergovernmental revenues	915,918					915,918
Pass-throughs from other Agencies	638,057					638,057
Home owner property tax relief	90,404					90,404
Other in-lieu taxes	14,967					14,967
Other	15,785					15,785
	<hr/>					
Total Revenues	14,190,374					14,190,374
EXPENDITURES:						
Current:						
Public safety-fire protection:						
Salaries and benefits	9,439,536					9,439,536
Services and supplies	2,697,127					2,697,127
	<hr/>					
Total Expenditures	12,136,663					12,136,663
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	2,053,711					2,053,711
OTHER FINANCING SOURCES (USES)						
Transfers in	728,406	\$140,408	\$182,530	\$447,470	(\$770,408)	728,406
Transfers out	(770,408)				770,408	
	<hr/>					
Total Other Financing Sources (Uses)	(42,002)	140,408	182,530	447,470		728,406
NET CHANGE IN FUND BALANCES						
	2,011,709	140,408	182,530	447,470		2,782,117
Fund balances at beginning of year						
	8,170,569	669,453	689,933	1,325,289		10,855,244
Fund balances at end of year						
	<u>\$10,182,278</u>	<u>\$809,861</u>	<u>\$872,463</u>	<u>\$1,772,759</u>		<u>\$13,637,361</u>

EAST CONTRA COSTA FIRE PROTECTION DISTRICT
GENERAL FUND
SUBCOMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	GENERAL OPERATIONS			CAPITAL IMPROVEMENT		
	Original and Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)	Original and Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
REVENUES:						
District taxes	\$12,362,784	\$12,515,243	\$152,459			
Intergovernmental revenues	1,398,756	915,918	(482,838)			
Pass-throughs from other Agencies	250,000	638,057	388,057			
Home owner property tax relief		90,404	90,404			
Other in-lieu taxes		14,967	14,967			
Charges for services	450,000		(450,000)			
Other		15,785	15,785			
Total Revenues	<u>14,461,540</u>	<u>14,190,374</u>	<u>(271,166)</u>			
EXPENDITURES:						
Current:						
Public safety-fire protection:						
Salaries and benefits	10,850,474	9,439,536	1,410,938			
Services and supplies	3,248,442	2,697,127	551,315			
Total Expenditures	<u>14,098,916</u>	<u>12,136,663</u>	<u>1,962,253</u>			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>362,624</u>	<u>2,053,711</u>	<u>1,691,087</u>			
OTHER FINANCING SOURCES (USES)						
Transfers in	435,887	728,406	292,519	\$139,364	\$140,408	\$1,044
Transfers out	(768,007)	(770,408)	(2,401)			
Total Other Financing Sources (Uses)	<u>(332,120)</u>	<u>(42,002)</u>	<u>290,118</u>	<u>139,364</u>	<u>140,408</u>	<u>1,044</u>
NET CHANGE IN FUND BALANCE	<u>\$30,504</u>	<u>2,011,709</u>	<u>\$1,981,205</u>	<u>\$139,364</u>	<u>140,408</u>	<u>\$1,044</u>
Fund balance at beginning of year		<u>8,170,569</u>			<u>669,453</u>	
Fund balance at end of year		<u>\$10,182,278</u>			<u>\$809,861</u>	

EAST CONTRA COSTA FIRE PROTECTION DISTRICT
GENERAL FUND
SUBCOMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	TOTAL GENERAL FUND		
	Original and Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
District taxes	\$12,362,784	\$12,515,243	\$152,459
Intergovernmental revenues	1,398,756	915,918	(482,838)
Pass-throughs from other Agencies	250,000	638,057	388,057
Home owner property tax relief		90,404	90,404
Other in-lieu taxes		14,967	14,967
Charges for services	450,000		(450,000)
Other		15,785	15,785
	<u>14,461,540</u>	<u>14,190,374</u>	<u>(271,166)</u>
Total Revenues			
EXPENDITURES:			
Current:			
Public safety-fire protection:			
Salaries and benefits	10,850,474	9,439,536	1,410,938
Services and supplies	3,248,442	2,697,127	551,315
	<u>14,098,916</u>	<u>12,136,663</u>	<u>1,962,253</u>
Total Expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>362,624</u>	<u>2,053,711</u>	<u>1,691,087</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	435,887	728,406	292,519
Transfers out			
	<u>435,887</u>	<u>728,406</u>	<u>292,519</u>
Total Other Financing Sources (Uses)			
NET CHANGE IN FUND BALANCE	<u>\$798,511</u>	<u>2,782,117</u>	<u>\$1,983,606</u>
Fund balance at beginning of year		<u>10,855,244</u>	
Fund balance at end of year		<u>\$13,637,361</u>	

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

To the Board of Directors of the
East Contra Costa Fire Protection District
Brentwood, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the East Contra Costa Fire Protection District as of and for the year ended June 30, 2017, and have issued our report thereon dated July 16, 2018. Our report was unmodified for all major funds, but was qualified for governmental activities as the District does not maintain complete records of its capital assets, has not calculated or recorded depreciation and the District has not calculated the July 1, 2010 beginning balance of its net other post-employment benefits obligation.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies listed on the Schedule of Material Weaknesses included as part of our separately issued Memorandum on Internal Control dated July 16, 2018, which is an integral part of our audit and should be read in conjunction with this report, to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies listed on the Schedule of Significant Deficiencies included as part of our separately issued Memorandum on Internal Control dated July 16, 2018 which is an integral part of our audit and should be read in conjunction with this report, to be significant deficiencies.

Compliance and Other Matters

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

District's Response to Findings

The District's response to the findings identified in our audit is described in our separately issued Memorandum on Internal Control dated July 16, 2018, which is an integral part of our audit and should be read in conjunction with this report. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Pleasant Hill, California
July 16, 2018

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