

**MONTECITO FIRE
PROTECTION DISTRICT**

**ANNUAL FINANCIAL REPORT
WITH
INDEPENDENT AUDITOR'S REPORT THEREON**

JUNE 30, 2019

MONTECITO FIRE PROTECTION DISTRICT

Annual Financial Report
June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of the Montecito Fire Protection District
Santa Barbara, California

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Montecito Fire Protection District as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
of the Montecito Fire Protection District
Santa Barbara, California

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion & Analysis, post-employment benefits, budgetary comparison, and pension information on pages 4-10 and 34-37, respectively, 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 Montecito Fire Protection District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Directors
of the Montecito Fire Protection District
Santa Barbara, California

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2020, on our consideration of the Montecito Fire Protection 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 solely 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 the effectiveness of the Montecito Fire Protection District, California's 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 Montecito Fire Protection District's internal control over financial reporting and compliance.

Fechter & Company,
Certified Public Accountants

A handwritten signature in cursive script that reads "Fechter & Company, CPAs".

Sacramento, California
March 30, 2020

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

MONTECITO FIRE PROTECTION DISTRICT

Management's Discussion and Analysis (Unaudited) June 30, 2019

The purpose of the Management's Discussion and Analysis (MD&A) is to provide an overview of the District's financial condition and to highlight important changes and activities with fiscal implications that occurred during the year ended June 30, 2019. Please read it in conjunction with the District's basic financial statements and required supplementary information, which follow this section.

Discussion of Basic Financial Statements

This discussion and analysis provides an introduction and a brief discussion of the District's basic financial statements, including the relationship of the statements to each other and the significant differences in the information they provide. Special purpose governments engaged in a single government program can combine the fund financial statements and the government-wide statements using a columnar format. This format reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements rather than at the bottom of the statements or in an accompanying schedule.

The District's financial statements include three components:

1. Statement of Net Position and Governmental Funds Balance Sheet
2. Statement of Activities and Governmental Revenues, Expenditures, and Changes in Fund Balances
3. Notes to the Basic Financial Statements

The Statement of Net Position and Governmental Funds Balance Sheet provide the basis for evaluating the District's capital structure, liquidity, and financial flexibility. The Statement of Activities and Governmental Revenues, Expenditures, and Changes in Fund Balances presents information that shows how the District's fund balances and net position changed during the year. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

The Notes to the Basic Financial Statements provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements. In addition to the basic financial statements, this report also presents other required supplementary information.

MONTECITO FIRE PROTECTION DISTRICT

Management’s Discussion and Analysis
(Unaudited)
June 30, 2019

Government-Wide Financial Analysis

In accordance with Governmental Accounting Standards Board Statement No. 34 (GASB 34), the following is an analysis of the District’s net position and changes in net position.

Table 1 – Montecito Fire Protection District Net Position

	<u>2019</u>	<u>2018</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Assets:				
Current and other assets	\$ 33,989,378	\$ 28,155,768	\$ 5,833,610	20.72%
Capital assets	<u>9,152,963</u>	<u>9,428,582</u>	<u>(275,619)</u>	-2.92%
Total assets	<u><u>\$ 43,142,341</u></u>	<u><u>\$ 37,584,350</u></u>	<u><u>\$ 5,557,991</u></u>	14.79%
Liabilities:				
Current and other liabilities	\$ 8,634,659	\$ 3,670,568	\$ 4,964,091	135.24%
Long-term liabilities	<u>25,210,674</u>	<u>24,566,055</u>	<u>644,619</u>	2.62%
Total liabilities	<u><u>33,845,333</u></u>	<u><u>28,236,623</u></u>	<u><u>5,608,710</u></u>	19.86%
Net Position:				
Invested in capital assets	9,152,963	9,428,582	(275,619)	-2.92%
Unrestricted	<u>144,045</u>	<u>(80,855)</u>	<u>224,900</u>	-278.15%
Total net position	<u><u>\$ 9,297,008</u></u>	<u><u>\$ 9,347,727</u></u>	<u><u>\$ (50,719)</u></u>	-0.54%

Total assets increased \$5,557,991, or 14.8%, when compared to the prior year. The change in current and other assets is primarily a result of an increase in cash and investments of \$6 Million and an increase in deposits of \$805,000, along with a decrease in the deferred outflows of resources of \$1,181,000.

Total liabilities increased by \$5,608,708, or 19.9%. The change in liabilities is primarily a result of an increase to accounts payable of \$3.9 million and an increase in the deferred inflows of resources of \$1,045,000 for pension and OPEB. Additionally, the net OPEB liability increased by \$812,000. The pension and OPEB liabilities are based on separate actuarial reports.

Net position over time is a useful indicator of a government’s financial position. For Montecito Fire Protection District, assets exceed liabilities by \$9,297,008 at the close of the current fiscal year. The decrease of \$50,719, when compared to the prior year, is the amount by which fund expenditures exceed revenues in the current fiscal year (See Table 2 on page 6).

Unrestricted net position increased from a deficit in the amount of \$(80,855) in the prior year to \$144,045, reflecting an increase of resources available to meet the District’s ongoing obligations to citizens and creditors.

MONTECITO FIRE PROTECTION DISTRICT

Management's Discussion and Analysis
(Unaudited)
June 30, 2019

Table 2 – Montecito Fire Protection District Change in Net Position

	2019	2018	Dollar Change	Percent Change
Revenues:				
Property taxes	\$ 17,130,784	\$ 17,588,326	\$ (457,542)	-2.60%
Investment income	555,004	77,392	477,612	617.13%
Rental income	6,450	19,961	(13,511)	-67.69%
Intergovernmental	8,462,837	2,061,211	6,401,626	310.58%
Miscellaneous	653,764	559,543	94,221	16.84%
Total revenues	<u>26,808,839</u>	<u>20,306,433</u>	<u>6,502,406</u>	<u>32.02%</u>
Expenses:				
Salaries and benefits	17,879,049	15,595,607	2,283,442	14.64%
Services and supplies	5,773,877	1,788,851	3,985,026	222.77%
Other expenditures/interest	-	6,281	(6,281)	-100.00%
GASB 68 adjustment	2,945,461	(165,856)	3,111,317	-1875.91%
GASB 75 adjustment	(183,179)	651,178	(834,357)	-128.13%
Depreciation	444,350	517,150	(72,800)	-14.08%
Total expenses	<u>26,859,558</u>	<u>18,393,211</u>	<u>8,466,347</u>	<u>46.03%</u>
Change in net position	(50,719)	1,913,222	(1,963,941)	-102.65%
Net Position – Beginning	<u>9,347,727</u>	<u>12,642,561</u>	<u>(3,294,834)</u>	<u>-26.06%</u>
Prior period adjustment	<u>-</u>	<u>(5,208,056)</u>	<u>5,208,056</u>	<u>-100.00%</u>
Net Position – Ending	<u>\$ 9,297,008</u>	<u>\$ 9,347,727</u>	<u>\$ (50,719)</u>	<u>-0.54%</u>

The District's total revenues increased by \$6,502,406, or 32.0%, in the current fiscal year. The total increase is primarily attributed to the following factor:

- Intergovernmental revenue increased by \$6.4 million dollars, or 311% - following the Thomas Fire (December 2017) and Debris Flow (January 2018) disaster that greatly affected our Montecito community, state and federal disaster declarations allowed our agency to recuperate a majority of the additional costs incurred during the 2017-18 fiscal year. Disaster recovery funds totaled \$6.5 million of the \$8.5 million listed above for Intergovernmental revenue. The remaining \$2 million is revenue from fire assignments in which we provided assistance to other jurisdictions.

MONTECITO FIRE PROTECTION DISTRICT

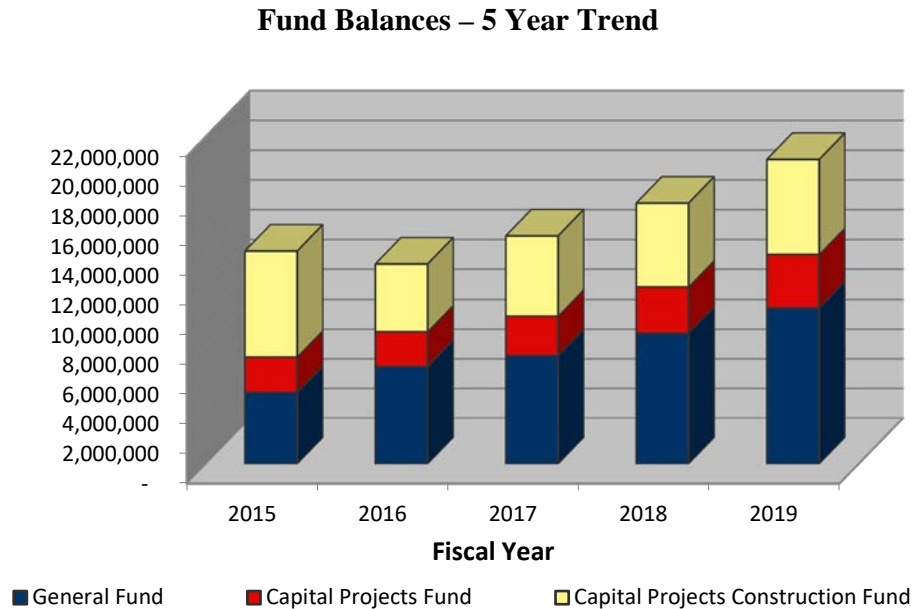
Management's Discussion and Analysis
(Unaudited)
June 30, 2019

The District's total expenses increased by \$8,466,347, or 46.0%, in the current fiscal year. The total increase is primarily attributed to the following factors:

- Under salaries and benefits, pension supplemental contributions were \$2.2 million more than the prior year.
- Under services and supplies, the District paid Cal Fire \$3.9 million for firefighting efforts in our jurisdiction as part of the Thomas Fire cost apportionment agreement. Under GASB 68 adjustment, and increase of \$3.1 million in the pension liability as calculated using independent actuarial reports.

Analysis of Fund Balances of Individual Funds

The chart below displays the fiscal year end (2015 to 2019) fund balances for the District's General Fund (annual operational account), Capital Projects Fund (equipment pre-funding account), and Capital Projects Construction Fund (land and building account).



Total fund balance has increased steadily from fiscal year 2015 to 2019, with the exception of a slight decrease in the Capital Projects Fund in 2016 – a year in which \$2.4 million was transferred to the District's OPEB trust account to accelerate a pre-funding contribution schedule.

The General Fund balance includes \$6,070,000 in Board-approved reserves: catastrophic and economic uncertainties.

MONTECITO FIRE PROTECTION DISTRICT

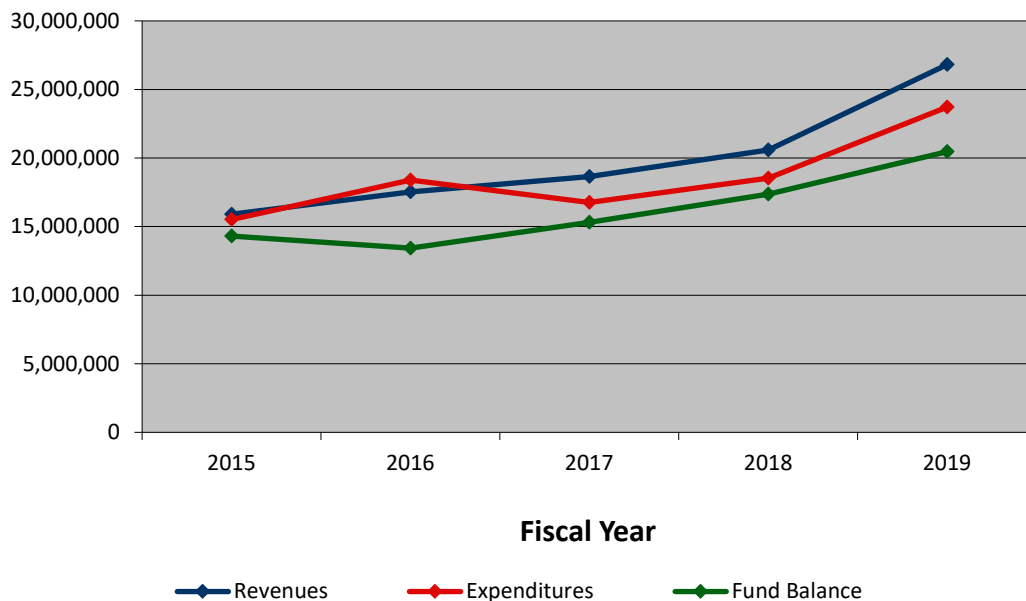
Management's Discussion and Analysis
(Unaudited)
June 30, 2019

Analysis of Revenues, Expenditures, and Fund Balance for Combined Governmental Funds

The following chart displays the District's revenues, expenditures, and ending "Memorandum Only" fund balance totals for the same five-year period. Revenue has exceeded expenditures and fund balance has steadily increased since fiscal year 2015, with the exception of fiscal year 2016. As mentioned in the previous section, there was a decrease in the Capital Projects Construction Fund balance in 2016 is due to a \$2.4 million pre-funding contribution to the District's OPEB trust account.

Over the last five years, revenue has steadily increased from \$15.9 million in 2015 to \$26.8 million in 2019. Total combined expenditures have also seen an upward trend since 2015.

Revenues, Expenditures & Fund Balance - 5 Year Trend



Analysis of Significant Variations Between Original and Final Budget and Actual Results for the General Fund

The Board of Directors adopted the District's 2018-19 fiscal year operating budget in September of 2018 on a modified accrual basis. As adopted for the General Fund, budgeted revenues totaled \$16,650,716, while projected expenditures totaled \$17,042,630. Operating transfers to the Capital Projects Fund were \$422,000.

The District formally amended its originally adopted budget in June of 2019. As amended for the General Fund, revised budgeted revenues increased by \$9,560,700 to \$26,211,416, projected expenditures

MONTECITO FIRE PROTECTION DISTRICT

Management’s Discussion and Analysis
(Unaudited)
June 30, 2019

increased by \$7,311,000 to \$24,353,630, and operating transfers remained unchanged. The revised budget increased the fund balance by \$2,249,700.

Actual revenues for the year were \$281,709 less than budgeted and actual expenditures were \$666,069 lower than the final amended budget on a modified accrual basis. Refer to the required supplementary information on page 34 for the Budget Comparison Schedule.

Capital Assets

The District’s investment in capital assets for its governmental activities as of June 30, 2019, amounted to \$9,152,963 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, structures, improvements, and equipment.

Capital assets for the governmental activities are presented below to illustrate changes from the prior year:

Table 3 – Montecito Fire Protection District Capital Assets

	2019	2018	Dollar Change	Percent Change
Land	\$ 2,577,530	\$ 2,577,530	\$ -	0.00%
Construction in progress	529,436	523,273	6,163	1.18%
Structures & improvements	7,254,712	7,254,712	-	0.00%
Equipment	5,074,349	4,988,034	86,315	1.73%
Total cost	<u>15,436,027</u>	<u>15,343,549</u>	92,478	0.60%
Less: accumulated depreciation	<u>(6,283,064)</u>	<u>(5,914,967)</u>	<u>(368,097)</u>	6.22%
Total capital assets - net	<u>\$ 9,152,963</u>	<u>\$ 9,428,582</u>	<u>\$ (275,619)</u>	-2.92%

Significant capital asset activity during fiscal year 2018-19 includes the following:

- The District installed a new microwave connectivity that will provide wireless dispatch connectivity should our “hard-line” systems (Internet or phone lines) experience an outage. The total project cost was \$61,500.
- The District also placed in service operation equipment, including a new ambulance gurney for patient care, and portable radios, totaling \$66,000.
- The District recognized \$444,350 in depreciation expense.

MONTECITO FIRE PROTECTION DISTRICT

Management's Discussion and Analysis
(Unaudited)
June 30, 2019

Contacting the District Management

This financial report is designed to provide citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the revenue received. We are committed to being open and accessible in our operations and governance. If you have any questions regarding this report or need additional financial information, please visit our website at Montecitofire.com.

BASIC FINANCIAL STATEMENTS

MONTECITO FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2019

	General Fund	Pension Obligation Fund	Capital Project Fund	Capital Project Construction Fund
Assets:				
Cash and investments	\$ 13,993,875	\$ 838	\$ 2,328,774	\$ 6,351,279
Accounts receivable	506,578	-	-	-
Interest receivable	84,869	4	9,586	31,395
Deposits	-	-	1,232,277	-
OPEB asset	-	-	-	-
Other assets	-	-	-	-
Capital assets, net	-	-	-	-
Total Assets	<u>\$ 14,585,322</u>	<u>\$ 842</u>	<u>\$ 3,570,637</u>	<u>\$ 6,382,674</u>

Deferred Outflows of Resources

Deferred Outflows of Resources - OPEB

Liabilities:

Accounts payable	\$ 4,052,740	\$ -	\$ -	\$ -
Salaries and benefits payable	25,313	-	-	-
Accrued interest - current portion	-	-	-	-
Pension obligation bonds - current	-	-	-	-
Long-term liabilities:				
Net Pension liability	-	-	-	-
Net OPEB liability	-	-	-	-
Compensated absences	-	-	-	-
Pension obligation bonds	-	-	-	-
Total Liabilities	<u>4,078,053</u>	<u>-</u>	<u>-</u>	<u>-</u>

Fund Balances/Net Position:

Fund Balances:

Nonspendable	-	-	427,351	-
Committed	-	-	-	-
Assigned	6,070,500	-	-	835
Unassigned	4,436,769	842	3,143,286	6,381,839
Total Fund Balances	<u>10,507,269</u>	<u>842</u>	<u>3,570,637</u>	<u>6,382,674</u>
Total Liabilities, Fund Balances	<u>\$ 14,585,322</u>	<u>\$ 842</u>	<u>\$ 3,570,637</u>	<u>\$ 6,382,674</u>

Deferred Inflows of Resources

Deferred Outflows of Resources - OPEB

Net Position:

Invested in capital assets
Unrestricted
Total Net Position

MONTECITO FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2019

Total Memorandum Only	Adjustments	Statement of Net Position
\$ 22,674,766	\$ -	\$ 22,674,766
506,578	-	506,578
125,854	-	125,854
1,232,277	-	1,232,277
-	-	-
-	45,092	45,092
-	9,152,963	9,152,963
<u>\$ 24,539,475</u>	<u>\$ 9,198,055</u>	<u>\$ 33,737,530</u>
-	\$ 7,115,559	\$ 7,115,559
-	2,289,252	2,289,252
\$ 4,052,740	\$ -	\$ 4,052,740
25,313	-	25,313
-	-	-
-	-	-
-	21,248,084	21,248,084
-	2,414,377	2,414,377
-	1,548,213	1,548,213
-	-	-
<u>4,078,053</u>	<u>25,210,674</u>	<u>29,288,727</u>
427,351	(427,351)	-
-	-	-
6,071,335	(6,071,335)	-
13,962,736	(13,962,736)	-
<u>20,461,422</u>	<u>(20,461,422)</u>	<u>-</u>
<u>\$ 24,539,475</u>		
	3,559,522	3,559,522
	<u>997,084</u>	<u>997,084</u>
	9,152,963	9,152,963
	144,045	144,045
	<u>\$ 9,297,008</u>	<u>\$ 9,297,008</u>

Assets:

Cash and investments
Accounts receivable
Interest receivable
Deposits
OPEB asset
Other assets
Capital assets, net
Total Assets

Deferred Outflows of Resources

Deferred Outflows of Resources - OPEB

Liabilities:

Accounts payable
Salaries and benefits payable
Accrued interest - current portion
Pension obligation bonds - current
Long-term liabilities:
Net Pension liability
Net OPEB liability
Compensated absences
Pension obligation bonds
Total Liabilities

Fund Balances/Net Position:

Fund Balances:

Nonspendable
Committed
Assigned
Unassigned
Total Fund Balances
Total Liabilities, Fund Balances

Deferred Inflows of Resources

Deferred Outflows of Resources - OPEB

Net Position:

Invested in capital assets
Unrestricted
Total Net Position

MONTECITO FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>	<u>Pension Obligation Fund</u>	<u>Capital Project Fund</u>	<u>Capital Projects Construction Fund</u>
Revenues:				
Property taxes	\$ 17,130,784	\$ -	\$ -	\$ -
Investment income	318,138	22	68,870	167,975
Rental income	6,450	-	-	-
Intergovernmental	8,462,837	-	-	-
Proceeds from sale of assets/loss on sale	-	-	4,600	-
Miscellaneous	60,892	-	-	588,272
Total Revenues	<u>25,979,101</u>	<u>22</u>	<u>73,470</u>	<u>756,247</u>
Expenditures:				
Salaries and benefits	17,771,301	-	-	-
Services and supplies	5,773,875	-	-	-
Bond issuance cost amortization	-	-	-	-
Depreciation	-	-	-	-
Capital outlay	162,569	-	-	6,163
Total Expenditures/Expenses	<u>23,707,745</u>	<u>-</u>	<u>-</u>	<u>6,163</u>
Excess (deficiency) of revenues over (under) expenditures	2,271,356	22	73,470	750,084
Other Financing Sources (Uses):				
Transfers in	-	-	422,000	-
Transfers out	(422,000)	-	-	-
Total other financing sources (uses)	<u>(422,000)</u>	<u>-</u>	<u>422,000</u>	<u>-</u>
Net change in fund balances	1,849,356	22	495,470	750,084
Change in net position				
Fund Balances/Net Position - Beginning	<u>8,657,913</u>	<u>820</u>	<u>3,075,167</u>	<u>5,632,590</u>
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances/Net Position - Ending	<u>\$ 10,507,269</u>	<u>\$ 842</u>	<u>\$ 3,570,637</u>	<u>\$ 6,382,674</u>

MONTECITO FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

<u>Total Memorandum Only</u>	<u>Adjustments</u>	<u>Statement of Activities</u>	
\$ 17,130,784	\$ -	\$ 17,130,784	Revenues:
555,005	-	555,004	Property taxes
6,450	-	6,450	Investment income
8,462,837	-	8,462,837	Rental income
4,600	-	4,600	Intergovernmental
649,164	-	649,164	Proceeds from sale of assets/gain on sale
<u>26,808,840</u>	<u>-</u>	<u>26,808,839</u>	Miscellaneous
			Total Revenues
17,771,301	2,870,030	20,641,331	Expenditures:
5,773,875	2	5,773,877	Salaries and benefits
-	-	-	Services and supplies
-	444,350	444,350	Bond issuance cost amortization
168,732	(168,732)	-	Depreciation
<u>23,713,908</u>	<u>3,145,650</u>	<u>26,859,558</u>	Capital outlay
			Total Expenditures/Expenses
3,094,932	(3,145,650)	(50,719)	Excess (deficiency) of revenues over (under) expenditures
422,000	(422,000)	-	Other Financing Sources (Uses):
(422,000)	422,000	-	Transfers in
<u>-</u>	<u>-</u>	<u>-</u>	Transfers out
			Total other financing sources (uses)
3,094,932	(3,094,932)	-	Net change in fund balances
	(50,719)	(50,719)	Change in net position
<u>17,366,490</u>	<u>(8,018,763)</u>	<u>9,347,727</u>	Fund Balances/Net Position - Beginning
<u>-</u>	<u>-</u>	<u>-</u>	Prior Period Adjustment
<u>\$ 20,461,422</u>	<u>\$ (8,069,482)</u>	<u>\$ 9,297,008</u>	Fund Balances/Net Position - Ending

NOTES TO THE BASIC FINANCIAL STATEMENTS

MONTECITO FIRE PROTECTION DISTRICT

Notes to the Financial Statements
June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Montecito Fire Protection District (the District) is an independent division of local government, authorized by California Health and Safety Code Sections 13800-13970. The District is governed by a five-member Board of Directors elected to serve four-year terms. These financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. There are no component units included in this report that meet the criteria of a blended or discretely presented component unit as set forth by the Governmental Accounting Standards Board (GASB), which is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Government-Wide – Basis of Presentation, Measurement Focus, and Basis of Accounting

GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (GASB 34), was issued to improve governmental financial reporting for citizens, district representatives, and creditors involved in the lending process. GASB 34 requires that a government entity present in its basic external financial statements both government-wide financial statements and fund financial statements, excluding fiduciary funds. Governments engaged in a single government program may combine their fund financial statement with their government-wide statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column.

GAAP requires that the government-wide financial statements be reported using the economic resources measurement focus and the accrual basis of accounting. In comparison, governmental funds employ the current financial resources measurement focus and the modified accrual basis of accounting. The economic resources measurement focus aims to report all inflows, outflows, and balances affecting or reflecting an entity's net position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when incurred for activities related to exchange and exchange-like activities. In addition, long-lived assets (such as buildings and equipment) are capitalized and depreciated over their estimated economic lives.

Funds – Basis of Presentation, Measurement Focus, and Basis of Accounting

The accounts of the District are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The District uses the governmental fund category.

MONTECITO FIRE PROTECTION DISTRICT

Notes to the Financial Statements
June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Funds – Basis of Presentation, Measurement Focus, and Basis of Accounting - continued

Governmental Funds are used to account for the District’s general government activities. Governmental funds use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenues available if they are collected within 60 days after fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal year. Other receipts and taxes are determined to be both measurable and available when cash is received by the District and are recognized as revenue at that time.

Secured property taxes are levied in September of each year based upon the assessed valuation as of the previous January 1 (lien date). They are payable in two equal installments due on November 1 and February 1, and are considered delinquent with penalties after December 10 and April 10, respectively.

Unsecured property taxes are due on the January 1 lien date and become delinquent with penalties after August 31. All property taxes are billed and collected by the County of Santa Barbara (the County) and remitted to the District.

The District maintains the following governmental fund types:

The **General Fund** is the District’s operating fund. It accounts for all the financial resources and the legally authorized activities of the District except those required to be accounted for in another fund.

The **Pension Obligation Fund** accounts for the accumulation of resources that are committed for the payment of principal and interest on the District’s pension obligation bonds (Note 5).

The **Capital Projects Fund** accounts for the acquisition of capital assets not being financed by the General Fund.

MONTECITO FIRE PROTECTION DISTRICT

Notes to the Financial Statements
June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Funds – Basis of Presentation, Measurement Focus, and Basis of Accounting - continued

The *Capital Projects Construction Fund* accounts for the construction of major capital projects not being financed by the General Fund, such as the acquisition of land for the development of a new fire station.

Investments

The District maintains substantially all its cash in the Santa Barbara County Treasurer's cash management investment pool (the pool).

State statutes and the County's investment policy authorize the County Treasurer to invest in U.S. Treasury and U.S. Government agency securities; state and/or local agency bonds, notes, warrants, or certificates of indebtedness; bankers' acceptances; commercial paper; corporate bonds and notes; negotiable certificates of deposit; repurchase agreements; reverse repurchase agreements; securities lending; bank deposits; money market mutual funds; State of California Local Agency Investment Fund (LAIF); and the investment pools managed by a Joint Powers Authority. Interest earned on pooled investments is apportioned quarterly into participating funds based upon each fund's average daily deposit balance. Any investment gains or losses are proportionately shared by all funds in the pool.

Investments held by the County Treasurer are stated at fair value. The fair value of pooled investments is determined quarterly and is based on current market prices received from the securities custodian. The fair value of participants' position in the pool is the same as the value of the pool shares. The method used to determine the value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawal.

The pool's disclosures related to cash and investments, including those disclosures regarding custodial credit risk, are included in the County's Comprehensive Annual Financial Report. A copy may be obtained online from the Auditor-Controller section of the County's website.

Receivables

Receivables are recorded in the District's Statement of Net Position and Governmental Funds Balance Sheet net of any allowance for uncollectible. All receivables are deemed to be collectible at June 30, 2019, and, as such, the District has no allowance for uncollectible accounts for these receivables.

MONTECITO FIRE PROTECTION DISTRICT

Notes to the Financial Statements
June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Capital Assets

Capital assets are recorded in the District’s Statement of Net Position and Governmental Funds Balance Sheet in the Statement of Net Position column at cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. The costs of normal maintenance that do not add to the value of the asset or materially extend assets’ lives are expensed as incurred. The District’s capitalization threshold is \$5,000. Capital assets are depreciated at cost using the straight-line method over the following estimated useful lives:

- Small equipment, medium equipment, and computers 5 years
- Vehicles, trucks, and large equipment 10 years
- Fire trucks, buildings, and land improvements 20 years
- Buildings 50 years

Compensated Absences

The District’s policy permits employees to accumulate earned but unused holiday and vacation leave benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All vacation pay and holiday pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements prior to year-end and paid by the District subsequent to year-end.

Deferred Compensation Plan

The District offers a deferred compensation plan to its employees. The District has adopted provisions of GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* (GASB 32), which establishes financial accounting and reporting standards based on current amendments to the provisions of Internal Revenue Code (IRC) Section 457. Under IRC 457, plan assets are not owned by the governmental entity, and as a result, governmental entities are required to remove plan assets and plan liabilities from their financial statements.

The District has no administrative involvement, does not perform the investing function, and has no fiduciary accountability for the plan. Thus, in accordance with GASB 32, the plan assets and any related liability to plan participants have been excluded from the District’s financial statements.

MONTECITO FIRE PROTECTION DISTRICT

Notes to the Financial Statements
June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Fund Equity

In February 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes accounting and financial reporting standards for all governments that report governmental funds.

Under GASB 54, fund balance for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are now broken out in five categories:

- *Nonspendable fund balance* – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- *Committed fund balance* – amounts that can only be used for specific purposes determined by formal action of the District's highest level of decision-making authority and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- *Restricted fund balance* – This fund balance classification should be reported when there are constraints placed on the use of resources externally (by creditors, grant sources, contributors, etc.) or imposed by law or enabling legislation.
- *Assigned fund balance* – amounts that are constrained by the District's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making or by a body or an official designated for that purpose. This is also the classification for residual funds in the District's debt service, special revenue, and capital projects funds.
- *Unassigned fund balance* – the residual classification for the District's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The District's Board establishes, modifies, or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted fund balance resources first, then unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use in the governmental fund financial statements, the District considers committed amounts to be used first, then assigned amounts, and then unassigned amounts.

MONTECITO FIRE PROTECTION DISTRICT

Notes to the Financial Statements
June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Memorandum Only – Total Columns

Total columns in the Statement of Net Position and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balances are captioned as “Memorandum Only,” as they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects the financial position or results of operations of the District in conformity with GAAP. Such data is not comparable to a consolidation, as interfund eliminations have not been made in the aggregation of this data.

Use of Estimates

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

Prior Year Change in Accounting Principles – Other Post-Employment Benefits

During the year ended June 30, 2018, the District adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75)*. This statement requires the Agency recognize in its financial statements the total Postemployment Benefits Other Than Pensions (OPEB) liability for the health benefits provided to retirees, less the amounts held in an irrevocable trust account.

Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The District has implemented the requirements of GASB 75 on a prospective basis.

GASB 75 also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time.

MONTECITO FIRE PROTECTION DISTRICT

Notes to the Financial Statements
June 30, 2019

NOTE 2: CASH AND INVESTMENTS

Investment in the Santa Barbara County Investment Pool

The District is a voluntary participant in the Santa Barbara County Treasurer's investment pool that is regulated by California Government Code under the oversight of the Treasurer of the State of California. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer. As of June 30, 2019, the District had cash on deposit with the County Treasurer in the amount of \$22,674,766.

Investments Authorized by District Policy

The District has not formally adopted a deposit and investment policy that limits the government's allowable deposits or investment and addresses the specific types of risk to which the government is exposed.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. At fiscal year end, the weighted average days to maturity of the investments contained in the County investment pool was approximately 705 days.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating firm. The Santa Barbara County Treasurer's investment pool is not rated.

Custodial Credit Risk

Custodial credit risk does not apply to a local government's indirect investment in deposits and securities through the use of government investment pools (such as the Santa Barbara County Treasurer's investment pool).

MONTECITO FIRE PROTECTION DISTRICT

Notes to the Financial Statements
June 30, 2019

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2019, is as follows:

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2019</u>
Capital assets, not being depreciated:				
Land	\$ 2,577,530	\$ -	\$ -	\$ 2,577,530
Construction in progress	<u>523,273</u>	<u>6,163</u>	<u>-</u>	<u>529,436</u>
Total capital assets, not being depreciated	<u>3,100,803</u>	<u>6,163</u>	<u>-</u>	<u>3,106,966</u>
Capital assets, being depreciated:				
Structures and improvements	7,254,712	-	-	7,254,712
Equipment	<u>4,988,034</u>	<u>162,569</u>	<u>(78,795)</u>	<u>5,071,808</u>
Total capital assets, being depreciated	<u>12,242,746</u>	<u>162,569</u>	<u>(78,795)</u>	<u>12,326,520</u>
Less accumulated depreciation for:				
Structures and improvements	(2,862,238)	(155,736)	-	(3,017,974)
Equipment	<u>(3,052,729)</u>	<u>(288,615)</u>	<u>78,795</u>	<u>(3,262,549)</u>
Total accumulated depreciation	<u>(5,914,967)</u>	<u>(444,351)</u>	<u>78,795</u>	<u>(6,280,523)</u>
Total capital assets, being depreciated, net	<u>6,327,779</u>	<u>(281,782)</u>	<u>-</u>	<u>6,045,997</u>
Total capital assets, net	<u>\$ 9,428,582</u>	<u>\$(275,619)</u>	<u>\$ -</u>	<u>\$ 9,152,963</u>

Depreciation expense amounted to \$444,351 for the fiscal year ended June 30, 2019.

NOTE 4: LONG-TERM LIABILITIES

Changes to the District's long-term liabilities for the year ended June 30, 2019, are as follows:

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2019</u>
Compensated absences	\$ 1,440,463	\$ 107,750	\$ -	\$ 1,548,213
Net pension liability	<u>21,524,106</u>	<u>-</u>	<u>(276,022)</u>	<u>21,248,084</u>
	<u>\$ 22,964,569</u>	<u>\$ 107,750</u>	<u>\$(276,022)</u>	<u>\$ 22,796,297</u>

The liability for employee compensated absences is liquidated by the General Fund.

MONTECITO FIRE PROTECTION DISTRICT

Notes to the Financial Statements
June 30, 2019

NOTE 5: INTERFUND TRANSFERS

Interfund transfers in the District’s fund financial statements made during the year ended June 30, 2019, are as follows:

Funds	Inter-Fund	
	Transfers In	Transfers Out
Major Funds:		
General	\$ -	\$ 422,000
Capital projects	422,000	-
Total	<u>\$ 422,000</u>	<u>\$ 422,000</u>

During the fiscal year ended June 30, 2019, the District transferred \$422,000 from the General Fund to the capital outlay funds to finance fixed asset purchases.

NOTE 6: RISK MANAGEMENT

The District is a participant in a public entity risk pool with the Fire Agencies Insurance Risk Authority (FAIRA). FAIRA is organized pursuant to the provisions of the California Government Code Section 6500 et seq. for the purpose of providing an effective risk management program to local governments by reducing the amount and frequency of losses, pooling self-insured losses, and jointly purchasing excess insurance and administrative services in connection with a joint protection program.

The District pays an annual premium to the pool for its excess general liability insurance coverage. The agreement for information of FAIRA provides that the pool will be self-sustaining through member premiums.

FAIRA provides the District with insurance-like benefits for general liability and excess liability coverage, automobile claims, management liability coverage, and property coverage for buildings, contents, and crime. During the fiscal year, the District contributed an annual premium of \$32,017 with limits ranging from \$1,000,000 to \$2,000,000 for each liability, and excess liability coverage of \$10,000,000. The insurance coverage in excess of the \$1,000,000, up to \$10,000,000, is provided by the Argonaut Insurance Company.

MONTECITO FIRE PROTECTION DISTRICT

Notes to the Financial Statements
June 30, 2019

NOTE 7: RETIREMENT PLAN

Plan Description

The District contributes to the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and District ordinance. Copies of CalPERS' annual financial report may be obtained from its Executive Office at 400 P Street, Sacramento, CA 95814.

All full-time and less than full-time District employees that meet the CalPERS membership eligibility requirements can participate in CalPERS. Retirement benefits vest after five years of service with the District. Vested District safety members who retire at, or after, age 50 are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to years of credited service multiplied by their highest twelve-month period of earnings multiplied by a percentage factor ranging from 2.4% to 3.0%, depending upon age at retirement. Vested District miscellaneous members who retire at, or after, age 50 are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to years of credited service multiplied by their highest twelve-month period earnings multiplied by a percentage factor ranging from 2.0% to 3.0%, depending upon age at retirement. CalPERS also provides death and disability benefits.

On January 1, 2013, the Public Employee Pension Reform Act of 2013 (PEPRA) became effective, which made numerous changes to public pension provisions for agencies contracting with CalPERS. A new tier level was created for new public agency employees, which includes a different retirement benefit formula as well as different employer and member contribution rates as compared to current public agency employees.

CalPERS issues a separate comprehensive annual financial report, copies of which may be obtained from the CalPERS webpage at www.calpers.ca.gov.

MONTECITO FIRE PROTECTION DISTRICT

Notes to the Financial Statements
June 30, 2019

NOTE 7: RETIREMENT PLAN - continued

Funding Policy

The employee contribution level for District miscellaneous members and District safety members is 8% and 9%, respectively, of annual salary. The District makes contributions for the entire amounts required of the employees on their behalf. The District is required to contribute an actuarially determined employer rate. The contribution requirements of plan members are based upon the benefit level adopted by the District’s Board. The employer contribution rate is established annually and may be amended by CalPERS. The employer contribution rates of annual covered payroll are as follows:

<u>Tier</u>	<u>Safety</u>	<u>Non-Safety</u>
Tier 1	20.416%	15.783%
PEPRA	12.965%	7.266%

In addition, the District also makes unfunded liability payments annually to help make up for the shortfall in the pension plan. This is also actuarially determined. The following represents the unfunded liability payments made during the 2019 fiscal year:

<u>Tier</u>	<u>Safety</u>	<u>Non-Safety</u>
Tier 1	\$ 1,005,029	\$ 121,426
PEPRA	1,078	-

Funding Policy

At June 30, 2019, the District reported a liability of \$21,248,084 in the Statement of Net Position for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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 Pension Plan participants, which was actuarially determined.

For the fiscal year ended June 30, 2019, the District recognized pension expense of \$2,945,461 in its Government-Wide financial statements. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits.

MONTECITO FIRE PROTECTION DISTRICT

Notes to the Financial Statements
June 30, 2019

NOTE 7: RETIREMENT PLAN – continued

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions; total pension liability represents the portion of the actuarial present value of projected benefit payments attributable to past periods of service for current and inactive employees:

- Discount Rate/Rate of Return – 7.15%, net of investment expense
- Inflation Rate – 2.75%
- Salary increases – Varies by Entry Age and Service
- COLA Increases – up to 2.75%
- Post-Retirement Mortality – Derived using CalPERS’ Membership Data for all Funds

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 through June 30, 2017.

The long-term expected rate of return on pension plan investments (7.15%) was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are 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 and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	50.00	5.98%
Global Fixed Income	28.00	2.62%
Inflation Sensitive	0	1.81%
Private Equity	8.00	7.23%
Real Estate	13.00	4.93%
Liquidity	1.0%	(.92)%

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension fund’s fiduciary net position was projected to be available

MONTECITO FIRE PROTECTION DISTRICT

Notes to the Financial Statements
June 30, 2019

NOTE 7: RETIREMENT PLAN - continued

Actuarial Assumptions - (continued)

to make all projected future benefit payments of current active and inactive employees. In theory, the discount rate may differ from the long-term expected rate of return discussed previously. However, based on the projected availability of the pension fund’s fiduciary net position, the discount rate is equal to the long-term expected rate of return on pension plan investments, and was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents 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 (6.15%) or 1 percentage point higher (8.15%) than the current rate:

	1% Decrease 6.15%	Discount Rate 7.15%	1% Increase 8.15%
District's proportionate share of the net pension liability	\$ 34,185,845	\$ 21,248,085	\$ 10,639,712

Detailed information about the pension fund’s fiduciary net position is available in the separately issued CalPERS comprehensive annual financial report, which may be obtained by contacting CalPERS.

NOTE 8: OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description and Funding Policy

The District provides retiree healthcare benefits for employees who retire with CalPERS pension benefits immediately upon termination of employment from the District. The District contracts with CalPERS for this insured-benefit plan, an agent multiple-employer post-employment healthcare plan, established under the State of California’s Public Employees’ Medical and Hospital Care Act (PEMHCA). The plan’s medical benefits and premium rates are established by CalPERS and the insurance providers. The District pays for medical, dental, and vision premiums for the lifetime of the retiree and their eligible dependents. The District pays 100% of the retiree medical premiums, up to a maximum of \$2,315 per month for 2019, and 100% of the premiums for retiree dental and vision coverage. CalPERS issues a separate comprehensive annual financial report, copies of which may be obtained from the CalPERS webpage www.calpers.ca.gov.

MONTECITO FIRE PROTECTION DISTRICT

Notes to the Financial Statements
June 30, 2019

NOTE 8: OTHER POST EMPLOYMENT BENEFITS (OPEB) - continued

Plan Description and Funding Policy - (continued)

The District participates in the Public Agency Retirement System (PARS) Public Agencies Post-Retirement Health Care Plan Trust Program (PARS Trust), a single employer irrevocable trust established to fund other postemployment benefits. The PARS Trust is approved by the Internal Revenue Code Section 115 and invests funds in equity, bond, and money market mutual funds. The Fire Chief or designee is the District's Plan Administrator. Copies of PARS Trust annual financial report may be obtained from PARS at 4350 Von Karman Avenue, Suite 100, Newport Beach, CA 92660.

The contributions to the OPEB plan are based on pay-as-you-go financing requirements, with an additional amount contributed to the PARS Trust to prefund benefits from time to time at the sole discretion of the Board. Retiree health benefits may be paid out of the PARS Trust, set up for this purpose, to the extent funded. The purpose of this funding policy is to manage the District's OPEB obligations while at the same time maintaining as much flexibility as possible to adjust for changing budgetary considerations.

Employees Covered by Benefit Terms

At the OPEB liability measurement date of June 30, 2018, the following employees were covered by the benefit terms:

- Retired employees – 49
- Active employees – 45

Total OPEB liability

The District's total OPEB liability was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary increases	4.00%
Medical cost trend	5-6% increases
Discount rate	6.5%

MONTECITO FIRE PROTECTION DISTRICT

Notes to the Financial Statements
June 30, 2019

NOTE 8: OTHER POST EMPLOYMENT BENEFITS (OPEB) - continued

	<u>2019</u>
Total OPEB liability - 6/30/2018	\$ 1,601,486
Service cost	472,727
Interest	753,337
Expected return on plan assets	(794,397)
Experience differences	405,816
Changes in assumptions	(167,851)
Change in deferred outflows and inflows	195,809
Administrative costs	<u>(52,550)</u>
Total OPEB liability - 6/30/2019	<u>\$ 2,414,377</u>

Sensitivity of the District's Net OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	5.5%	6.5%	7.5%
District's net OPEB plan liability	\$ 3,981,029	\$ 2,414,377	\$ 1,101,288

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost-trend rate that is 1 percentage point lower or 1 percentage point higher than the healthcare cost-trend rate:

	<u>1% Decrease</u>	<u>Current Trend</u>	<u>1% Increase</u>
		Rate	
District's net OPEB plan liability	\$ 1,046,161	\$ 2,414,377	\$ 3,903,231

OPEB expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019 the District recognized OPEB expense of \$183,179. OPEB expense represents the change in the net OPEB liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss and actuarial assumptions.

MONTECITO FIRE PROTECTION DISTRICT

Notes to the Financial Statements
June 30, 2019

NOTE 8: OTHER POST EMPLOYMENT BENEFITS (OPEB) - continued

OPEB expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - (continued)

At June 30, 2019, the District reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net differences between expected and actual experience	\$ 1,501,520	\$ -
Change in assumptions	-	621,047
Net differences between project and actual earnings	-	376,037
Contributions subsequent to measurement date	<u>787,732</u>	<u>-</u>
	<u>\$ 2,289,252</u>	<u>\$ 997,084</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 117,766
2021	117,766
2022	117,766
2023	<u>151,138</u>
Total	<u>\$ 504,436</u>

NOTE 9: WORKFORCE HOUSING

The District had a Housing Committee that researched methods which allow employees to live closer to the District in order to facilitate responses to emergencies. The District approved a plan in the fiscal year ended June 30, 2006 to purchase Workforce Housing and completed the purchase of a parcel consisting of three residences of varying sizes at East Valley Road. The District has contracted with a property management company to manage the operational activity of the residences. The Housing Committee developed a policy to govern all matters related to the Workforce Housing Program that was adopted by the Board.

In January of 2018, one property was destroyed and two were severely damaged rendering them uninhabitable. Since then, one property was repaired and is currently occupied by an employee of the District. The other two properties are in the repair and rebuilding phase.

MONTECITO FIRE PROTECTION DISTRICT

Notes to the Financial Statements
June 30, 2019

NOTE 10: DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Pursuant to GASB Statement No. 63, the District recognized deferred outflows of resources in the government-wide and proprietary fund statements. These items are a consumption of net position by the District that is applicable to a future reporting period. The District has one item that is reportable on the Government-Wide Statement of Net Position as Deferred Outflows of Resources which is related to pensions that are the CalPERS premiums for the 2019 fiscal year which will be recognized in a subsequent reporting period. The total for this is \$2,788,692. These were the employer contributions for the 2019 fiscal year.

The District is also reporting deferred outflows of resources relating to differences between projected and actual investment earnings, change in employer proportions and differences between the employer’s contributions and their proportionate share of contributions. The total of these amounts at year-end were \$4,326,867 and they will be amortized over a 3.8 year period.

The District also recognized deferral inflows of resources in the government-wide financial statements. These are related to differences between expected and actual experience, changes of assumptions, and differences between employers and the District’s proportionate share of contributions. This amount totaled \$3,557,609 and will be amortized over a 3.8 year period.

Under the modified accrual basis of accounting, it is not enough that revenue is earned; it must also be available to finance expenditures of the current period. Governmental funds will therefore include deferred inflows of resources for amounts that have been earned but are not available to finance expenditures in the current period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 1,330,452
2021	429,718
2022	(839,296)
2023	<u>(151,618)</u>
Total	<u>\$ 769,256</u>

MONTECITO FIRE PROTECTION DISTRICT

Notes to the Financial Statements
June 30, 2019

NOTE 11: EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUNDS BALANCE SHEETS AND STATEMENT OF NET POSITION

Amounts reported for governmental activities in the Statement of Net Position are different because: Capital assets used in Governmental Activities are not financial resources and, therefore; are not reported in the funds.	\$ 9,198,055
Certain long-term assets, such as deferred outflows of resources, create long-term assets.	9,404,811
Long-term liabilities, including compensated absences are not due and payable in the current period and, therefore; are not reported in the funds.	(1,548,213)
Other long-term liabilities, such as the net pension liability and deferred inflows of resources, are not due and payable in the current period and, therefore; are not reported in the funds.	<u>(28,219,067)</u>
Combined Adjustment	<u>\$ (11,164,414)</u>
Amounts reported for governmental activities in the Statement of Activities are different because: Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The difference is the amount by which depreciation exceeded capital outlays in the current period, plus loss on disposal.	\$ (275,619)
Changes in the compensated absences, net pension liability, and OPEB liabilities are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	<u>(2,870,032)</u>
Combined Adjustment	<u>\$ (3,145,651)</u>

MONTECITO FIRE PROTECTION DISTRICT

Notes to the Financial Statements
June 30, 2019

NOTE 12: COMMITMENTS AND CONTINGENCIES

Litigation

The District is subject to litigation related to employee matters that are incidental to the ordinary course of the District's operations. There is presently no outstanding litigation.

Grant Revenues

The District recognizes as revenues grant monies earned for costs incurred in certain Federal and State programs the District participates in. The program may be subject to financial and compliance audits by the reimbursing agency. The amount, if any, of the expenditures which may be disallowed by the granting agency cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

NOTE 13: SUBSEQUENT EVENTS

Subsequent events have been reviewed through March 30, 2020, the date the financial statements were available to be issued. In January 2020, the virus SARS-CoV-2 was transmitted to the United States from overseas sources. This virus, responsible for the Coronavirus disease COVID-19, has proven to be extremely virulent with transmission rates as yet unknown. The economic impact on the State of California and the County of Santa Barbara as yet has not been determined and, therefore, any potential impact on the District is not yet known.

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

**MONTECITO FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Unaudited)
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Revenues				
Property taxes	\$ 15,857,011	\$ 17,577,711	\$ 17,130,784	\$ (446,927)
Investment income	20,000	120,000	318,138	198,138
Rental income	-	-	6,450	6,450
Intergovernmental	766,205	8,506,205	8,462,837	(43,368)
Miscellaneous	7,500	7,500	60,892	53,392
Total revenues	<u>16,650,716</u>	<u>26,211,416</u>	<u>25,979,101</u>	<u>(232,315)</u>
Expenditures				
Salaries and benefits	14,618,730	18,363,730	17,771,301	592,429
Services and supplies	2,108,900	5,809,900	5,773,875	36,025
Capital outlay	315,000	180,000	162,569	17,431
Total expenditures	<u>17,042,630</u>	<u>24,353,630</u>	<u>23,707,745</u>	<u>645,885</u>
Excess of revenues over expenditures				
Other Financing Uses:				
Transfers out (net)	<u>(422,000)</u>	<u>(422,000)</u>	<u>(422,000)</u>	-
Total other financing uses	<u>(422,000)</u>	<u>(422,000)</u>	<u>(422,000)</u>	-
Net changes in fund balances	<u>\$ (813,914)</u>	<u>\$ 1,435,786</u>	<u>1,849,356</u>	
Fund balances - Beginning			<u>8,657,913</u>	
Fund balances - Ending			<u>\$ 10,507,269</u>	

MONTECITO FIRE PROTECTION DISTRICT

Notes to Budgetary Comparison Schedules
For the Year Ended June 30, 2019

NOTE 1: BUDGETARY AND LEGAL COMPLIANCE

In accordance with California Health and Safety Code Section 13895, on or before October 1, the District must submit a board approved budget to the County Auditor. Annual budgets are adopted for the District's General, Capital Projects, and Capital Projects Construction Funds. Budgets are prepared on the modified accrual basis of accounting consistent with GAAP. Annually, the Board of Directors conducts a public hearing for the discussion of proposed budgets. At the conclusion of the hearing, the Board adopts the final budgets. All appropriations lapse at fiscal year-end and are subject to re-appropriation as part of the following year's budget. The legal level of budgetary control (the level on which expenditures may not legally exceed appropriations) is maintained at the object level. Any changes in the annual budget must be changed by a vote of the Board. The Board amended the originally adopted General Fund budget in June of 2019.

MONTECITO FIRE PROTECTION DISTRICT

Required Supplementary Information
 Other Post-Employment Benefits (OPEB) Plan – Schedule of Funding Progress
 For the Year Ended June 30, 2019

	<u>2019</u>	<u>2018</u>
Total OPEB liability - 6/30/2018	\$ 1,601,486	\$ 2,052,103
Service cost	472,727	644,394
Interest	753,337	712,627
Expected return on plan assets	(794,397)	(1,175,914)
Experience differences	405,816	-
Changes in assumptions	(167,851)	-
Change in deferred outflows and inflows	195,809	(682,741)
Administrative costs	<u>(52,550)</u>	<u>(51,017)</u>
Total OPEB liability - 6/30/2019	<u><u>\$ 2,414,377</u></u>	<u><u>\$ 1,499,452</u></u>
Covered Payroll	\$ 10,410,655	\$ 6,836,000
Total OPEB liability as a percentage of covered payroll	23.19%	23.43%
Plan fiduciary net position as a percentage of the total OPEB liability	82.17%	86.63%
Measurement date	6/30/2018	6/30/2017

MONTECITO FIRE PROTECTION DISTRICT

Required Supplementary Information - Pensions
For the Year Ended June 30, 2019

Last 10 Fiscal Years*:

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
District's proportion of the net pension liability	0.310696%	0.310636%	0.374780%	0.328000%	0.382520%
District's proportionate share of the net pension liability	\$ 13,163,696	\$ 11,522,916	\$ 18,462,053	\$ 21,524,106	\$ 21,248,085
District's covered employee payroll	6,597,160	6,998,926	6,784,400	6,983,314	7,517,960
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	199.53%	164.64%	272.13%	308.22%	282.63%
Plan Fiduciary net position as a percentage of the total pension liability	81.59%	83.99%	76.68%	75.48%	77.40%

* Amounts presented above were determined as of 6/30.
Additional years will be presented as they become available.

CALPERS - Schedule of District Contributions

Last 10 Fiscal Years*:

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Actuarially determined contribution	\$ 1,192,280	\$ 1,192,280	\$ 934,063	\$ 772,837	\$ 2,788,692
Total action contribution	<u>(1,192,280)</u>	<u>(1,192,280)</u>	<u>(934,063)</u>	<u>(772,837)</u>	<u>(2,788,692)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 6,597,160	\$ 6,998,926	\$ 6,784,400	\$ 6,983,314	\$ 7,517,960
Contributions as a percentage of covered employee payroll	18.07%	17.04%	13.77%	11.07%	37.09%

COMPLIANCE SECTION

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 Montecito Fire Protection District
Santa Barbara, California

We have audited, in accordance with the auditing standard generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Montecito Fire Protection District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 30, 2020.

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 internal control of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

To the Board of Directors
of the Montecito Fire Protection District
Santa Barbara, California

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fechter & Company,
Certified Public Accountants



Sacramento, California
March 30, 2020

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
of the Montecito Fire Protection District
Santa Barbara, California

Report on Compliance for Each Major Federal Program

We have audited Montecito Fire Protection District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Montecito Fire Protection District's major federal programs for the year ended June 30, 2019. Montecito Fire Protection District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

To the Board of Directors
of the Montecito Fire Protection District
Santa Barbara, California

Opinion on Each Major Federal Program

In our opinion, Montecito Fire Protection District's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified no material weaknesses.

To the Board of Directors
of the Montecito Fire Protection District
Santa Barbara, California

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

Fechter & Company,
Certified Public Accountants

A handwritten signature in cursive script that reads "Fechter & Company, CPAs".

Sacramento, California
March 30, 2020

MONTECITO FIRE PROTECTION DISTRICT

Schedule of Expenditures of Federal Awards
For the Year Ended
June 30, 2019

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Pass-through Entity Identifying Number</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<u>The Department of Homeland Security</u>			
Governor's Office of Emergency Services:			
Public Assistance Grant	FEMA-4353-DR-CA/Cal OES ID: 083-91058	97.036	<u>\$ 4,669,969</u>
Total Department of Homeland Security			<u>4,669,969</u>
Total Expenditures			<u><u>\$ 4,669,969</u></u>
Reconciliation:			
Expenditures on General Fund			\$23,707,745
Expenditures not Federally Funded in the General Fund			<u>(19,037,776)</u>
Total Expenditures			<u><u>\$ 4,669,969</u></u>

See accompanying notes to the Schedule of Expenditures of Federal Awards

MONTECITO FIRE PROTECTION DISTRICT

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

NOTE 1: BASIS OF PRESENTATION

The Montecito Fire Protection District (the District) is an independent division of local government, authorized by California Health and Safety Code Sections 13800-13970. All significant operations of the District are included in the scope of the Uniform Guidance audit (the "Single Audit"). The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District's, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

The Federal Emergency Management Agency has been designated as the District's cognizant agency for the Single Audit.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For purposes of this report, certain accounting procedures were followed which help illustrate the authorizations and expenditures of the individual programs. The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. All authorizations represent the total allotments or grant awards received. All expenses and capital outlays are reported as expenditures. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Any Federal funds expended in excess of Federal funds received are recorded as a receivable from the grantor agency and any Federal funds received in excess of Federal funds expended are recorded as a payable to the grantor agency.

NOTE 3: INDIRECT COST RATE

The District, California has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

MONTECITO FIRE PROTECTION DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor’s report issued on compliance for Major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Grant Guidance, at 1 CFR Part 200.515 (d)(1)(vi)	No
Identification of Major Program:	
Public Assistance Grant CFDA No. 97.036	
Dollar threshold used to distinguish between Type A and Type B Programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II- FINANCIAL STATEMENT FINDING

None reported

Section III- FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported

Section IV- PRIOR YEAR FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported