



MORAGA-ORINDA FIRE PROTECTION DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018
MORAGA, CALIFORNIA



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MORAGA-ORINDA FIRE PROTECTION DISTRICT MORAGA, CALIFORNIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
PREPARED BY THE ADMINISTRATIVE SERVICES DIVISION



**Moraga-Orinda Fire Protection District
Comprehensive Annual Financial Report
For the year ended June 30, 2018**

Table of Contents

	Page
INTRODUCTORY SECTION	
Directory of Officials.....	iii
Organizational Chart.....	iv
District Map.....	v
Stations and Facilities.....	vi
GFOA Certificate of Achievement.....	vii
Letter of Transmittal.....	ix
FINANCIAL SECTION	
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis (Required Supplementary Information).....	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	12
Statement of Activities.....	13
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.....	14
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position.....	15
Reconciliation of Fund Basis Balance Sheet to Government-wide Statement of Net Position.....	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	18
Reconciliation of Total Expenditures Reported on the Governmental Funds to Expenditures Reported on the Statement of Activities.....	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual – General Fund.....	21



**Moraga-Orinda Fire Protection District
Comprehensive Annual Financial Report
For the year ended June 30, 2018**

Table of Contents

	<u>Page</u>
Basic Financial Statements, Continued:	
Notes to Basic Financial Statements	22
Required Supplementary Information:	
Pension Schedule of Contributions.....	55
Schedule of the District's Proportionate Share of the Net Pension Liability.....	56
OPEB Schedule of Contributions.....	57
Schedule of the District's Changes in Net OPEB Liability.....	58
Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual - Debt Service Fund.....	59
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual - Capital Projects Fund.....	60
STATISTICAL SECTION (unaudited)	
Net Position by Component.....	63
Changes in Net Position.....	65
Fund Balances, Governmental Funds.....	67
Changes in Fund Balances, Governmental Funds.....	69
Assessed Value and Actual Value of Taxable Property.....	71
Direct and Overlapping Property Tax Rates.....	73
Principal Property Taxpayers.....	75
Property Tax Levies and Collections.....	77
Ratio of Outstanding Debt by Type.....	78
Direct and Overlapping Debt.....	79
Legal Bonded Debt Margin.....	81
Demographic and Economic Statistics.....	83
Emergency Response Detail Analysis.....	84
Total Emergency Responses.....	85
COMPLIANCE SECTION	
Report on Internal Control Over Financial Reporting and on Compliance with Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	87



MORAGA-ORINDA FIRE PROTECTION DISTRICT COMPREHENSIVE ANNUAL FINANCIAL REPORT

DIRECTORY OF OFFICIALS

Board of Directors

Brad Barber
President

John Jex
Vice President

Craig Jorgens
Secretary

Stephen Anderson
Treasurer

Kathleen Famulener
Director

Principal Staff

David Winnacker
Fire Chief

Felipe Barreto
Battalion Chief

Grace Santos
District Secretary/District Clerk

Jerry Lee
Battalion Chief

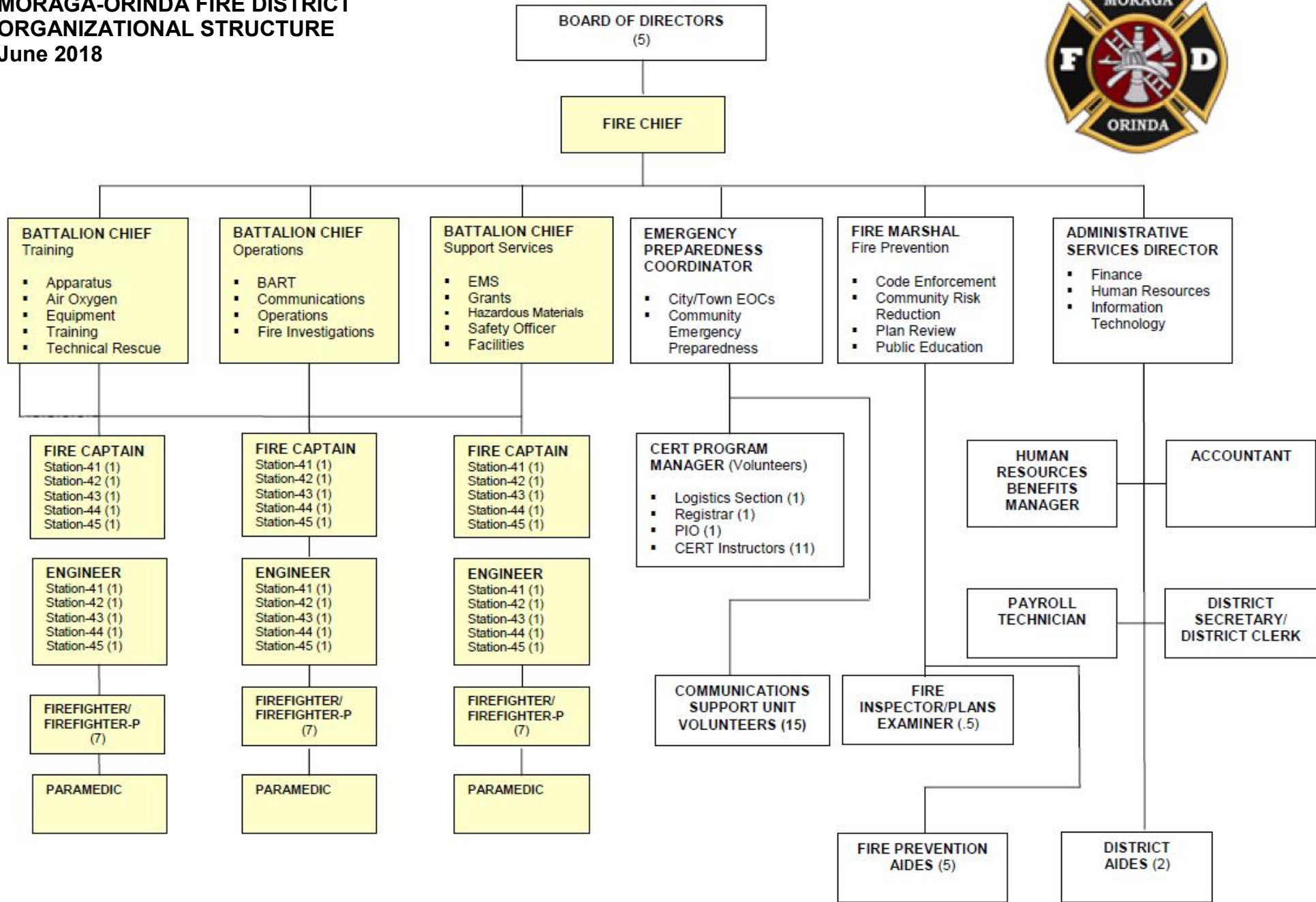
Kathy Leonard
Fire Marshal

Sean Perkins
Battalion Chief

Gloriann Sasser
Administrative Services Director

Dennis Rein
Emergency Preparedness Coordinator

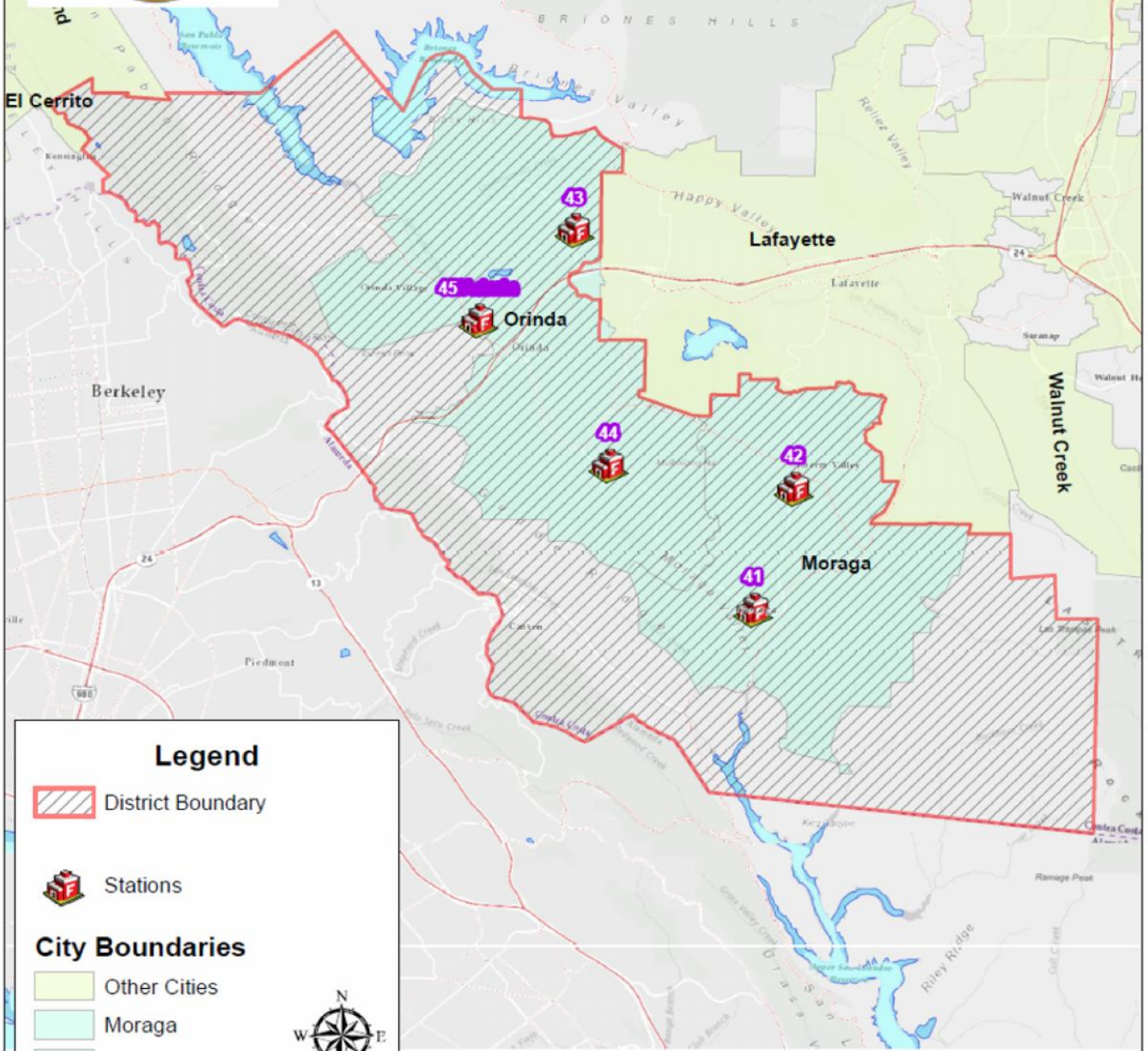
**MORAGA-ORINDA FIRE DISTRICT
ORGANIZATIONAL STRUCTURE
June 2018**





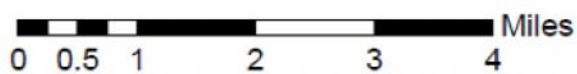
Moraga-Orinda Fire Protection District

Boundaries



Legend

- District Boundary
- Stations
- City Boundaries**
 - Other Cities
 - Moraga
 - Orinda





STATIONS & FACILITIES



ADMINISTRATION
1280 Moraga Way, Moraga



STATION 41
1280 Moraga Way, Moraga



STATION 42
555 Moraga Road, Moraga



STATION 43
20 Via Las Cruces, Orinda



STATION 44
295 Orchard Road, Orinda



Station 45
33 Orinda Way, Orinda



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Moraga-Orinda Fire Protection District
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO



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Moraga-Orinda Fire District

October 17, 2018

Board of Directors
Moraga-Orinda Fire Protection District
1280 Moraga Way
Moraga, CA 94556

Members of the Board:

We are pleased to present the Moraga-Orinda Fire Protection District Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018. This is the fifth CAFR prepared by the District.

This report has been prepared by the Administrative Services Division following the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA) and is in conformance with generally accepted accounting principles for state and local governmental entities established by the Governmental Accounting Standards Board (GASB). Responsibility for the accuracy, completeness and fairness of the presented data and the clarity of presentation, including all disclosures, rests with the management of the District.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report providing a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

The District

The District is an autonomous Special District as defined under the Fire Protection District Law of 1987, Health and Safety Code, Section 13800, of the State of California. The District was formed in 1997, when over 80% of the voters affirmatively voted to form the District. The District is responsible for providing the highest level of emergency and non-emergency services to the community in an effort to protect life, the environment and property.

A five-member Board of Directors, elected by their constituents and each serving a four-year term, governs the District. The Directors meet twice a month to determine overall policy for the District. The Board Finance Committee also provided oversight this year.

The Fire Chief is the administrative and operational Chief Executive Officer of the District under the direction and control of the District Board. At present, the Fire Chief is supported by his executive staff, consisting of three Battalion Chiefs, the Fire Marshal, the Emergency Preparedness Coordinator and the Administrative Services Director.

The District has six divisions: Operations, Fire Prevention, Support Services, Training, Emergency Preparedness and Administrative Services. These divisions provide a full-range of services, including emergency and non-emergency services, fire prevention, emergency preparedness and public education. The District employs 70 personnel, in addition to approximately 30 volunteers including emergency and non-emergency services, fire prevention, emergency preparedness and public education.

The District maintains five Fire Stations and one Administration Office Building, all strategically located within the District. All five fire stations house paid firefighters. The District staffs seven companies, which includes five fire engines, one truck, two ambulances, one water tender and one command vehicle. All administrative personnel work at the Administration Office.

The District covers a broad geographic and population base consisting primarily of urban/suburban/semi-rural and rural service areas. Within the District, there are a wide variety of target hazards including portions of the Berkeley-Oakland Hills, several East Bay Regional Parks, three reservoirs, BART, the Caldecott Tunnel, Saint Mary's College, the City of Orinda, Town of Moraga and unincorporated areas of Contra Costa County.

Internal Control In developing and evaluating the District's accounting system, priority is given to the accuracy of internal accounting control. Internal accounting controls are designed to provide reasonable assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, the accuracy and reliability of accounting data and the adherence to prescribed managerial policy. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived, and the cost-benefit analysis requires estimates and judgments by management.

Accounting System and Budgeting Controls The District's accounting and budgeting records for the basic financial statements in this report conform to generally accepted accounting principles (GAAP) according to standards established by the GASB.

The District maintains extensive budgetary controls. The District's Annual Budget, adopted prior to July 1, provides overall control of revenue and expenditures, including appropriations (budgeted expenditures) on a line item basis and the means of financing them (budgeted revenue). The District's accounting system produces monthly reports on expenditure activity that assist Division Managers to monitor activities and programs. These reports are also reviewed by the Accountant, Administrative Services Director and Fire Chief to assure budgetary compliance.

As a recipient of federal, state and county financial assistance, the District is responsible for ensuring that an adequate control structure is in place to comply with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by District Finance staff.

Financial Policies In 2013 the District adopted the provisions of GASB 54 and established a Fund Balance Policy. As of June 30, 2018, unrestricted fund balance in the General Fund was 28% of budgeted General Fund revenue. The District cash balance with Contra Costa County drops to zero in the late fall every year as we employ the Teeter Plan for borrowing from Contra Costa County in anticipation of the cash payments for the current year's tax revenue.

Audit of Financial Statements The District contracts for an independent audit each year to provide reasonable assurance that its financial statements are free of material misstatements. This annual audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. The District engaged the accounting firm of Vavrinek, Trine, Day & Co., LLP to perform the audit of its financial statements. The auditor has issued an unqualified opinion on the District's financial statements indicating they are fairly presented in conformity with GAAP.

Major Initiatives There were several major initiatives during the fiscal year:

- Fiscal Sustainability – The primary goal in 2017/18 was to continue to provide high level services, while at the same time to responsibly pay down long-term liabilities. This was accomplished while ensuring that ongoing spending was paid for with ongoing revenues. In addition, the District increased its reserve funds as directed by the Board.
- Station 43 - The District continued the rebuild of Station 43 in Orinda. Construction of the new station is expected to be complete in 2019.
- OPEB Trust Account – In 2015 the District established an Other Post-Employment Benefits (OPEB) trust account. The purpose of an OPEB trust is to accumulate funds for payment of the District's future retiree health insurance obligations. The District continued to make the annual contribution to the trust account in the amount of \$374,000. The establishment of the account significantly reduces the District's net reported OPEB liability and strengthens the District's financial position. The contribution to the trust account does not actually reduce the liability itself but it allows the District to report a smaller liability because of governmental accounting reporting guidelines. The trust allows the District to set aside funds specially allocated to pay this obligation.
- Pension Rate Stabilization Fund – In 2017 the District established a Pension Rate Stabilization Fund. The purpose of the fund is to prefund pension costs. During FY 2017/18 the District contributed \$374,000 to the fund. The establishment of the account sets aside money to help the District properly manage volatile pension costs to fill the expected gap between payments required by CCCERA and set aside funds when they use a 7% rate of return assumption on their portfolio and the District board's 6.25% rate of return.
- Minimum Fund Balance – The District's unrestricted fund balance in the General Fund increased from 23% to 28% of budgeted General Fund revenue. In March 2018 the Board set a goal to maintain unrestricted fund balance in the General Fund of 50% of budgeted General Fund revenue as this would allow the District to have adequate cash balances to fund their operations without having to borrow from the County prior to the receipt of tax revenues after December of each year.

Awards

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the Moraga-Orinda Fire Protection District for its comprehensive annual financial report for the fiscal year ended June 30, 2017. This was the third year that the District achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

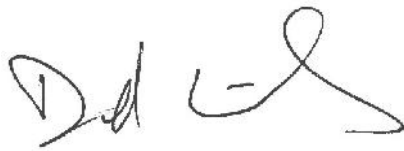
Acknowledgements

The preparation of this report reflects the combined and dedicated effort of District staff, particularly in the Administrative Services Division. Staff in each division has our appreciation for their contributions in the preparation of this report.

Staff would also like to take this opportunity to recognize the Board of Directors for their continued support to maintain the highest standards of professionalism in the management of the District's finances.

The District remains committed to providing the highest level of emergency and public service in response to the needs of our community.

Sincerely,

A handwritten signature in black ink, appearing to read "David Winnacker". The signature is fluid and cursive, with a large loop at the end.

David Winnacker
Fire Chief

A handwritten signature in black ink, appearing to read "Gloriann Sasser". The signature is cursive and somewhat stylized, with a long horizontal stroke at the end.

Gloriann Sasser, CPA
Administrative Services Director



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

INDEPENDENT AUDITOR'S REPORT

To the Honorable Chairman and District Board
of the Moraga-Orinda Fire Protection District
Moraga, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the (District) as of and for the year ended June 30, 2018, 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 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 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.

Opinions

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 District as of June 30, 2018 and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate share of net pension liability, the schedule of pension contributions, schedule of changes in net other postemployment benefits (OPEB) liability and schedule of OPEB contributions, 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 accompanying capital projects and debt service budgetary comparison schedules and the other supplementary information such as the introductory section and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The capital projects and debt service budgetary comparison schedules are the responsibility of management and were 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 capital projects and debt service budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 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 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 District'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 District's internal control over financial reporting and compliance.

Vavreck, Tine, Day & Co. LLP

Palo Alto, California
October 29, 2018



Moraga-Orinda Fire Protection District Comprehensive Annual Financial Report For the year ended June 30, 2018

Management's Discussion and Analysis

This section of the Moraga-Orinda Fire Protection District's (District) basic financial statements presents management's overview and analysis of the financial activities of the organization for the fiscal year ended June 30, 2018. The Management's Discussion and Analysis (MD&A) describes the significant changes from the prior year that occurred in general operations and discusses the activities during the year for capital assets and long-term debt. The discussion concludes with a description of currently known facts, decisions and conditions that are expected to impact the financial position of the District's operations. We encourage the reader to consider the information presented here in conjunction with the additional information furnished in our letter of transmittal.

Annual Report Overview

This annual report consists of a series of financial statements. The District's basic financial statements are comprised of three components: Government-wide financial statements, Fund financial statements and Notes to the basic financial statements. This report also contains supplementary information and statistical data in addition to the basic financial statements.

Government-wide Financial Statements

The *government-wide financial statements* provide the reader with a longer-term view of the District's activities as a whole and comprise the Statement of Net Position and Statement of Activities. The manner of presentation is similar to a private-sector business.

The *Statement of Net Position* presents information about the financial position of the District as a whole, including all its capital assets and long-term liabilities on the full accrual basis. Over time, increases or decreases in net position is one indicator in monitoring the financial health of the District.

The *Statement of Activities* provides information about all the District's revenue and expenses on the full accrual basis, with the emphasis on measuring net revenues or expenses of each specific program. This statement explains in detail the change in Net Position for the year.

All of the District's activities in the government-wide financial statements are principally supported by general District revenues such as taxes or user-fee related charges such as ambulance services and inspection fees. The governmental activities reported in government-wide financial statements include general government activity, the fire protection and interest on long-term debt.

The government-wide financial statements use the full accrual basis of accounting method which records revenues when earned and expenses at the time the liability is incurred, regardless of when the related cash flows take place.

The government-wide financial statements can be found on pages 12 and 13 of this report.



Moraga-Orinda Fire Protection District Comprehensive Annual Financial Report For the year ended June 30, 2018

Management's Discussion and Analysis, Continued

Fund Financial Statements

The *fund financial statements* report the District's operations in more detail than the government-wide financial statements and focus primarily on the short-term activities of the District. The fund financial statements measure only current revenues and expenditures and fund balances; excluding capital assets, long-term debt and other long-term obligations.

The fund financial statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long term liabilities, are not presented in the fund financial statements. These financial statements help determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship or differences between the government-wide and fund financial statements in a reconciliation following the fund financial statements.

The fund financial statements provide detailed information about each of the District's most significant funds, called Major Funds. The District's Major Funds are the General Fund, the Capital Projects Fund and the Debt Service Fund. The District currently has no non-major funds.

Comparisons of Budget and Actual financial information are presented for the General Fund.

Notes to the Basic Financial Statements

The *notes* provide additional information that is essential to the reader for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 22 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's liabilities related to pension and OPEB.

The budgetary comparison schedules are presented immediately following the required supplementary information.

Government-wide Overall Financial Analysis

This analysis focuses on the net position and change in net position of the District's Governmental Activities. Over time, net position may serve as a useful indicator of a government's financial position. The District's net position is reported as follows:



Moraga-Orinda Fire Protection District
Comprehensive Annual Financial Report
For the year ended June 30, 2018

Management's Discussion and Analysis, Continued

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Cash and investments	\$ 13,696,714	\$ 11,517,008
Restricted cash and investments	5,314,913	6,070,031
Other assets	933,200	942,145
Other restricted assets	700,449	300,000
Capital assets, net	<u>11,465,867</u>	<u>11,388,310</u>
Total assets	<u>32,111,143</u>	<u>30,217,494</u>
Deferred outflows of resources – pension plans	5,480,006	9,169,331
Deferred outflows of resources – OPEB	<u>199,062</u>	<u>-</u>
Total deferred outflows of resources	<u>5,679,068</u>	<u>9,169,331</u>
Current liabilities	6,284,976	4,791,771
Long-term liabilities	<u>55,893,047</u>	<u>68,424,606</u>
Total liabilities	<u>62,178,023</u>	<u>73,216,377</u>
Deferred inflows of resources – pension	12,334,901	8,767,541
Deferred inflows of resources – OPEB	<u>-</u>	<u>17,334</u>
Total deferred inflows of resources	<u>12,334,901</u>	<u>8,784,875</u>
Net Position:		
Net investment in capital assets	7,683,689	7,318,954
Restricted	3,317,901	2,955,444
Unrestricted (deficit)	<u>(47,724,303)</u>	<u>(52,888,825)</u>
Total net position	<u>\$ (36,722,713)</u>	<u>\$ (42,614,427)</u>

The District's total liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources by \$36,722,713 as of June 30, 2018. A portion of the net position reflects its net investment in capital assets (land, buildings, improvements, equipment and vehicles). An additional portion of the District's net position of \$3,317,901 represents resources that are subject to external restrictions on how they may be used. The deferrals resulted from changes in assumptions, difference between expected and actual earnings on the plan and differences from experience for both, the OPEB and pension plans. These deferrals will recognized to pension and OPEB expense over a period up to five years.

The remaining balance of net position of (\$47,724,303) is a deficit and will reduce the District's ability to meet its ongoing obligations to its citizens and creditors. The District has a deficit unrestricted net position as of June 30, 2018 and 2017.

The following points explain the major changes impacting net position as shown above:

- Cash and investments increased \$2,179,706 from the prior year. This was primarily due to receipts that exceeded disbursements.
- Restricted cash and investments decreased by \$755,118 due to payments made for the Station 43 construction project.
- Other restricted assets increase by \$400,449 due to contributions to PARS.



**Moraga-Orinda Fire Protection District
Comprehensive Annual Financial Report
For the year ended June 30, 2018**

Management's Discussion and Analysis, Continued

- Capital assets increased \$77,557 primarily due to the Station 43 construction project and purchase of new fire apparatus. In addition, an impairment was recorded in the amount of \$689,733 to the construction in progress.
- Deferred outflows of resources related to the pension and OPEB decreased \$3,490,243 due to the amortization of pension/OPEB related deferrals.
- Long-term liabilities decreased \$12,531,559 primarily due to a decrease in the net pension liability and payments of the debt.
- Deferred inflows of resources related to the pension and OPEB plans increased \$3,550,026 due to increase in deferrals related to change in experience and assumptions.
- Investment in capital assets increased \$364,735 primarily due to the additional capital assets that were purchased or constructed less the write off of the cost overruns for Station 43.
- Restricted net position includes property tax revenue held in a bond fund account for the payment of Taxable Pension Obligation Bonds, Series 2005 in the amount of \$3,008,656 less interest payable on the bonds in the amount of \$391,204. Funds for the Taxable Pension Obligation Bonds are held with the Trustee at Wells Fargo Bank.
- The District has \$47,724,303 of unrestricted net deficit as of June 30, 2018.

The Statement of Activities presents program revenues and expenses and general revenues in detail. All of these are elements in the Changes in Governmental Net Position. The narrative that follows describes the individual program expenses, program revenues and general revenues in more detail.

	Governmental Activities	
	2018	2017
Expenses		
Fire protection - operations	\$ 21,012,014	\$ 19,005,152
Interest	825,941	996,870
Total expenses	<u>21,837,955</u>	<u>20,002,022</u>
Revenues		
Program revenues:		
Charges for services	1,469,376	1,531,589
Operating grants and contributions	459,284	106,929
Total program revenues	<u>1,928,660</u>	<u>1,638,518</u>
General revenues:		
Property taxes	23,220,123	22,121,300
Fire flow taxes	1,080,597	1,076,738
Investment earnings	116,664	22,103
State and federal grants	154,528	156,429
Other revenues	1,229,097	599,199
Total general revenues	<u>25,801,009</u>	<u>23,975,769</u>
Change in net position	5,891,714	5,612,265
Net position - beginning, as restated	(42,614,427)	(48,226,692)
Net position - ending	<u>\$ (36,722,713)</u>	<u>\$ (42,614,427)</u>



Moraga-Orinda Fire Protection District Comprehensive Annual Financial Report For the year ended June 30, 2018

Management's Discussion and Analysis, Continued

Expenses

Fire protection – operations expenses totaled \$21,012,014 for fiscal year 2017-2018. This was an increase from the prior year of \$2,006,862.

Program Revenues

Program revenues classified as “Charges for Services” in the amount of \$1,469,376 include revenue for ambulance service fees, plan review fees, inspection fees, and public education class fees. Program revenues classified as “Operating Grants and Contributions” in the amount of \$459,284 include revenue from the State of California and Contra Costa County.

General Revenues

The primary source of revenue for the operations of the District is generated through the collection of secured, unsecured and supplemental property taxes. The District utilized the Teeter Plan to borrow from Contra Costa County during part of the fiscal year. During the fiscal year, property tax revenue totaled \$23,220,123 and increased \$1,098,823 or 4.97%. In addition, the District collects a fire flow tax, which amounted to \$1,080,597 in 2017-2018. The other revenue category increase due to an increase in strike team revenues. The amounts collected this year were from the strike team was \$1,143,841 along with other revenue of \$85,256 totaling \$1,229,097.

Government Activities – Governmental Funds

At June 30, 2018, the District's governmental funds reported combined fund balances of \$18,448,046. This is an increase of \$510,523 compared to the prior year. Unassigned fund balance of \$6,374,127 is available for spending at the District's discretion. The rest of the District's fund balance is either nonspendable, restricted or committed to indicate that it is 1) nonspendable for prepaid items \$16,443; 2) legally required to be maintained intact \$6,035,760; or 3) committed for particular purposes \$6,098,310.

Analysis – General Fund

The General Fund is the chief operating fund of the District. During the current fiscal year, fund balance increased \$1,803,556. Unassigned fund balance at June 30, 2018, which is available for spending at the District's discretion, was \$6,297,533.

General Fund revenues increased \$1,825,354 or 8.61% over the prior fiscal year. Property tax revenue increased \$942,015 or 5.00% in the general fund. General Fund expenditures increased \$1,617,744 from the prior fiscal year. Salaries increased \$486,417 or 6.03% primarily due to a 6.9% salary increase during the fiscal year. Overtime increased \$545,195 or 24.82% due to the increase in position vacancies and increased participation on strike teams. Benefits and retirement contribution costs increased \$332,228 or 8.18% due to the salary increase (retirement costs are based on payroll.) Also, services and supplies expenditures increased \$97,860 or 4.54% primarily due to increased labor negotiator and attorney costs.



Moraga-Orinda Fire Protection District Comprehensive Annual Financial Report For the year ended June 30, 2018

Management's Discussion and Analysis, Continued

Debt Service Fund

The Debt Service Fund, a major governmental fund, had an increase in fund balance during the current year of \$215,011 to bring the year end fund balance to \$3,008,656. The increase is due to the requirements of the District's Taxable Pension Obligation Bonds (bonds). The trust agreement for the bonds requires Contra Costa County to transfer property tax to the District's trustee in an amount sufficient to pay the District's bond obligations in the next calendar year. The District's bond obligations increased, resulting in an increase in fund balance during the current fiscal year.

The Debt Service Fund ending fund balance of \$3,008,656 is legally restricted and may only be used to meet the District's bond obligations.

Capital Projects Fund

The Capital Projects Fund accounts for the Fire Flow Tax proceeds and related expenditures. The Fire Flow Tax Ordinance stipulates that the revenues raised by this tax are to be used solely for the purpose of obtaining, furnishing, operating, and maintaining fire protection, prevention and suppression and emergency medical equipment, apparatus or facilities, including water distribution facilities for fire suppression purposes, for paying the salaries and benefits of firefighting and emergency medical personnel, and for such other fire protection, prevention and suppression and emergency medical expenses as are deemed necessary by the District. This fund accounts for District capital asset purchases as well as miscellaneous tax collection fees.

The Capital Projects Fund had a decrease in fund balance during the current fiscal year in the amount of \$1,508,044. This was primarily due to expenditures that exceeded revenue due to the Station 43 construction project. The fund reports restricted fund balance of \$2,326,655 and committed fund balance of \$6,021,716 at fiscal year-end, which are available for capital projects.

General Fund Budgetary Highlights

During the year, General Fund appropriations between the original and final amended budget increased due to revised projections during the mid-year budget review process. There were no significant variances between actual revenue or expenditures and the amended budget.

Debt Administration

In 2005, the District issued Taxable Pension Obligation Bonds in the original principal amount of \$28,435,000. The bonds were issued to finance payment of the unfunded actuarial accrued pension liability. At the end of the fiscal year, total bonds outstanding were \$14,105,000. The District's bonds payable decreased \$2,360,000 during the fiscal year. The bonds are scheduled to be paid off on July 1, 2022. The average coupon rate is 5.22% and the terms of the agreement do not allow it to be prepaid. The District's lease purchase debt is decreased by \$789,617. The debt is discussed in Note 7.



Moraga-Orinda Fire Protection District Comprehensive Annual Financial Report For the year ended June 30, 2018

Management's Discussion and Analysis, Continued

Capital Assets

As of June 30, 2018, the District's capital assets net of accumulated depreciation totaled \$11,465,867 which is an increase of \$77,557 over the capital assets net of accumulated depreciation at June 30, 2017. Capital assets include the District's entire major infrastructure incorporating land, fire stations and buildings, apparatus, vehicles, firefighting equipment and furniture.

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 estimated fair market value on the date contributed. Capital assets with a value of \$5,000 or more are recorded as capital assets. All capital assets are depreciated over estimated useful lives, using the straight line method.

Significant capital asset activity during the current fiscal year included the following:

- The District continued the Station 43 rebuild project with construction in progress of \$1,147,610. This project is funded through a lease/purchase agreement issued in May 2016 in the amount of \$4,069,000. Additional funding will be required to fund cost overruns.

Economic Outlook

The District continued to improve its financial condition during 2018/19. The District adopted a balanced budget for fiscal year 2018/19. Unassigned fund balance in the General Fund increased to \$6,297,533 at June 30, 2018, or 28% of budgeted General Fund revenue.

The District continued to address its unfunded liability for retiree health insurance. The District maintains an Other Post-Employment Benefits (OPEB) trust account. The purpose of an OPEB trust is to accumulate funds for payment of the District's future retiree health insurance costs. During 2017/18 the District made the annual contribution to the trust account in the amount of \$374,000. The establishment of the account reduces the District's net reported OPEB liability and strengthens the District's financial position. The contribution to the trust account does not actually reduce the liability itself but it allows the District to report a smaller liability because of governmental accounting reporting guidelines. The trust allows the District to set aside funds specially allocated to pay this obligation. In addition, in order to control the OPEB unfunded liability, employee and retiree health insurance is capped at a fixed dollar amount with no future increases in existing labor agreements. For all new hires, retiree medical insurance is reduced to a required minimum amount. In order to fund this obligation, it will require increased annual contributions.



Moraga-Orinda Fire Protection District Comprehensive Annual Financial Report For the year ended June 30, 2018

Management's Discussion and Analysis, Continued

The volatility of pension costs is a significant financial challenge facing the District. The CCCERA pension payments are driven by increases and decreases in portfolio assets. When the fund underperforms they must increase the premium paid to cover the losses. The taxpayers currently guarantee the pension payments regardless of the performance of the investments. In order to mitigate this financial risk, in January 2017 the District established a Pension Rate Stabilization Fund. The purpose of the fund is to set aside additional money to prefund pension costs above and beyond what is required by the retirement association. During FY 2017/18 the District contributed \$374,000 to the fund. The balance in the account as of June 30, 2018 was \$700,449.

The District continues to monitor revenues, expenditures and overall financial condition while striving to maintain a high level of service to the community.

The District maintains a Long Range Financial Forecast to project anticipated revenues and expenditures for a 15-year period. The Forecast helps the District identify and anticipate future financial challenges.

The United States has historically experienced a recession every 7 to 9 years. The economy is currently 9 years into the recovery since the last recession, which ended in 2009. As a result of the last recession, the District experienced decreased property tax revenue and increased retirement costs. Prudent levels of fund balance reserves are necessary to help the District adjust when the next economic downturn occurs. The District adopted a requirement to maintain a 17% reserve in 2017 and the board has set a goal of increasing the reserve to 50% of revenue as a prudent hedge against future uncertainty and risks as well as providing adequate funding for current operations. Until the 50% goal is reached, the District does not have adequate cash balances to fund its operations during the first six months of a new fiscal year requiring it borrow from the County to fund its operations.

Currently, the District's general fund reserve level stands at approximately 25%, however, as a result of a new labor agreement with firefighters in October 2018, it is anticipated to drop below the 17% threshold over the next two years unless further action is taken to reduce expenses, curtail contributions to the Section 115 plan, or, if revenue increases from property taxes are greater than projected in its long range fiscal plan.

The District recognizes the volatility of future revenue and has developed the long range fiscal forecast using conservative estimates of revenue growth.

In summary, the District remains committed to providing the highest level of emergency and public service in response to the needs of our community within its financial constraints.

Financial Contact

This Comprehensive Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the District's finances. Questions about this Report should be directed to the Administrative Services Division, at 1280 Moraga Way, Moraga, CA 94556.



Moraga-Orinda Fire Protection District
Statement of Net Position
June 30, 2018

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current assets:	
Cash and investments	\$ 13,696,714
Receivables, net	890,900
Prepaid items	16,443
Other assets	25,857
Total current assets	14,629,914
Noncurrent assets:	
Restricted cash and investments	5,314,913
Restricted pension trust assets	700,449
Capital assets, net	11,465,867
Total noncurrent assets	17,481,229
Total assets	32,111,143
Deferred outflows of resources	
Deferred outflows of resources - pension plans	5,480,006
Deferred outflows of resources - OPEB	199,062
Total deferred outflows	5,679,068
Total assets and deferred outflows of resources	\$ 37,790,211
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 988,898
Salaries and benefits payable	1,208,332
Interest payable	391,204
Compensated absences - current portion	165,000
Current portion of long-term liabilities	3,531,542
Total current liabilities	6,284,976
Noncurrent liabilities:	
Compensated absences	382,457
Due after one year	16,682,291
Net OPEB liability	15,329,724
Net pension liability	23,498,575
Total noncurrent liabilities	55,893,047
Total liabilities	62,178,023
Deferred inflows of resources	
Deferred inflows of resources - pension plans	12,334,901
Total liabilities and deferred inflows of resources	74,512,924
Net position	
Net investment in capital assets	7,683,689
Restricted for debt service	2,617,452
Restricted for pension benefits	700,449
Unrestricted (deficit)	(47,724,303)
Total net position	(36,722,713)
Total liabilities, deferred inflows of resources, and net position	\$ 37,790,211

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



Moraga-Orinda Fire Protection District
Statement of Activities
For the year ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental activities:				
Fire protection - operations	\$21,012,014	\$ 1,469,376	\$ 459,284	\$ (19,083,354)
Interest on long-term debt	825,941	-	-	(825,941)
Total governmental activities	\$21,837,955	\$ 1,469,376	\$ 459,284	(19,909,295)
General revenues:				
Taxes:				
Property taxes				23,220,123
Fire flow taxes				1,080,597
Investment earnings				116,664
State and federal grants				154,528
Other revenues				1,229,097
Total general revenues				<u>25,801,009</u>
Change in net position				5,891,714
Net position:				
Net position - beginning				<u>(42,614,427)</u>
Net position - ending				<u>\$ (36,722,713)</u>

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



Moraga-Orinda Fire Protection District
Balance Sheet
Governmental Funds
June 30, 2018

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
ASSETS				
Cash and investments	\$7,029,803	\$ -	\$6,666,911	\$13,696,714
Restricted cash and investments	-	2,988,258	2,326,655	5,314,913
Receivables:				
Taxes	205,235	-	-	205,235
Interest	42,821	20,398	7,402	70,621
Ambulance billing, net	377,311	-	-	377,311
Other receivable	234,907	-	2,826	237,733
Prepaid items	16,443	-	-	16,443
Other assets	25,857	-	-	25,857
Restricted pension trust assets	700,449	-	-	700,449
Total assets	<u>\$8,632,826</u>	<u>\$3,008,656</u>	<u>\$9,003,794</u>	<u>\$20,645,276</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 333,475	\$ -	\$ 655,423	\$ 988,898
Salaries and benefits payable	1,208,332	-	-	1,208,332
Total liabilities	<u>1,541,807</u>	<u>-</u>	<u>655,423</u>	<u>2,197,230</u>
Fund balances:				
Nonspendable for prepaid items	16,443	-	-	16,443
Restricted for debt service	-	3,008,656	-	3,008,656
Restricted for capital projects	-	-	2,326,655	2,326,655
Restricted for pension benefits	700,449	-	-	700,449
Committed for capital projects	-	-	6,021,716	6,021,716
Committed for benefits	76,594	-	-	76,594
Unassigned	6,297,533	-	-	6,297,533
Total fund balances	<u>7,091,019</u>	<u>3,008,656</u>	<u>8,348,371</u>	<u>18,448,046</u>
Total liabilities and fund balances	<u>\$8,632,826</u>	<u>\$3,008,656</u>	<u>\$9,003,794</u>	<u>\$20,645,276</u>

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



Moraga-Orinda Fire Protection District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2018

Total fund balances reported on the governmental funds balance sheet \$ 18,448,046

Amounts reported for governmental activities in the Statement of Net Position are different from those reported in the Governmental Funds due to the following:

Capital assets amount reported in governmental activities are not current assets or financial resources and therefore are not reported in the Governmental Funds balance sheet. 11,465,867

OPEB liabilities result in deferred inflows and pension liabilities result in deferred outflows and inflows of resources associated with the actuarial value of contributions, assets, and liabilities.

Deferred outflows	5,679,068	
Deferred inflows	<u>(12,334,901)</u>	(6,655,833)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds balance sheet.

Interest payable	(391,204)	
Net pension liabilities	(23,498,575)	
Compensated absences	(547,457)	
Net OPEB liabilities	(15,329,724)	
Long term debt	<u>(20,213,833)</u>	<u>(59,980,793)</u>

Net position of governmental activities \$ (36,722,713)

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



Moraga-Orinda Fire Protection District
Reconciliation of Fund Basis Balance Sheet to Government-wide
Statement of Net Position, Governmental Activities
For the Year June 30, 2018

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Total Governmental Funds		Changes in GAAP	Statement of Net Position
	Balance Sheet	Reclass		
Current assets:				
Cash and investments	\$ 13,696,714	\$ -	\$ -	\$ 13,696,714
Receivables (net)	890,900	-	-	890,900
Prepaid items	16,443	-	-	16,443
Other assets	25,857	-	-	25,857
Total current assets	14,629,914	-	-	14,629,914
Noncurrent assets:				
Restricted cash and investments	5,314,913	-	-	5,314,913
Other restricted assets	700,449	-	-	700,449
Capital assets, net	-	-	11,465,867	11,465,867
Total noncurrent assets	6,015,362	-	11,465,867	17,481,229
Total assets	20,645,276	-	11,465,867	32,111,143
Deferred outflows of resources:				
Deferred outflows of resources - pension	-	-	5,480,006	5,480,006
Deferred outflows of resources - OPEB	-	-	199,062	199,062
Total deferred outflows of resources	-	-	5,679,068	5,679,068
Total assets and deferred outflows	\$ 20,645,276	\$ -	\$ 17,144,935	\$ 37,790,211
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES/NET POSITION				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 988,898	\$ -	\$ -	\$ 988,898
Salaries and benefits payable	1,208,332	-	-	1,208,332
Interest payable	-	-	391,204	391,204
Compensated absences	-	-	165,000	165,000
Current portion of long-term liabilities	-	-	3,531,542	3,531,542
Total current liabilities	2,197,230	-	4,087,746	6,284,976
Noncurrent liabilities:				
Net pension liabilities	-	-	23,498,575	23,498,575
Compensated absences	-	-	382,457	382,457
Net OPEB liabilities	-	-	15,329,724	15,329,724
Due after one year	-	-	16,682,291	16,682,291
Total noncurrent liabilities	-	-	55,893,047	55,893,047
Total liabilities	2,197,230	-	59,980,793	62,178,023
Deferred inflows of resources:				
Pension related	-	-	12,334,901	12,334,901
Fund balances:				
Nonspendable	16,443	(16,443)	-	-
Restricted	6,035,760	(6,035,760)	-	-
Committed	6,021,716	(6,021,716)	-	-
Unassigned	6,297,533	(6,297,533)	-	-
Net position:				
Net investment in capital assets	-	2,326,655	5,357,034	7,683,689
Restricted	-	3,317,901	-	3,317,901
Unrestricted	-	12,803,490	(60,527,793)	(47,724,303)
Total fund balances/net position	18,448,046	-	(55,170,759)	(36,722,713)
Total liabilities, deferred inflows of resources, and net position	\$ 20,645,276	\$ -	\$ 17,144,935	\$ 37,790,211

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



Moraga-Orinda Fire Protection District
Statement of Revenues, Expenditures, and Changes in Fund
Balances, Governmental Funds
For the year ended June 30, 2018

	<u>Major Funds</u>			Total Governmental Funds
	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
REVENUES:				
Property taxes	\$ 19,843,842	\$ 3,376,281	\$ -	\$ 23,220,123
Fire flow taxes	-	-	1,080,597	1,080,597
Use of money and property	90,725	1,083	24,856	116,664
Intergovernmental	434,696	-	179,116	613,812
Charges for services	348,691	-	38,000	386,691
Charges for services - ambulance	1,082,685	-	-	1,082,685
Other revenues	1,229,097	-	-	1,229,097
Total revenues	<u>23,029,736</u>	<u>3,377,364</u>	<u>1,322,569</u>	<u>27,729,669</u>
EXPENDITURES:				
Fire protection:				
Salaries	8,551,976	-	-	8,551,976
Overtime	2,741,777	-	-	2,741,777
Benefits	6,490,030	-	-	6,490,030
OPEB contribution	374,000	-	-	374,000
Retiree health insurance	821,299	-	-	821,299
Service and supplies	2,251,574	-	310,055	2,561,629
Capital outlay	-	-	1,575,234	1,575,234
Debt service:				
Principal	-	3,234,500	-	3,234,500
Interest and fiscal charges	-	935,347	-	935,347
Total expenditures	<u>21,230,656</u>	<u>4,169,847</u>	<u>1,885,289</u>	<u>27,285,792</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,799,080</u>	<u>(792,483)</u>	<u>(562,720)</u>	<u>443,877</u>
OTHER FINANCING SOURCES AND USES:				
Proceeds from sales of capital assets	-	-	66,646	66,646
Transfers in	4,476	1,011,970	-	1,016,446
Transfers out	-	(4,476)	(1,011,970)	(1,016,446)
Total other financing sources	<u>4,476</u>	<u>1,007,494</u>	<u>(945,324)</u>	<u>66,646</u>
Net change in fund balances	<u>1,803,556</u>	<u>215,011</u>	<u>(1,508,044)</u>	<u>510,523</u>
FUND BALANCES:				
Beginning of year	<u>5,287,463</u>	<u>2,793,645</u>	<u>9,856,415</u>	<u>17,937,523</u>
End of year	<u>\$ 7,091,019</u>	<u>\$ 3,008,656</u>	<u>\$ 8,348,371</u>	<u>\$ 18,448,046</u>

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



Moraga-Orinda Fire Protection District
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the year ended June 30, 2018

Net change in fund balances - total governmental funds **\$ 510,523**

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Governmental Funds report capital outlays 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:

Capital asset purchases capitalized	1,575,478	
Depreciation expense	(720,990)	
Loss on sale or disposal of capital assets	<u>(776,931)</u>	77,557

Repayment of debt principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long term liabilities:

Repayment of Pension liabilities bond principal	2,360,000	
Repayment of capital lease liabilities	<u>874,500</u>	3,234,500

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Change in net pension liability and deferrals	1,814,653	
Change in long-term compensated absences	35,286	
Change in interest payable	109,406	
Change in Net OPEB liabilities and deferrals	<u>109,789</u>	<u>2,069,134</u>

Change in net position of governmental activities **\$ 5,891,714**

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



Moraga-Orinda Fire Protection District
Reconciliation of Total Expenditures Reported on the Governmental
Funds to Expenses Reported on the Statement of Activities
For the year ended June 30, 2018

<u>Functions/Programs</u>	<u>Total Expenditures Reported on the Governmental Funds</u>	<u>Debt Service/ Compensated Absences</u>	<u>Depreciation</u>
Governmental activities:			
Fire protection - operations	\$ 21,540,711	\$ (35,286)	\$ 720,990
Capital outlay	1,575,234	-	-
Debt service/interest expense	<u>4,169,847</u>	<u>(3,343,906)</u>	<u>-</u>
Total governmental activities	\$ 27,285,792	\$ (3,379,192)	\$ 720,990

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

Capital Asset (Additions)/ Retirements	OPEB	Pension	Total Expenses Reported on the Statement of Activities
\$ 710,041	\$ (109,789)	\$ (1,814,653)	\$ 21,012,014
(1,575,234)	-	-	-
-	-	-	825,941
<u>\$ (865,193)</u>	<u>\$ (109,789)</u>	<u>\$ (1,814,653)</u>	<u>\$ 21,837,955</u>



Moraga-Orinda Fire Protection District
Statement of Revenues, Expenditures, and Changes in Fund
Balances – Budget to Actual – General Fund
For the year ended June 30, 2018

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Positive (Negative)</u>
REVENUES:				
Property taxes	\$ 19,671,559	\$ 19,673,846	\$ 19,843,842	\$ 169,996
Use of money and property	3,000	10,000	90,725	80,725
Intergovernmental	250,214	454,786	434,696	(20,090)
Charges for services	298,321	318,500	348,691	30,191
Charges for services - ambulance	1,024,314	1,043,570	1,082,685	39,115
Other revenues	551,000	1,034,984	1,229,097	194,113
Total revenues	<u>21,798,408</u>	<u>22,535,686</u>	<u>23,029,736</u>	<u>494,050</u>
EXPENDITURES:				
Fire protection:				
Salaries	8,839,385	8,821,680	8,551,976	269,704
Overtime	2,245,000	2,658,367	2,741,777	(83,410)
Benefits	6,657,623	6,739,748	6,490,030	249,718
OPEB contribution	280,000	374,000	374,000	-
Pension rate stabilization fund	280,000	374,000	-	374,000
Retiree health insurance	849,000	860,000	821,299	38,701
Service and supplies	2,146,943	2,351,025	2,251,574	99,451
Total expenditures	<u>21,297,951</u>	<u>22,178,820</u>	<u>21,230,656</u>	<u>948,164</u>
REVENUES OVER EXPENDITURES	<u>500,457</u>	<u>356,866</u>	<u>1,799,080</u>	<u>1,442,214</u>
OTHER FINANCING SOURCES:				
Transfers in	-	4,476	4,476	-
Total other financing sources	<u>-</u>	<u>4,476</u>	<u>4,476</u>	<u>-</u>
Net change in fund balances	500,457	361,342	1,803,556	1,442,214
FUND BALANCES:				
Beginning of year	5,287,463	5,287,463	5,287,463	-
End of year	<u>\$ 5,787,920</u>	<u>\$ 5,648,805</u>	<u>\$ 7,091,019</u>	<u>\$ 1,442,214</u>

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



Moraga-Orinda Fire Protection District

Comprehensive Annual Financial Report

Notes to Basic Financial Statements

For the year ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting principles.

A. Description of the Reporting Entity

The Moraga-Orinda Fire Protection District (District) was incorporated on July 1, 1997 as an independent special district, under the laws and regulations of the State of California (State). The District was formed through the consolidation of the Moraga Fire Protection District and the Orinda Fire Protection District, to provide more efficient fire protection and emergency medical services. The principal act that governs the District is the Fire Protection District Law of 1987.

The District provides fire protection, rescue, and emergency medical services to an area approximately 63 square miles, including the City of Orinda, the Town of Moraga, some unincorporated county areas adjacent to the municipalities, and the community of Canyon. The District also provides automatic aid into Lafayette and State Responsibility Areas that lie within the District's boundaries. A five member board of directors, elected by voters, governs the District.

As required by GAAP, these financial statements present the primary government and its component unit, an entity for which the government is considered to be financially accountable. This component unit is reported on a blended basis. A blended component unit, although a legally separate entity, is, in substance, part of the government's operations and so data from this unit is combined with data of the primary government. Separate financial statements are not issued for this component unit.

The District's reporting entity includes the following blended component unit:

The Moraga-Orinda Fire Protection District Public Facilities Financing Corporation (Corporation) was established to provide for financing of public capital improvements for the District, the Corporation and other local agencies. The Board of Directors serve as the Governing Board of the Corporation and all accounting and administrative functions are performed by the District, which records all activity of the Corporation as a blended component unit.

B. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. The District had no business-type activities reported.



**Moraga-Orinda Fire Protection District
Comprehensive Annual Financial Report
Notes to Basic Financial Statements
For the year ended June 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Amounts reported as *program revenues* include 1) charges to residents for fire protection services, or privileges provided by a given function or segment 2) grants and contributions for fire protection services. All taxes and internally dedicated resources are reported as *general revenues* rather than program revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, deferred inflows, fund balances, revenues, and expenditures.

The District reports the following major governmental funds:

- General Fund
- Debt Service Fund
- Capital Projects Fund

These funds are described below.

Governmental Funds

General Fund

The General Fund is the general operating fund of the District. It is used to account for the District's resources which are not required legally or by sound financial management to be accounted for in another fund. The major revenue sources for this fund are property taxes and ambulance service fees. Expenditures are made for the District's general operating expenditures, the fixed charges, and the capital costs that are not paid through other funds.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest. Resources are provided by property tax revenue.

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources used for the replacement of fire-fighting equipment, software and equipment, apparatus, building upgrades, acquisition and construction of major capital projects. Resources are provided by the fire flow tax and proceeds from debt issuance.



**Moraga-Orinda Fire Protection District
Comprehensive Annual Financial Report
Notes to Basic Financial Statements
For the year ended June 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, or other taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 180 days of year end).

D. Cash Deposits and Investments

The District's cash and cash equivalents are comprised of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The District pools cash and investments from all funds for the purpose of increasing income through investment activities. Investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Market value is used as fair value for those securities for which market quotations are readily available.



**Moraga-Orinda Fire Protection District
Comprehensive Annual Financial Report
Notes to Basic Financial Statements
For the year ended June 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. The District currently reports no interfund balances, including receivables and payables at year-end.

F. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include property taxes, fire flow taxes, intergovernmental subventions, interest earnings, and expense reimbursements.

In the fund financial statements, receivables in governmental funds include revenue accruals such as property tax, fire flow tax, and intergovernmental subventions since they are usually both measurable and available.

The District estimates and records an allowance for doubtful accounts based on prior experience. The District’s allowance for ambulance receivables was \$44,186 as of June 30, 2018.

G. Prepaid Items

Prepaid items represent amounts paid in advance of receiving goods or services. The District has the option of reporting an item in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when incurred.

H. Capital Assets

The District’s capital assets are valued at historical cost or estimated historical cost, if actual is unavailable, except for donated capital assets which are recorded at their acquisition value at the date of donation. Policy has set the capitalization threshold for reporting at \$5,000 and with a useful life greater than one year.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over assets estimated useful life using the straight-line method of depreciation.



**Moraga-Orinda Fire Protection District
Comprehensive Annual Financial Report
Notes to Basic Financial Statements
For the year ended June 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The range of estimated useful lives by type of asset is as follows:

Buildings	30 years
Vehicles	10-25 years
Equipment	5-15 years

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes 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. The District reports deferred outflows of resources for its pension plan.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred inflows of resources for its pension plan and OPEB plan.

J. Compensated Absences

Employees accrue vacation, sick, holiday, administrative leave and compensatory time off benefits. District employees have vested interests in the amount of accrued time off, with the exception of sick leave and administrative leave, and are paid on termination. Also, annually some employees may elect to be compensated for up to 80 hours of unused vacation leave. All vacation 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 or retirements and is currently payable. The District had no employee resignations or retirements for which compensated absences should be accrued in governmental funds at year-end. The general fund is used to liquidate compensated absences.



**Moraga-Orinda Fire Protection District
Comprehensive Annual Financial Report
Notes to Basic Financial Statements
For the year ended June 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

K. Pensions

The District recognizes a net pension liability, which represents the District's proportionate share of the excess of the total pension liability over the fiduciary net position of the Plan reflected in an actuarial report provided by the Contra Costa County Employees' Retirement Association (CCCERA). The net pension liability is measured as of the District's prior Plan year-end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change in the liability. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred. For the purposes of measuring the net pension liability, deferred outflows, deferred inflows of resources related to pensions and pension expense information about the fiduciary net position of the District's defined benefit pension plan, and additions to/ deductions from 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.

L. Net Position/Fund Balance

Government-wide Statements

Equity is classified as net position and is displayed in three components:

- a. *Net investment in capital assets* – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. *Restricted net position* – consists of net position with constraints placed on the use by external groups such as creditors, grantors, contributors, or by laws or regulations of other governments or law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* – all other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is classified as nonspendable, restricted, committed, assigned, or unassigned. The classifications for governmental funds are defined as follows by the District's Fund Balance Policy:



**Moraga-Orinda Fire Protection District
Comprehensive Annual Financial Report
Notes to Basic Financial Statements
For the year ended June 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Nonspendable Fund Balance

- Assets that will never convert to cash (prepaid items, inventory).
- Assets that will not convert to cash soon enough to affect the current period (long-term notes or loans receivable).
- Resources that must be maintained intact pursuant to legal or contractual requirements (the principal of an endowment).

Restricted Fund Balance

- Resources that are subject to externally enforceable legal restrictions imposed by parties altogether outside the government (creditors, grantors, contributors and other governments).
- Resources that are subject to limitations imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance

- Self-imposed limitations set in place prior to the end of the period (encumbrances, economic contingencies and uncertainties).
- Limitation at the highest level of decision-making (Board) that requires formal action at the same level to remove.
- Board Resolution is required to be taken to establish, modify, or rescind a fund balance commitment.
- Fund balance derived from the Fire Flow Tax is committed to pay for District capital improvement projects as approved by the Board of Directors. The amount is equal to the fund balance of the Capital Projects fund.

Assigned Fund Balance

- Amounts in excess of nonspendable, restricted and committed fund balance in funds other than the general fund automatically are reported as assigned fund balance.
- Assigned amounts for a specific purpose are as authorized by the District's Fire Chief or Administrative Services Director through its fund balance policy.

Unassigned Fund Balance

- Residual net resources.
- Total fund balance in the general fund in excess of nonspendable, restricted, committed and assigned fund balance (surplus).
- Excess of nonspendable, restricted and committed fund balance over total fund balance (deficit).



**Moraga-Orinda Fire Protection District
Comprehensive Annual Financial Report
Notes to Basic Financial Statements
For the year ended June 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Fund Balance Policy

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain unrestricted fund balance in its District funds sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed and unassigned fund balances are considered unrestricted.

The purpose of the District's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

The District had an unassigned fund balance of 28% of revenue and has not achieved the fund balance it needs to support sound financial position which is a target of 50% reserves to achieve that goal.

M. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

N. Property Tax

The County of Contra Costa is responsible for assessing, collecting and apportioning property taxes for the District. Under California law, property taxes are assessed and collected by the County up to 1% of the full cash value of taxable property, plus other increases approved by the voters and distributed in accordance with statutory formulas. The District recognizes property taxes when the individual installments are due, provided they are collected within 60 days after year-end.



**Moraga-Orinda Fire Protection District
Comprehensive Annual Financial Report
Notes to Basic Financial Statements
For the year ended June 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Secured property taxes are levied on or before the first day of September of each year. They become a lien on real property on March 1 preceding the fiscal year for which taxes are levied. These taxes are paid in two equal installments; the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. Secured property taxes, which are delinquent and unpaid as of June 30, are declared to be tax defaulted and are subject to redemption penalties, cost, and interest when paid. If the delinquent taxes are not paid at the end of five years, the property is sold at public auction and the proceeds are used to pay the delinquent amounts due. Any excess is remitted, if claimed, to the taxpayer. Additional tax liens are created when there is a change in ownership of property or upon completion of new construction. Tax bills for these new tax liens are issued throughout the fiscal year and contain various payments and delinquent dates, but are generally due within one year. If the new tax liens are lower, the taxpayer receives a tax refund rather than a tax bill. Unsecured personal property taxes are not a lien against real property. These taxes are due on March 1, and become delinquent, if unpaid on August 31.

The District participates in an alternative method of distribution of property tax levies and assessments known as the "Teeter Plan." The State Revenue and Taxation Code allow counties to distribute secured real property, assessment, and supplemental property taxes on an accrual basis resulting in full payment to taxing agencies each fiscal year. Any subsequent delinquent payments and penalties and interest during a fiscal year will revert to the County. The Teeter Plan payment, which includes 95% of the outstanding accumulated delinquency, is included in property tax revenue retained by the County under the revenue neutrality agreement. Under the Teeter Plan Code, 5% of the delinquency must remain with the County as a reserve for Teeter plan funding. The Teeter Plan does not allow the District to earn interest in a meaningful way on its reserves and the District has an objective to develop reserves to allow it to earn interest and go off the teeter plan.

O. Fire Flow Taxes

Fire flow taxes represent a special tax on property on the secured tax roll, collected by the District since its inception in 1997. The fire flow taxes are collected in each of the District's two service zones for the purpose of obtaining, furnishing, operating, and maintaining fire protection, prevention and suppression and emergency medical equipment, apparatus or facilities, including water distribution facilities for fire suppression purposes, for paying the salaries and benefits of firefighting and emergency medical personnel, and for such other fire protection, prevention and suppression and emergency medical expenses as are deemed necessary by the District. For fiscal year 2017-2018, the fire flow tax rate was established at six cents (\$0.06) in Moraga, and six cents (\$0.06) in Orinda.



**Moraga-Orinda Fire Protection District
Comprehensive Annual Financial Report
Notes to Basic Financial Statements
For the year ended June 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

P. Budgetary Accounting

The District Board of Directors establishes budgets for the General Fund, Debt Service Fund and Capital Projects Fund. Budgetary control is legally maintained at the fund level for these funds. The budget includes appropriations (budgeted expenditures) on a line-item basis and the means of financing them (budgeted revenues.) The coordinators of the Budget are the Fire Chief, Administrative Services Director or designee(s), with direct support from each division in the District.

Budget development begins with a mid-year Budget review in January or during a month selected by the Fire Chief. The mid-year review is a detailed analysis of District revenue and expenditure line items for the current fiscal year. The District fiscal year is from July 1 through June 30 of the next calendar year. The mid-year review is published and distributed to the Board, staff and general public for consideration during the month of January or during a month selected by the Fire Chief. The mid-year financial analysis provides the starting point for next fiscal year's Budget.

Administrators receive a written Budget Packet and a written Budget Timeline in February that provides detailed instructions and deadlines for the Budget process. Administrators meet with the Fire Chief or designated representative and submit the following for the next fiscal year: 1) goals and objectives, 2) preliminary Budget requests, 3) personnel requests and 4) capital equipment requests. During this time, revenue sources are projected by Administrative Services Division staff.

A draft Budget is compiled for review by the Fire Chief, Administrative Services Director or designated representative(s). Individual meetings with each division are held with the Fire Chief or designated representative as deemed necessary by the Fire Chief. Programs, projects and staffing are reviewed in these sessions and approval is dependent on available funding and Fire Chief's recommendation.

After deliberation and final changes, the Budget is adopted by the Board of Directors. Preferably the Budget is adopted in June, prior to the beginning of the next fiscal year. In the event of unusual circumstances, the Budget may be adopted after the beginning of the fiscal year. Regardless, in accordance with Health and Safety Code Section 13895, the final Budget is adopted by October 1 of each fiscal year.

Formal budgetary integration is employed as a management control device during the year for all funds. Budgeted and actual revenues and expenditures are reviewed monthly by the Board and budget amendments and transfers are made as needed. The Accountant monitors appropriations on a division basis and conveys this information to the Fire Chief who can approve appropriation transfers so long as appropriations in total by fund do not change. This approach allows the Fire Chief to hold division heads accountable. The District reports expenditures and appropriations on a line-item basis to the Board which is the budgetary level of control.



**Moraga-Orinda Fire Protection District
Comprehensive Annual Financial Report
Notes to Basic Financial Statements
For the year ended June 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Only the Board may approve amendments to appropriations in total by fund. This approach allows the Board to hold the Fire Chief accountable for the overall District operations.

Budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. Budgeted amounts presented in the financial statements are as originally adopted and as amended by the Board. Supplemental amendments to the budget were adopted by the Board and have been included in the budget to actual statements.

Q. Use of Estimates

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

2. CASH AND INVESTMENTS

At June 30, 2018, the District's pooled cash and investments, classified by maturity, consisted of the following stated at fair market value:

	Balance
	June 30, 2018
Cash in bank	\$ 932,423
Cash with Contra Costa County	1,153,612
Petty cash	200
State of California Local Agency Investment Fund (LAIF)	11,610,479
Total unrestricted cash equivalents and investments	<u>13,696,714</u>
Restricted deposits with financial institutions	2,326,655
Restricted investments for debt service	2,988,258
Total restricted cash equivalents and investments	<u>5,314,913</u>
Total cash and investments	<u>\$ 19,011,627</u>



**Moraga-Orinda Fire Protection District
Comprehensive Annual Financial Report
Notes to Basic Financial Statements
For the year ended June 30, 2018**

2. CASH AND INVESTMENTS, Continued

California statutes authorize governments to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The table below identifies the investment types that are authorized for the District by the California Government Code (or the District’s investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. For the year ended June 30, 2018, the District’s permissible investments included the following instruments:

Authorized Investment Type	Maximum Maturity
U.S. Treasury Obligations	5 Years
U.S. Agency Securities	5 Years
Insured or Collateralized Certificates of Deposit	5 Years
State of California Local Agency Investment Fund	N/A
Local Government Investment Pools	N/A
Money Market Funds	N/A
Passbook Savings and Money Market Accounts	N/A

Interest Rate Risk – In accordance with its investment policy, the District manages its exposures to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than 5 years.

Credit Risk – The State of California Local Agency Investment Fund is not rated. As of June 30, 2018 the District’s restricted investments were comprised of \$21,258 in money market funds and \$2,967,000 invested in U.S. Treasuries with a maturity date of July 1, 2018.

Concentration of Credit Risk – The investments made by the District are limited to those allowable under State statutes as incorporated into the District’s Investment Policy, which is accepted annually by the District Board. There were no concentrations in any one issuer for the year.

The District participates in an investment pool managed by Contra Costa County. The County’s investments are subject to credit risk with the full faith and credit of Contra Costa County collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to changes in interest rates.

The District participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF). LAIF’s investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to changes in interest rates.



**Moraga-Orinda Fire Protection District
Comprehensive Annual Financial Report
Notes to Basic Financial Statements
For the year ended June 30, 2018**

2. CASH AND INVESTMENTS, Continued

Custodial Credit Risk – deposits. For deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's Investment Policy addresses custodial credit risk, which follows the Government Code. Any uninsured bank balance is collateralized by the pledging financial institutions at 110% of the deposits, in accordance with the State of California Government Code.

At June 30, 2018, the carrying amount of the District's deposits was \$1,004,571 and the balances in financial institutions were \$1,316,473. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance and \$1,038,572 was collateralized as required by State law (Government Code Section 53630), by the pledging financial institution with assets held in a common pool for the District and other governmental agencies, but not in the name of the District.

Custodial Credit Risk – investments. For investments, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside counterparty. None of the District's investments were subject to investment custodial credit risks.

Investment in LAIF: LAIF is stated at amortized cost, which approximates fair value. The LAIF, although not registered with the SEC, is a special fund of the California State Treasury through which local governments may pool investments and is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The District had a balance of \$11,610,479 which approximated market value and was managed by the State Treasurer. The Board consists of five members as designated by State Statute. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2018:

	Balance
	June 30, 2018
Taxes	\$205,235
Interest	70,621
Ambulance billing	377,311
Other receivable	<u>237,733</u>
	<u>\$890,900</u>



**Moraga-Orinda Fire Protection District
Comprehensive Annual Financial Report
Notes to Basic Financial Statements
For the year ended June 30, 2018**

4. FIRE STATION 43 CONSTRUCTION PROJECT

In October 2016, the District awarded a contract for the construction of Fire Station 43 in Orinda, California. The project was scheduled for completion in October 2017. The new Fire Station 43 is to be built on the same property as the existing Fire Station 43; therefore, the existing Fire Station 43 was demolished. Subsequently the project was delayed and construction of the new fire station did not begin as planned. In September 2017, the District terminated the contract with the original contractor and awarded a contract to a new contractor. The project is underway and is projected for completion in fiscal year 2018-19. The District projects future completion costs for the project to be \$3,810,770 which will be paid out of the Capital Projects Fund. Costs incurred during fiscal year ended June 30, 2018 were \$1,147,610.

During the current fiscal year, the District determined the additional cost incurred for the construction of Fire Station 43 were impaired. The impairment occurred due to construction stoppage, incomplete work and soft costs associated with changing contractors. The amount that was removed from the construction in progress was \$689,733.

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Governmental activities:				
Nondepreciable assets:				
Land	\$ 502,000	\$ -	\$ -	\$ 502,000
Construction in Progress	4,350,282	990,874	(3,213,952)	2,127,204
Total nondepreciable assets	4,852,282	990,874	(3,213,952)	2,629,204
Depreciable assets:				
Buildings	6,087,961	-	-	6,087,961
Improvements	805,172	31,628	-	836,800
Equipment	1,718,125	218,652	(34,048)	1,902,729
Vehicles	6,431,225	2,858,543	(570,872)	8,718,896
Total depreciable assets	15,042,483	3,108,823	(604,920)	17,546,386
Total	\$19,894,765	\$ 4,099,697	\$(3,818,872)	\$ 20,175,590
Accumulated depreciation:				
Buildings	\$ 3,447,569	\$ 156,422	\$ -	\$ 3,603,991
Improvements	338,417	53,074	-	391,491
Equipment	664,626	148,958	(3,972)	809,612
Vehicles	4,055,844	362,536	(513,751)	3,904,629
Total accumulated depreciation	8,506,456	720,990	(517,723)	8,709,723
Total net capital assets	\$11,388,309	\$ 3,378,707	\$(3,301,149)	\$ 11,465,867



**Moraga-Orinda Fire Protection District
Comprehensive Annual Financial Report
Notes to Basic Financial Statements
For the year ended June 30, 2018**

5. CAPITAL ASSETS, Continued

Depreciation expense for capital assets was charged to functions as follows:

	Balance
	<u>June 30, 2018</u>
Fire protection - operations	\$ 720,990

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following at June 30, 2018:

	Balance
	<u>June 30, 2018</u>
Accounts payable and accrued liabilities	\$ 988,898
Salaries and benefits payable	1,208,332
Total	<u>\$ 2,197,230</u>

7. LONG-TERM LIABILITIES

The District's long-term liabilities consist of taxable pension obligation bonds, lease obligations and compensated absences. The following is a summary of changes in long-term liabilities for governmental activities for the year ended June 30, 2018:

	Balance			Balance	Due Within
	<u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2018</u>	<u>One Year</u>
Pension obligation bonds	\$16,465,000	\$ -	\$ (2,360,000)	\$ 14,105,000	\$ 2,640,000
Capital lease obligations	259,333	-	(84,883)	174,450	86,435
Lease/purchase	6,724,000	-	(789,617)	5,934,383	805,107
Total debt	23,448,333	-	(3,234,500)	20,213,833	3,531,542
Compensated absences	582,743	129,714	(165,000)	547,457	165,000
Total long-term liabilities	<u>\$ 24,031,076</u>	<u>\$ 129,714</u>	<u>\$ (3,399,500)</u>	<u>\$ 20,761,290</u>	<u>\$ 3,696,542</u>

Pension Obligation Bonds

On October 6, 2005, the District issued taxable Pension Obligation Bonds in the amount of \$28,435,000. The bonds bear a fixed annual interest rate of 5.22%. Principal amounts are paid in annual installments on July 1 and interest payments are due semi-annually on July 1 and January 1. The bonds will mature on July 1, 2022.



**Moraga-Orinda Fire Protection District
Comprehensive Annual Financial Report
Notes to Basic Financial Statements
For the year ended June 30, 2018**

7. LONG-TERM LIABILITIES, Continued

Capital Lease Obligations

On June 17, 2015, the District entered into a five year lease agreement at a rate of 1.82% with JP Morgan Chase Bank for the purchase of two fully equipped ambulances. Payments are to be made semi-annually beginning December 2015 and ending June 24, 2020. Each installment is \$44,609.

2016 and 2017 Lease/Purchase Agreement

On May 1, 2016 the District entered into a lease/purchase agreement in the amount of \$4,069,000 for the construction, renovation and equipping of Station 43 in Orinda, California. The agreement bears a fixed annual interest rate of 2.14%. Principal and interest amounts are paid in semi-annual installments on October 1 and April 1. The agreement matures on April 1, 2031.

On May 30, 2017 the District entered into a lease/purchase agreement in the amount of \$2,855,000 for the construction and purchase of one fire truck, two fire engines, and two ambulances. The agreement bears a fixed annual interest rate of 1.899%. Principal and interest amounts are paid in semi-annual installments on November 30 and May 30. The agreement matures on May 30, 2022.



Moraga-Orinda Fire Protection District
Comprehensive Annual Financial Report
Notes to Basic Financial Statements
For the year ended June 30, 2018

7. LONG-TERM LIABILITIES, Continued

The following is the debt service obligations of the District:

Year Ending June 30	Pension Obligation Bond		2016 Lease/Purchase Agreement	
	Principal	Interest	Principal	Interest
2019	\$ 2,640,000	\$ 667,378	\$ 245,000	\$ 76,345
2020	2,945,000	521,609	250,000	71,079
2021	3,265,000	359,528	256,000	65,699
2022	3,610,000	180,090	261,000	60,198
2023	1,645,000	42,935	267,000	54,570
2024-2028	-	-	1,421,000	184,351
2029-2032	-	-	929,000	35,075
Total	\$ 14,105,000	\$ 1,771,539	\$ 3,629,000	\$ 547,317
Due within one year	\$ 2,640,000	\$ 667,378	\$ 245,000	\$ 76,345
Due after one year	11,465,000	1,104,161	3,384,000	470,972
Total	\$ 14,105,000	\$ 1,771,539	\$ 3,629,000	\$ 547,317

Year Ending June 30	2017 Lease/Purchase Agreement		Capital Lease	
	Principal	Interest	Principal	Interest
2019	\$ 560,107	\$ 41,143	\$ 86,435	\$ 2,783
2020	570,796	30,454	88,015	1,203
2021	581,689	19,559	-	-
2022	592,791	8,458	-	-
2023	-	-	-	-
2024-2028	-	-	-	-
2029-2032	-	-	-	-
Total	\$ 2,305,383	\$ 99,614	\$ 174,450	\$ 3,986
Due within one year	\$ 560,107	\$ 41,143	\$ 86,435	\$ 2,783
Due after one year	1,745,276	58,471	88,015	1,203
Total	\$ 2,305,383	\$ 99,614	\$ 174,450	\$ 3,986



Moraga-Orinda Fire Protection District
Comprehensive Annual Financial Report
Notes to Basic Financial Statements
For the year ended June 30, 2018

7. LONG-TERM LIABILITIES, Continued

Year Ending June 30	Total	
	Principal	Interest
2019	\$ 3,531,542	\$ 787,649
2020	3,853,811	624,345
2021	4,102,689	444,785
2022	4,463,791	248,746
2023	1,912,000	97,505
2024-2028	1,421,000	184,351
2029-2032	929,000	35,075
Total	<u>\$ 20,213,833</u>	<u>\$ 2,422,456</u>
Due within one year	\$ 3,531,542	\$ 787,649
Due after one year	16,682,291	1,634,807
Total	<u>\$ 20,213,833</u>	<u>\$ 2,422,456</u>

Compensated Absences

The District records employee absences, such as vacations, illness, deferred overtime, and holidays, for which it is expected that employees will be paid compensated absences. As of June 30, 2018, the District had a compensated absences balance of \$547,457.

8. NET POSITION/FUND BALANCES

Net Position

As of June 30, 2018, net position is as follows:

<u>Net Position</u>	<u>June 30, 2018</u>
Net investment in capital assets	\$ 7,683,689
Restricted for debt service	2,617,452
Restricted for pension benefits	700,449
Unrestricted (deficit)	(47,724,303)
Total	<u>\$ (36,722,713)</u>

Restricted balances are for the same purposes as fund balance restrictions because external restriction requirements are the same. See descriptions of the restrictions on the following page.



**Moraga-Orinda Fire Protection District
Comprehensive Annual Financial Report
Notes to Basic Financial Statements
For the year ended June 30, 2018**

8. NET POSITION/FUND BALANCES, Continued

Fund Balance

As of June 30, 2018, the District's Restricted and Committed fund balances are as follows:

<u>Fund Balances</u>	<u>June 30, 2018</u>
Nonspendable prepaid retirement	\$ 16,443
Restricted for debt service	3,008,656
Restricted for capital projects	2,326,655
Restricted for pension benefits	700,449
Committed for capital projects	6,021,716
Commitment for employee benefits	76,594
Unassigned	6,297,533
Total	<u>\$ 18,448,046</u>

The following describes the purpose of each restriction and commitment account used by the District:

Nonspendable

- **General Fund** – represents a nonspendable prepaid portion of employer contributions to Contra Costa County Employees Retirement Association (CCCERA).

Restricted

- **Debt Service** – represents amounts restricted for repayment of principal and payment of interest in the next calendar year of the District's Taxable Pension Obligation Bonds.
- **Capital Projects** – represents amounts restricted for District capital projects.
- **Pension Benefits** – represents amounts restricted for payment of pension liabilities.

Committed

- **Capital projects** – used to represent that portion of fund balance committed for capital construction and purchases. All balances reported in the Capital Projects Fund are committed for this purpose. This amount can only be changed by Board Resolution.
- **Employee benefits** – used to represent that portion of fund balance committed for employee benefits.

The District considers restricted amounts to have been spent prior to unrestricted amounts when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Committed, assigned, and unassigned amounts, in this order, are considered to have been spent when an expenditure is incurred for which amounts in any of those unrestricted fund balance classifications could be used.



**Moraga-Orinda Fire Protection District
Comprehensive Annual Financial Report
Notes to Basic Financial Statements
For the year ended June 30, 2018**

9. RISK MANAGEMENT

The District is a member of the Fire Agencies Insurance Risk Authority (FAIRA), a public agency joint powers authority (JPA) providing insurance risk management services tailored to meet only specific needs of fire and emergency service agencies in the states of California and Nevada.

The FAIRA Joint Powers Authority is owned entirely by participating fire protection districts and agencies, and functions solely for their benefit. The District participates in the following FAIRA coverage:

Property

Property coverage is for direct physical loss or damage to real and personal properties. In addition, the carrier will pay for actual loss of income and necessary expenses incurred during the period of restoration for up to one year if the insured operation is interrupted as a result of direct physical loss or damage to real or personal properties. The District has a deductible of up to \$5,000 per occurrence and a coverage limit of the guaranteed replacement cost of the Real or Personal Property. More detailed information regarding sub-limits is given in the District's FAIRA policy.

Crime

Coverage is provided for dishonest acts committed by an employee, forgery or alteration of checks, drafts, losses arising out of the failure of an individual to perform duties, loss or damage resulting from computer fraud. The District is covered for up to \$1,000,000 for any criminal loss, with a deductible of \$5,000.

General Liability

General liability covers bodily injury and property damage, personal injury and advertising injury, professional healthcare liability or medical expense. The District has no deductible and a coverage limit of up to \$1,000,000 for each occurrence, \$10,000 for medical expense, and annual aggregate limit of \$10,000,000.

Management Liability

Management liability covers monetary damages as a result of wrongful act arising out of employment related practices, administration of employee benefit plans and other wrongful acts. Coverage includes wrongful termination, sexual harassment, public officials' errors and omissions. For each wrongful act, the District pays the first \$5,000 and the insurance covers the remaining up to \$1,000,000 for each wrongful act and \$10,000,000 annual aggregate limit.

Automobile Coverage

Covers bodily injury, property damage and automobile physical damage resulting from an accident involving vehicles such as fire engines, pumpers, ambulances, paramedic vans, rescue vans, private passenger and other vehicles. The insurance covers up to \$1,000,000 for bodily injury, property damage, and uninsured/underinsured motorists.



**Moraga-Orinda Fire Protection District
 Comprehensive Annual Financial Report
 Notes to Basic Financial Statements
 For the year ended June 30, 2018**

9. RISK MANAGEMENT, Continued

The insurance covers direct physical loss or damage to automobiles in the event of fire, lightning, explosion, theft, windstorm, hail, earthquake, flood, mischief, vandalism, or the sinking, burning, collision or derailment of any conveyance transporting the covered automobile and collision, resulting from collision with another object, or overturn. The insurance covers the agreed value of Emergency Response/Antique vehicles and the actual cash value of Private Passenger, Service Vehicles, Trailers, and Other Non-Emergency Vehicles. The deductible is up to \$3,000 depending on the vehicle. Amounts of settlements have not exceeded insurance coverage in the past three years.

A summary of the District's insurance coverage under FAIRA is as follows:

Coverage	Insurance Company/ Pool	Limit of Liability	Deductible
Property	FAIRA	Guaranteed Replacement Cost Up to 12 months loss of income/additional expense \$5,000,000 earthquake sprinkler leakage	Up to \$5000
Crime	FAIRA	\$1,000,000 for all crime	\$1,000
Portable Equipment	FAIRA	Guaranteed Replacement Cost	\$1,000
General Liability	FAIRA	\$1,000,000 each occurrence \$10,000 medical expenses each accident	None
Management	FAIRA	\$1,000,000 each wrongful act	\$5,000
Automobile	FAIRA	\$1,000,000 bodily injury Agreed value/FMV auto damage	\$10,000 medical Up to \$3000



**Moraga-Orinda Fire Protection District
Comprehensive Annual Financial Report
Notes to Basic Financial Statements
For the year ended June 30, 2018**

10. OTHER POST-EMPLOYMENT BENEFITS (“OPEB”)

At June 30, 2018, net OPEB liability and related deferred outflows of resources are as follows:

	Governmental Activities
Deferred outflows of resources	<u>\$ 199,062</u>
Net OPEB liabilities	<u>\$ 15,329,724</u>

A. Plan Description

In addition to the retirement plan described in Note 11, the Moraga-Orinda Fire District Retiree Health Insurance Program (“OPEB Plan”) provides access to lifetime healthcare benefits to eligible retirees and their dependents. The District administers a agent multiple-employer defined-benefit post-employment healthcare plan. Benefits vary by hire date, employment status and employment classification. Benefits continue to the surviving spouses. Eligibility for retiree health benefits requires direct retirement from the District under CCCERA.

Eligible employees who were hired prior to April 15, 2014 (July 2, 2014 for Battalion Chiefs and July 1, 2014 for unrepresented), receive 100% of medical and dental premiums, subject to the District Cap. The Medical Cap is as follows:

	<u>Local 2700</u>	<u>All Others</u>
Single	\$575.44	\$458.42
Single +1	\$1,150.85	\$916.82
Family	\$1,496.11	\$1,191.87

Eligible employees hired after the dates listed above will receive the PEMHCA minimum benefit.

B. Eligibility

Employees are eligible to participate in the District’s Plan if they retire directly from the District under CCCERA with ten years of CCCERA service (there is a five year service requirement if retirement is due to a service-connected disability.) Since PEMHCA is a community rated plan for most employers, an implied subsidy is reflected. The District does not provide vision, life, or Medicare Part B reimbursement to retirees.

Membership of the District as of the valuation date consisted of the following:

Active plan members	61
Inactive employees or beneficiaries currently receiving benefit payments	<u>152</u>
Total	<u>213</u>



**Moraga-Orinda Fire Protection District
Comprehensive Annual Financial Report
Notes to Basic Financial Statements
For the year ended June 30, 2018**

10. OTHER POST-EMPLOYMENT BENEFITS (“OPEB”), Continued

C. Contribution

The obligation of the District to contribute to the plan is based on an actuarially determined rate. For the fiscal year ended June 30, 2018, the District’s expected contribution rate was 17.99 percent of covered-employee payroll.

D. Net OPEB Liability

The District’s net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018.

E. Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	6.25%
Inflation	2.50%
Aggregate salary increases (Individual salary increases based on CalPERS)	3.00%
Investment rate of return	6.25%
Mortality rates	Based on CalPERS tables
Healthcare cost trend rate	7.00% in the first year, trending down to 3.84% over 58 years



**Moraga-Orinda Fire Protection District
Comprehensive Annual Financial Report
Notes to Basic Financial Statements
For the year ended June 30, 2018**

10. OTHER POST-EMPLOYMENT BENEFITS (“OPEB”), Continued

F. Discount Rate

The discount rate used to measure the total OPEB Liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that the District contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to cover all future OPEB payments. Therefore, the discount rate was set equal to the long-term expected rate of return.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	75.00%	4.25%
Fixed Income	20.00%	2.37%
Cash and Equivalents	5.00%	1.44%
Total	100.00%	3.75%



**Moraga-Orinda Fire Protection District
Comprehensive Annual Financial Report
Notes to Basic Financial Statements
For the year ended June 30, 2018**

10. OTHER POST-EMPLOYMENT BENEFITS (“OPEB”), Continued

G. Change in the Net OPEB Liability

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(c) = (a) - (b)</u>
Balance at June 30, 2017	\$ 15,696,050	\$ 472,933	\$ 15,223,117
Changes Recognized for year:			
Service Cost	459,818	-	459,818
Interest	946,716	-	946,716
Difference between expected and actual experience	238,065	-	238,065
Contributions:			
Employer - explicit subsidy	-	1,195,298	(1,195,298)
Employer - implicit subsidy	-	307,499	(307,499)
Net investment income	-	36,771	(36,771)
Benefit payments, including refunds of employee contributions	(821,298)	(821,298)	-
Implicit rate subsidy fulfilled	(307,499)	(307,499)	-
Administrative expenses	-	(1,576)	1,576
Net changes	<u>515,802</u>	<u>409,195</u>	<u>106,607</u>
Balance at June 30, 2018	<u>\$ 16,211,852</u>	<u>\$ 882,128</u>	<u>\$ 15,329,724</u>

H. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The net OPEB Liability of the District, as well as what the District's net OPEB Liability would be if it were calculated using a discount rate that is one percentage point lower (5.25%) or one percentage point higher (7.25%) follows:

<u>Plan's Net OPEB Liability</u>		
<u>Discount Rate - 1%</u>	<u>Current Discount Rate (6.25%)</u>	<u>Discount Rate +1%</u>
<u>(5.25%)</u>	<u>Rate (6.25%)</u>	<u>(7.25%)</u>
<u>\$ 17,109,776</u>	<u>\$ 15,329,724</u>	<u>\$ 13,912,752</u>



**Moraga-Orinda Fire Protection District
Comprehensive Annual Financial Report
Notes to Basic Financial Statements
For the year ended June 30, 2018**

10. OTHER POST-EMPLOYMENT BENEFITS (“OPEB”), Continued

I. Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates.

The net OPEB Liability of the District, as well as what the District's net OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.00%) or one percentage point higher (8.00%) than current healthcare cost trend rates follows:

Plan's Net OPEB Liability		
Trend Rate - 1% (6.00% decreasing to 2.84%)	Healthcare Cost Trend Rates (7.00% decreasing to 3.84%)	Trend Rate +1% (8.00% decreasing to 4.84%)
\$ 14,779,928	\$ 15,329,724	\$ 16,124,364

J. OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the District recognized OPEB expense of \$1,331,086. At June 30, 2018, the District reported deferred outflows of resources related to OPEB from the following sources:

Difference between expected and actual experience in the Total OPEB Liability	\$ 182,181
Net excess of projected over actual earnings on OPEB plan investments	16,881
Total	\$ 199,062



**Moraga-Orinda Fire Protection District
Comprehensive Annual Financial Report
Notes to Basic Financial Statements
For the year ended June 30, 2018**

10. OTHER POST-EMPLOYMENT BENEFITS (“OPEB”), Continued

The difference between projected OPEB plan investment earnings and actual earnings is amortized over a five year period. The difference between projected and actual experience will be amortized over the expected average service lifetime of 4.3 years.

Amount reported as deferred outflows of resources related to OPEB will be recognized as future OPEB expense as follows:

Fiscal Year	
Ending June 30,	Deferred outflows
2019	\$ 59,238
2020	59,237
2021	59,237
2022	21,350
	<u>\$ 199,062</u>

11. PENSION PLAN

A. General Information about the Pension Plan

Plan Descriptions - Substantially, all qualified permanent and probationary District employees are eligible to participate in pension plans, either Safety (law enforcement, fire suppression, and certain others) or General (all other), offered by Contra Costa County Employees’ Retirement Association (CCCERA), a cost sharing multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and County resolution. CCCERA provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries.

B. Benefits Provided - CCCERA provides service retirement and disability benefits, annual cost of living adjustments and death benefits to eligible employees. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for the Plan are determined annually on an actuarial basis by CCCERA; the District must contribute these amounts.



**Moraga-Orinda Fire Protection District
Comprehensive Annual Financial Report
Notes to Basic Financial Statements
For the year ended June 30, 2018**

11. PENSION PLAN, Continued

The Plan's provisions and benefits in effect at June 30, 2018, are summarized as follows:

	<u>Safety</u>	<u>Non-Safety</u>
Benefit vesting schedule	5 years	5 years
Benefit payments	Monthly for life	Monthly for life
Retirement age	50 or 57	55 or 67
Required employee contribution rates	15.30% - 22.15%	8.02% - 15.07%
Required employer contribution rates	70.94%, 62.24% new hires	23.81%, 20.46% new hires
Monthly benefits as percentage of annual salary	3%, 2.7% new hires	2%, 2.5% new hires

C. Contributions - The District is required to contribute at an actuarially determined rate which is established and may be amended by the CCCERA Board. The amount is actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District's contributions for the year ended June 30, 2018 was \$4,677,312, which was equal to the required contributions for current fiscal year.

D. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - At June 30, 2018, the District reported a liability of \$23,498,575 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. 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. At December 31, 2017, the District's proportion was 2.896%, which was an increase from its proportion measured as of December 31, 2016 of 2.326%.

For the year ended June 30, 2018, the District recognized pension expense of \$2,862,659.



**Moraga-Orinda Fire Protection District
Comprehensive Annual Financial Report
Notes to Basic Financial Statements
For the year ended June 30, 2018**

11. PENSION PLAN, Continued

At June 30, 2018, 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 paid to CCCERA subsequent to measurement date	\$ 2,338,656	\$ -
Difference between expected and actual experience in the Total Pension Liability	-	2,316,698
Change in assumptions	708,630	288
Changes in proportion and differences between employer's contributions	2,432,720	3,959,470
Net excess of projected over actual earnings on pension plan investments	-	6,058,445
Total	\$ 5,480,006	\$ 12,334,901

\$2,338,656 was 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, 2019. 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	
2019	\$ (2,488,188)
2020	(1,235,418)
2021	(3,041,475)
2022	(2,428,470)
Thereafter	-

E. Actuarial Assumptions - The Total Pension Liabilities as of December 31, 2017 were determined by actuarial valuation as of December 31, 2017. The actuarial assumptions used were based on the results of an experience study for the period January 1, 2012 through December 31, 2014. In particular, the following actuarial assumptions were applied to all periods included in the measurement of the December 31, 2017 actuarial valuation:

Inflation	2.75%
Salary increases	Non-safety 4% to 13.25% and safety 4% to 13.75%, varying by service
Investment rate of return	7%
Valuation date	December 31, 2016
Measurement date	December 31, 2017
Actuarial cost method	Entry-Age Actuarial Cost Method



**Moraga-Orinda Fire Protection District
Comprehensive Annual Financial Report
Notes to Basic Financial Statements
For the year ended June 30, 2018**

11. PENSION PLAN, Continued

A complete copy of the Actuarial Valuation Summary is available in separately issued financial statements of the plan which can be obtained from CCCERA located at 1355 Willow Way, Suite 221, Concord, CA 94520.

The long-term expected rate of return on pension plan investments was determined 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) 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
Large Cap U.S. Equity	6.00%	5.75%
Developed International Equity	10.00%	6.99%
Emerging Markets Equity	14.00%	8.95%
Short-Term Govt./Credit	24.00%	0.20%
U.S. Treasury	2.00%	0.30%
Real Estate	7.00%	4.45%
Cash and Equivalents	1.00%	-0.46%
Risk Diversifying Strategies	2.00%	4.30%
Private Credit	17.00%	6.30%
Private Equity	17.00%	8.10%
Total	100.00%	

F. Discount Rate - The discount rate used to measure the total pension liability was 7.00% as of December 31, 2017 and as of December 31, 2016. 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 7.00% was applied to all periods of projected benefit payments to determine the Total Pension Liability as of December 31, 2017.



**Moraga-Orinda Fire Protection District
Comprehensive Annual Financial Report
Notes to Basic Financial Statements
For the year ended June 30, 2018**

11. PENSION PLAN, Continued

G. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability as of December 31, 2017, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Net pension liability as of December 31, 2017	\$ 49,778,525	\$ 23,498,575	\$ 2,052,597

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued CCCERA financial reports.

Payable to the Pension Plan - At June 30, 2018, there were no significant payables due to the pension plan.

The District's proportionate share of total pension liability and fiduciary net position of the plan is as follows:

	<u>District's Proportionate Share</u>
Total Pension Liability	\$ 193,403,909
Fiduciary Net Position	<u>169,905,334</u>
Net Pension Liability	<u>\$ 23,498,575</u>

12. COMMITMENTS AND CONTINGENCIES

The District is a party to claims and lawsuits arising in the ordinary course of business. The District's management and legal counsel are of the opinion that the ultimate liability, if any, arising from these claims will not have material adverse impact on the financial position of the District. The District participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.



**Moraga-Orinda Fire Protection District
Comprehensive Annual Financial Report
For the year ended June 30, 2018
Notes to Basic Financial Statements**

13. NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 81 – In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of the Statement is to improve financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, the Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. The Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The Statement is effective for the reporting periods beginning after December 15, 2016. The implementation of this Statement did not have a material effect on the financial statements.

GASB Statement No. 83 – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital asset should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government's ARO, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, or the FY 2018/2019. The District is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018, or the FY 2019/2020. The District is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The Statement is effective for the reporting periods beginning after June 15, 2017, or FY 2017/2018 fiscal year. The implementation of this Statement did not have a material effect on the financial statements.



Moraga-Orinda Fire Protection District Comprehensive Annual Financial Report For the year ended June 30, 2018 Notes to Basic Financial Statements

GASB Statement No. 86 – In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources — resources other than the proceeds of refunding debt — are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The Statement is effective for the reporting periods beginning after June 15, 2017, or FY 2017/2018. The implementation of this Statement did not have a material effect on the financial statements.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement is effective for the reporting periods beginning after December 15, 2019, or FY 2020/2021. The District is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 88 – GASB Statement No. 88 – In March 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve note disclosures related to debt. This Statement requires that all debt disclosures present direct borrowings and direct placements of debt separately from other types of debt. This Statement is effective for reporting periods beginning after June 15, 2018 or FY 2019/2020. The District is evaluating the impact of this statement on the financial statements.

GASB Statement No. 89 – In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for certain interest costs. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in the financial statements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019, or FY 2020/2021. The District is evaluating the impact of this Statement on the financial statements.



Moraga-Orinda Fire Protection District
Required Supplementary Information – Pension Schedule of
Contributions
Contra Costa County Employees’ Retirement Association (CCERA)
Last Ten Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution (actuarially determined)	\$ 4,677,312	\$ 4,395,376	\$ 4,063,149	\$ 4,517,403	\$ 3,107,945
Contributions in relation to the actuarially determined contributions	<u>4,677,312</u>	<u>4,395,376</u>	<u>4,063,149</u>	<u>4,517,403</u>	<u>3,107,945</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 8,395,829	\$ 7,347,757	\$ 6,858,003	\$ 6,966,539	\$ 7,871,587
Contributions as a percentage of covered payroll	55.7%	59.8%	59.2%	64.8%	39.5%

Notes to Schedule

1) Covered payroll represents compensation earnable and pensionable compensation.

* Information prior to the implementation of the pension standards is not available.



**Moraga-Orinda Fire Protection District
 Required Supplementary Information - Schedule of the District's
 Proportionate Share of the Net Pension Liability
 Contra Costa County Employee's Retirement Association (CCCERA)
 Last Ten Fiscal Years***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability	2.896%	2.326%	2.608%	2.393%	2.393%
Proportionate share of the net pension liability	\$ 23,498,575	\$ 32,569,913	\$ 39,299,357	\$ 28,612,847	\$ 35,211,427
Covered payroll	\$ 7,960,215	\$ 7,347,757	\$ 6,858,003	\$ 7,350,163	\$ 7,353,174
Proportionate Share of the net pension liability as percentage of covered payroll	295.20%	443.26%	573.04%	389.28%	478.86%
Plan fiduciary net position as a percentage of the total pension liability	87.85%	82.41%	78.77%	83.79%	80.06%

Notes to Schedule:

1) Covered payroll represents compensation earnable and pensionable compensation.

* Information prior to the implementation of the pension standards is not available.



Moraga-Orinda Fire Protection District
Required Supplementary Information - Schedule of the District's
OPEB Contributions
Last Ten Fiscal Years*

	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12 ¹
Actuarially determined contribution	\$ 1,530,343	\$ 1,485,776	\$ 1,292,000	\$ 1,238,000	\$ 1,187,000	\$ 2,447,000	\$ 2,274,000
Contributions in relation to the actuarially determined contribution	(1,502,797)	(1,371,290)	(953,224)	(969,770)	(896,659)	(937,777)	(898,937)
Contribution deficiency (excess)	\$ 27,546	\$ 114,486	\$ 338,776	\$ 268,230	\$ 290,341	\$ 1,509,223	\$ 1,375,063
Covered payroll	\$ 6,987,356	\$ 7,872,287	\$ 7,288,000	\$ 7,208,000	\$ 6,981,000	\$ 7,171,000	\$ 7,274,000

¹ GASB 75 requires this information for plans funding with OPEB trusts be reported in the employer's Required Supplementary Information for 10 years or as many years as are available upon implementation. The plan was not funded with an OPEB trust prior to 6/30/12.



Moraga-Orinda Fire Protection District
Required Supplementary Information – Schedule of the District’s
Changes in Net OPEB Liability
Last Ten Years*

	Fiscal Year Ending June 30, 2018	Fiscal Year Ending June 30, 2017
Total OPEB Liability		
Service cost	\$ 459,818	\$ 446,425
Interest	946,716	929,839
Differences between expected and actual experience	238,065	-
Benefit payments	(821,298)	(827,604)
Implicit rate subsidy fulfilled	(307,499)	(287,686)
Net change in total OPEB liability	515,802	260,974
Total OPEB liability - beginning of year	15,696,050	15,435,076
Total OPEB liability - end of year (a)	\$ 16,211,852	\$ 15,696,050
 Plan Fiduciary Net Position		
Net investment income	\$ 36,771	\$ 41,863
Contributions		
Employer - explicit subsidy	1,195,298	1,083,604
Employer - implicit subsidy	307,499	287,686
Benefit payments	(821,298)	(827,604)
Implicit rate subsidy fulfilled	(307,499)	(287,686)
Administrative expense	(1,576)	(1,367)
Net change in plan fiduciary net position	409,195	296,496
Plan fiduciary net position - beginning of year	472,933	176,437
Plan fiduciary net position - end of year (b)	882,128	472,933
District’s net OPEB liability - end of year = (a) - (b)	\$ 15,329,724	\$ 15,223,117
Plan fiduciary net position as a percentage of the total OPEB liability	5.44%	3.01%
Covered payroll	6,987,356	7,872,287

Notes to schedule:

* Information prior to the implementation of the OPEB standards is not available.



Moraga-Orinda Fire Protection District
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget to Actual – Debt Service Fund
For the year ended June 30, 2018

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Positive (Negative)</u>
REVENUES:				
Property taxes	\$ 3,376,281	\$ 3,376,281	\$ 3,376,281	\$ -
Use of money and property	-	-	1,083	1,083
Total revenues	<u>3,376,281</u>	<u>3,376,281</u>	<u>3,377,364</u>	<u>1,083</u>
EXPENDITURES:				
Debt service:				
Principal	3,234,500	3,234,500	3,234,500	-
Interest	935,357	935,357	935,347	10
Total expenditures	<u>4,169,857</u>	<u>4,169,857</u>	<u>4,169,847</u>	<u>10</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(793,576)</u>	<u>(793,576)</u>	<u>(792,483)</u>	<u>1,093</u>
OTHER FINANCING SOURCES:				
Transfers in	1,011,980	1,011,980	1,011,970	(10)
Transfers out	-	-	(4,476)	(4,476)
Total other financing sources	<u>1,011,980</u>	<u>1,011,980</u>	<u>1,007,494</u>	<u>(4,486)</u>
Net change in fund balances	218,404	218,404	215,011	(3,393)
FUND BALANCES:				
Beginning of year	2,793,645	2,793,645	2,793,645	-
End of year	<u>\$ 3,012,049</u>	<u>\$ 3,012,049</u>	<u>\$ 3,008,656</u>	<u>\$ (3,393)</u>



Moraga-Orinda Fire Protection District
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual – Capital Project Fund
For the year ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance With Amended Positive (Negative)
REVENUES:				
Fire flow taxes	\$ 1,076,738	\$ 1,080,597	\$ 1,080,597	\$ -
Use of money and property	10,000	10,000	24,856	14,856
Intergovernmental	159,906	179,116	179,116	-
Charges for services	200,000	40,000	38,000	(2,000)
Total revenues	1,446,644	1,309,713	1,322,569	12,856
EXPENDITURES:				
Service and supplies	409,196	409,196	310,055	99,141
Capital outlay	150,000	5,386,955	1,575,234	3,811,721
Total expenditures	559,196	5,796,151	1,885,289	3,910,862
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	887,448	(4,486,438)	(562,720)	3,923,718
OTHER FINANCING SOURCES:				
Transfers out	(1,011,980)	(1,011,980)	(1,011,970)	10
Proceeds from sale of assets	-	43,655	66,646	22,991
Total other financing sources	(1,011,980)	(968,325)	(945,324)	23,001
Net change in fund balances	(124,532)	(5,454,763)	(1,508,044)	3,946,719
FUND BALANCES:				
Beginning of year	9,856,415	9,856,415	9,856,415	-
End of year	<u>\$ 9,731,883</u>	<u>\$ 4,401,652</u>	<u>\$ 8,348,371</u>	<u>\$ 3,946,719</u>



Moraga-Orinda Fire Protection District Comprehensive Annual Financial Report For the year ended June 30, 2018

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements and footnotes says about the District's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the District's most significant revenue source, the property tax.

Debt Capacity

These schedules contain information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

Operating Information

These schedules contain service data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.

Sources

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.



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Moraga-Orinda Fire Protection District
Net Position by Component
Last Ten Fiscal Years
For the year ended June 30, 2018

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental activities:				
Net investment in capital assets	\$ 7,828,328	\$ 7,712,538	\$ 8,348,722	\$ 9,081,906
Restricted	435,971	41,979	-	-
Unrestricted (deficit)	<u>2,952,567</u>	<u>3,290,391</u>	<u>2,575,866</u>	<u>1,330,209</u>
Total governmental activities net position	<u>\$ 11,216,866</u>	<u>\$ 11,044,908</u>	<u>\$ 10,924,588</u>	<u>\$10,412,115</u>

* Implemented GASB 68

2013	2014	2015*	2016	2017	2018
\$ 9,314,274	\$9,930,092	\$ 9,466,042	\$ 8,327,292	\$ 7,318,954	\$ 7,683,689
2,037,710	2,206,339	2,812,780	12,655,893	2,955,444	3,317,901
<u>(2,697,070)</u>	<u>(2,337,332)</u>	<u>(56,768,462)</u>	<u>(60,767,871)</u>	<u>(52,888,825)</u>	<u>(47,724,303)</u>
<u>\$ 8,654,914</u>	<u>\$9,799,099</u>	<u>\$ (44,489,640)</u>	<u>\$ (39,784,686)</u>	<u>\$ (42,614,427)</u>	<u>\$ (36,722,713)</u>



Moraga-Orinda Fire Protection District
Changes in Net Position
Last Ten Fiscal Years
For the year ended June 30, 2018
(Accrual basis of accounting)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Expenses:				
Governmental activities:				
Fire protection - operations	\$ 17,668,240	\$ 16,952,041	\$ 17,199,159	\$ 17,298,393
OPEB	1,192,047	1,112,953	1,188,000	1,262,063
Interest and fiscal charges	1,486,551	1,423,521	1,351,267	1,289,602
Total governmental activities expenses	<u>20,346,838</u>	<u>19,488,515</u>	<u>19,738,426</u>	<u>19,850,058</u>
Total primary government expenses	<u>\$ 20,346,838</u>	<u>\$ 19,488,515</u>	<u>\$ 19,738,426</u>	<u>\$ 19,850,058</u>
Program revenues:				
Governmental activities:				
Charges for services:				
Fire protection - operations	\$ 1,750,233	\$ 1,420,196	\$ 1,395,534	\$ 1,242,317
Operating grants and contributions	-	-	-	-
Total governmental activities program revenues	<u>1,750,233</u>	<u>1,420,196</u>	<u>1,395,534</u>	<u>1,242,317</u>
Total primary government program revenues	<u>\$ 1,750,233</u>	<u>\$ 1,420,196</u>	<u>\$ 1,395,534</u>	<u>\$ 1,242,317</u>
Net (Expense)/Revenue				
Governmental activities	<u>\$ (18,596,605)</u>	<u>\$ (18,068,319)</u>	<u>\$ (18,342,892)</u>	<u>\$ (18,607,741)</u>
Total primary government net expense	<u>\$ (18,596,605)</u>	<u>\$ (18,068,319)</u>	<u>\$ (18,342,892)</u>	<u>\$ (18,607,741)</u>
General Revenues and Other Changes in Net Position:				
Governmental activities:				
Taxes:				
Property taxes	\$ 16,407,887	\$ 16,827,597	\$ 16,882,276	\$ 16,524,808
Fire flow taxes	1,066,761	1,064,888	1,067,969	1,067,763
Investment earnings	54,431	3,776	4,463	3,252
State and federal grants	-	-	149,845	280,069
Other general revenues	16,397	100	118,019	219,379
Gain (loss) on sale of assets	-	-	-	-
Total governmental activities	<u>17,545,476</u>	<u>17,896,361</u>	<u>18,222,572</u>	<u>18,095,271</u>
Total primary government	<u>\$ 17,545,476</u>	<u>\$ 17,896,361</u>	<u>\$ 18,222,572</u>	<u>\$ 18,095,271</u>
Changes in Net Position				
Governmental activities	<u>\$ (1,051,129)</u>	<u>\$ (171,958)</u>	<u>\$ (120,320)</u>	<u>\$ (512,470)</u>
Total primary government	<u>\$ (1,051,129)</u>	<u>\$ (171,958)</u>	<u>\$ (120,320)</u>	<u>\$ (512,470)</u>

2013	2014	2015	2016	2017	2018
\$ 18,285,971	\$ 19,149,488	\$ 18,372,152	\$ 18,610,768	\$ 19,005,152	\$ 21,012,014
1,356,223	273,867	-	-	-	-
<u>1,225,394</u>	<u>1,151,010</u>	<u>1,041,717</u>	<u>1,079,259</u>	<u>996,870</u>	<u>825,941</u>
<u>20,867,588</u>	<u>20,574,365</u>	<u>19,413,869</u>	<u>19,690,027</u>	<u>20,002,022</u>	<u>21,837,955</u>
<u>\$ 20,867,588</u>	<u>\$ 20,574,365</u>	<u>\$ 19,413,869</u>	<u>\$ 19,690,027</u>	<u>\$ 20,002,022</u>	<u>\$ 21,837,955</u>
\$ 1,455,540	\$ 1,037,735	\$ 1,180,935	\$ 1,303,760	\$ 1,531,589	\$ 1,469,376
-	1,773,086	1,814,670	436,499	106,929	459,284
<u>1,455,540</u>	<u>2,810,821</u>	<u>2,995,605</u>	<u>1,740,259</u>	<u>1,638,518</u>	<u>1,928,660</u>
<u>\$ 1,455,540</u>	<u>\$ 2,810,821</u>	<u>\$ 2,995,605</u>	<u>\$ 1,740,259</u>	<u>\$ 1,638,518</u>	<u>\$ 1,928,660</u>
<u>\$(19,412,048)</u>	<u>\$(17,763,544)</u>	<u>\$(16,418,264)</u>	<u>\$(17,949,768)</u>	<u>\$(18,363,504)</u>	<u>\$(19,909,295)</u>
<u>\$(19,412,048)</u>	<u>\$(17,763,544)</u>	<u>\$(16,418,264)</u>	<u>\$(17,949,768)</u>	<u>\$(18,363,504)</u>	<u>\$(19,909,295)</u>
\$ 16,471,345	\$ 17,670,263	\$ 19,235,847	\$ 20,693,314	\$ 22,121,300	\$ 23,220,123
1,069,288	1,071,747	1,068,288	1,070,214	1,076,738	1,080,597
784	209	1,996	10,948	22,103	116,664
1,239	165,510	160,407	158,460	156,429	154,528
112,191	-	-	406,279	599,199	1,229,097
-	-	-	315,507	-	-
<u>17,654,847</u>	<u>18,907,729</u>	<u>20,466,538</u>	<u>22,654,722</u>	<u>23,975,769</u>	<u>25,801,009</u>
<u>\$ 17,654,847</u>	<u>\$ 18,907,729</u>	<u>\$ 20,466,538</u>	<u>\$ 22,654,722</u>	<u>\$ 23,975,769</u>	<u>\$ 25,801,009</u>
<u>\$ (1,757,201)</u>	<u>\$ 1,144,185</u>	<u>\$ 4,048,274</u>	<u>\$ 4,704,954</u>	<u>\$ 5,612,265</u>	<u>\$ 5,891,714</u>
<u>\$(1,757,201)</u>	<u>\$ 1,144,185</u>	<u>\$ 4,048,274</u>	<u>\$ 4,704,954</u>	<u>\$ 5,612,265</u>	<u>\$ 5,891,714</u>



Moraga-Orinda Fire Protection District
Fund Balances, Governmental Funds
Last Ten Fiscal Years
For the year ended June 30, 2018

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Fund				
Nonspendable	\$ 163,937	\$ 115,990	\$ 97,436	\$ 101,742
Restricted	-	-	2,230,328	-
Committed	-	-	-	-
Unassigned (deficit)	<u>3,333,605</u>	<u>3,571,416</u>	<u>1,389,986</u>	<u>981,806</u>
Total General Fund	<u>3,497,542</u>	<u>3,687,406</u>	<u>3,717,750</u>	<u>1,083,548</u>
All Other Governmental Funds				
Nonspendable	\$ -	\$ -	\$ 30,184	\$ -
Restricted	435,971	41,979	-	2,377,847
Committed	-	-	-	-
Assigned	<u>2,568,942</u>	<u>3,076,361</u>	<u>2,959,234</u>	<u>3,041,382</u>
Total Other Governmental Funds	<u>3,004,913</u>	<u>3,118,340</u>	<u>2,989,418</u>	<u>5,419,229</u>
Total All Governmental Funds	<u>\$ 6,502,455</u>	<u>\$ 6,805,746</u>	<u>\$ 6,707,168</u>	<u>\$ 6,502,777</u>

2013	2014	2015	2016	2017	2018
\$ 179,419	\$ 314,360	\$ 150,767	\$ -	\$ 81,945	\$ 16,443
-	700	-	-	300,000	700,449
-	-	-	-	-	76,594
<u>(103,719)</u>	<u>250,906</u>	<u>1,809,814</u>	<u>3,689,075</u>	<u>4,905,518</u>	<u>6,297,533</u>
<u>75,700</u>	<u>565,966</u>	<u>1,960,581</u>	<u>3,689,075</u>	<u>5,287,463</u>	<u>7,091,019</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,037,710	2,205,639	2,812,780	6,591,527	6,070,031	5,335,311
3,607,437	3,445,991	3,890,011	6,064,366	6,580,029	6,021,716
-	-	-	-	-	-
<u>5,645,147</u>	<u>5,651,630</u>	<u>6,702,791</u>	<u>12,655,893</u>	<u>12,650,060</u>	<u>11,357,027</u>
<u>\$5,720,847</u>	<u>\$6,217,596</u>	<u>\$8,663,372</u>	<u>\$16,344,968</u>	<u>\$17,937,523</u>	<u>\$18,448,046</u>



Moraga-Orinda Fire Protection District
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
For the year ended June 30, 2018
(Modified accrual basis of accounting)

Revenues:	2009	2010	2011	2012
Property taxes	\$ 16,407,887	\$ 16,827,597	\$ 16,882,276	\$ 16,524,808
Fire flow taxes	1,066,761	1,064,888	1,067,969	1,067,763
Use of money and property	54,431	3,776	4,463	3,252
State and federal grants	-	-	149,845	280,069
Charges for services	1,750,233	1,420,196	1,395,534	1,242,317
Charges for services - ambulance	-	-	-	-
Other revenues	16,397	100	118,019	219,379
Impact mitigation fees	-	-	-	-
Total revenues	19,295,709	19,316,557	19,618,106	19,337,588
Expenditures:				
Fire protection - operations:	16,852,131	15,925,826	16,013,010	15,928,710
Salaries				
Overtime	-	-	-	-
Benefits	-	-	-	-
Retiree health insurance	-	-	-	-
Services and supplies	-	-	-	-
Capital outlay	1,275,745	349,161	1,149,290	1,241,129
Debt service:				
Principal	1,130,912	1,295,574	1,179,888	1,055,000
Interest and fiscal charges	1,502,080	1,442,705	1,374,496	1,317,137
Total expenditures	20,760,868	19,013,266	19,716,684	19,541,976
Reconciliation of Governmental Revenues				
Less Expenditures to Fund Equity:				
Revenue over (under) expenditures	(1,465,159)	303,291	(98,578)	(204,388)
Other financing sources:				
Proceeds of debt issued	-	-	-	-
Proceeds from sales of assets	-	-	-	-
Total other financing sources	-	-	-	-
Net change in fund balances	\$ (1,465,159)	\$ 303,291	\$ (98,578)	\$ (204,388)
Debt service as a percentage of noncapital expenditures	15.62%	17.19%	15.95%	14.89%

2013	2014	2015	2016	2017	2018
\$ 16,471,345	\$ 17,670,263	\$ 19,235,847	\$ 20,693,314	\$ 22,121,300	\$ 23,220,123
1,069,288	1,071,747	1,068,288	1,070,214	1,076,738	1,080,597
784	209	1,996	10,948	22,103	116,664
1,239	853,927	950,669	594,959	263,358	613,812
1,455,540	226,745	273,205	228,372	319,436	348,691
-	810,990	907,730	997,388	1,116,153	1,082,685
112,191	1,026,669	798,753	406,279	599,199	1,229,097
-	58,000	225,655	78,000	96,000	38,000
<u>19,110,387</u>	<u>21,718,550</u>	<u>23,462,143</u>	<u>24,079,474</u>	<u>25,614,287</u>	<u>27,729,669</u>
7,725,838	8,181,676	7,250,708	7,517,701	8,065,559	8,551,976
2,421,630	1,541,123	2,048,524	1,832,377	2,196,582	2,741,777
4,001,208	4,649,384	6,442,501	5,924,823	6,369,452	6,864,030
937,777	896,659	885,770	859,224	827,605	821,299
1,824,534	2,059,857	1,810,195	2,091,521	2,165,943	2,561,629
493,832	1,279,899	266,114	792,794	3,882,152	1,575,234
1,230,000	1,425,000	1,630,000	1,936,862	2,383,359	3,234,500
<u>1,257,498</u>	<u>1,188,203</u>	<u>1,108,467</u>	<u>1,091,276</u>	<u>992,998</u>	<u>935,347</u>
<u>19,892,317</u>	<u>21,221,801</u>	<u>21,442,279</u>	<u>22,046,578</u>	<u>26,883,650</u>	<u>27,285,792</u>
<u>(781,930)</u>	<u>496,749</u>	<u>2,019,864</u>	<u>2,032,896</u>	<u>(1,269,363)</u>	<u>443,877</u>
-	-	424,554	4,069,000	2,855,000	-
-	-	1,358	1,579,700	6,918	66,646
-	-	425,912	5,648,700	2,861,918	66,646
<u>\$ (781,930)</u>	<u>\$ 496,749</u>	<u>\$ 2,445,776</u>	<u>\$ 7,681,596</u>	<u>\$ 1,592,555</u>	<u>\$ 510,523</u>
<u>14.71%</u>	<u>15.08%</u>	<u>14.85%</u>	<u>16.61%</u>	<u>17.20%</u>	<u>19.36%</u>



Moraga-Orinda Fire Protection District
Assessed Value and Actual Value of Taxable Properties
For the year ended June 30, 2018

	<u>Secured</u>	<u>Public Utility</u>	<u>Unsecured</u>	<u>Total</u>
2009	\$ 7,555,324,246	\$ -	\$ 66,510,754	\$ 7,621,835,000
2010	7,857,318,244	-	72,485,758	7,929,804,002
2011	7,789,473,983	-	70,448,664	7,859,922,647
2012	7,651,638,646	202,420	66,910,960	7,718,752,026
2013	7,717,894,690	116,479	70,187,146	7,788,198,315
2014	8,185,959,045	116,479	61,878,545	8,247,954,069
2015	8,856,613,012	-	54,622,692	8,911,235,704
2016	9,513,818,540	-	51,023,341	9,564,841,881
2017	10,092,398,210	-	56,765,474	10,149,163,684
2018	10,647,964,837	-	53,105,276	10,701,070,113

Source: HdL, Coren and Cone



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Moraga-Orinda Fire Protection District
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

	Basic Direct Rate	Overlapping Rates				
		Acalanes Union High School District	BART Bond	Contra Costa Comm College District	EBMUD District 1 Bond	East Bay Regional Park District Bond
2009	1.00000	0.02890	0.00900	0.00660	0.00640	0.01000
2010	1.00000	0.02980	0.00570	0.01260	0.00650	0.01080
2011	1.00000	0.03110	0.00310	0.01330	0.00670	0.00840
2012	1.00000	0.03330	0.00410	0.01440	0.00670	0.00710
2013	1.00000	0.03330	0.00430	0.00870	0.00680	0.00510
2014	1.00000	0.03610	0.00750	0.01330	0.00660	0.00780
2015	1.00000	0.03500	0.00450	0.02520	0.00470	0.00850
2016	1.00000	0.03320	0.00260	0.02200	0.00340	0.00670
2017	1.00000	0.03230	0.00800	0.01200	0.00280	0.00320
2018	1.00000	0.03250	0.00840	0.01140	0.00110	0.00210

Source: HdL, Coren and Cone

Notes:

Rate per \$100 of assessed value

In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

Overlapping rates are those of local and county governments that apply to property owners within the District. Not all overlapping rates apply to all District property owners.

Lafayette School District Bond 1995	Moraga School District Bond 1995	Orinda Union School District Bond	Orinda Roads Bond	West Contra Costa Unified School District	Total Tax Rate
0.03300	0.03090	0.02470	0.00000	0.12300	1.27250
0.03260	0.03020	0.02360	0.00000	0.18280	1.33460
0.03260	0.03110	0.02440	0.00000	0.18690	1.33760
0.02790	0.03120	0.02740	0.00000	0.23220	1.38430
0.02840	0.02790	0.02730	0.00000	0.21570	1.35750
0.02670	0.02640	0.02550	0.00000	0.28180	1.43170
0.02410	0.02430	0.02320	0.01300	0.28030	1.44280
0.02090	0.02290	0.01900	0.01850	0.27810	1.42730
0.04370	0.02240	0.01650	0.01690	0.26040	1.41820
0.04190	0.04830	0.01440	0.02500	0.23970	1.42480



Moraga-Orinda Fire Protection District
Principal Property Taxpayers
Current Year and Ten Years Ago

<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2017-18</u>		
		<u>Assessed Valuation</u>	<u>Rank</u>	<u>% of Net AV</u>
OG Property Owner, LLC	Orinda	\$ 42,701,663	1	0.40%
PWRP-Moraga, LP	Commercial Moraga	38,163,237	2	0.36
Orinda Dunhill, LLC	Commercial Orinda	32,404,793	5	0.30
Davidon Homes	Vacant Orinda	31,735,340	3	0.30
Taylor Morrison of California, LLC	Vacant Orinda	29,884,133	4	0.28
Pine Grove, LLC	Commercial Orinda	29,429,525	6	0.28
Russell J Bruzzone, INC	Commercial Moraga	22,610,232	7	0.21
Summerhill RL, LLC	Vacant Moraga	19,201,035	8	0.18
ASC Moraga, LLC	Commercial Moraga	12,732,486	9	0.12
Vanguard Apartment, LLC	Residential Moraga	11,513,074	10	0.11
GLL BVK Properties, LP	Commercial Orinda			
R Jacobs Family, LP	Commercial Orinda			
PK I Rheem Valley, LP	Commercial Moraga			
Orinda Country Club	Commercial Orinda			
Oakmont of Moraga, LLC	Institutional Moraga			
AXA Rosenberg Group, LLC	Unsecured Orinda			
Charles H Esserman Trust	Residential Orinda			
Scott C and Lisa A Kovalik Trust	Residential Orinda			
		<u>\$ 270,375,518</u>		<u>2.53%</u>

Source: HdL, Coren and Cone

2008-09			
Assessed		Rank	% of
Valuation			Total
\$ 46,454,280		1	0.61%
	19,987,440	5	0.26
	29,580,000	2	0.39
	29,054,287	3	0.38
	22,962,636	4	0.30
	10,511,389	6	0.14
	10,119,827	7	0.13
	9,963,490	8	0.13
	9,000,000	9	0.12
	8,614,157	10	0.11
<u>\$ 196,247,506</u>			<u>2.57%</u>



Moraga-Orinda Fire Protection District
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Collected within the Fiscal Year of the Levy	
		Amount	Percentage of Levy
2009	\$ 16,407,887	\$ 16,407,887	100%
2010	16,827,597	16,827,597	100%
2011	16,882,276	16,882,276	100%
2012	16,524,808	16,524,808	100%
2013	16,471,345	16,471,345	100%
2014	17,670,263	17,670,263	100%
2015	19,235,848	19,235,848	100%
2016	20,693,314	20,693,314	100%
2017	22,121,300	22,121,300	100%
2018	23,220,123	23,220,123	100%

Source: Administrative Services Division

Note: Taxes reported and collected under the Teeter Plan are distributed to the District in the year of the levy. Contra Costa County retains any interest or penalties on uncollected balances.



Moraga-Orinda Fire Protection District
Ratio of Outstanding Debt by Type
Last Test Fiscal Years

Fiscal Year	Pension Obligation Bonds	Equipment Capital Lease	Total Primary Government	Percentage of Personal Income	Per Capita
2009	\$27,385,000.00	\$ 850,461.00	#####	1.12%	\$ 834
2010	26,650,000	289,888	26,939,888	0.96%	788
2011	25,760,000	-	25,760,000	1.00%	762
2012	24,705,000	-	24,705,000	0.96%	726
2013	23,475,000	-	23,475,000	0.90%	687
2014	22,050,000	-	22,050,000	0.83%	640
2015	20,420,000	424,554	20,844,554	0.73%	594
2016	18,565,000	4,411,692	22,976,692	0.77%	652
2017	16,465,000	6,983,333	23,448,333	0.78%	658
2018	14,105,000	6,108,833	20,213,833	0.67%	559

Source: Administrative Services Division, State of California, Department of Finance, Employment Development Department



Moraga-Orinda Fire Protection District
Direct and Overlapping Debt
June 30, 2018

2017-18 Assessed Valuation \$ 10,701,070,113

	Gross Bonded Debt Balance	Percent Applicable ⁽¹⁾	Net Bonded Debt
Direct Debt			
307400 PENSION	\$ 14,105,000	100.000%	\$ 14,105,000
307400 CAPITAL LEASE	174,450	100.000%	174,450
307400	5,934,383	100.000%	<u>5,934,383</u>
Total Direct Debt			<u>20,213,833</u>
Overlapping Tax and Assessment Debt			
100300 COUNTY	505,238,250	5.544	28,011,058
400800 BART 2013 GO	85,248,328	5.544	4,726,277
400800 BART 2015 GO	114,264,583	5.544	6,334,975
400800 BART 2017 GO	35,111,637	5.544	1,946,634
400800 BART 2017 GO	112,542,876	5.544	6,239,522
402700 EAST BAY	903,072	5.544	50,067
402700 2012	8,810,352	5.544	488,457
402700 2013A MEASURE	11,748,576	5.544	651,356
402700 2017A-1 MEASURE	21,604,591	5.544	1,197,786
402700 2017A-2 MEASURE	12,962,754	5.544	718,672
402700 2017B-1	10,588,410	5.544	587,035
402700 2017B-2	8,661,280	5.544	480,192
402700 EAST BAY PARKS	5,867,807	5.544	325,319
421800 2014 GO BOND	7,700,000	100.000	7,700,000
421800 2014 GO BOND	10,000,000	100.000	10,000,000
421800 2015 REFUNDING	7,040,000	100.000	7,040,000
421800 2016 GO BOND	25,000,000	100.000	25,000,000
509100 ACALANES UNION	66,121,424	31.903	21,094,606
509600 ACALANES UNION	232,952,772	31.903	74,318,529
529100 LAFAYETTE	68,775,000	0.179	123,295
539100 MORAGA	17,980,000	100.000	17,980,000
549000 ORINDA	10,415,075	99.814	10,395,654
792100 CONTRA COSTA	167,410,000	5.564	9,314,844
792200 CONTRA COSTA	286,815,000	5.564	15,958,647
792300 CONTRA COSTA	84,440,000	5.564	<u>4,698,318</u>
Total Overlapping Tax and Assessment Debt			<u>255,381,245</u>
Total Direct and Overlapping Debt			<u>\$ 275,595,078 ⁽²⁾</u>
Ratios to Assessed Valuation			
Combined Direct Debt		0.19%	
Total Overlapping Tax and Assessment Debt		2.39%	
Combined Total Debt		2.58%	

⁽¹⁾ Percentage of overlapping agency's assessed valuation located within the boundaries of the District.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue, and tax allocation bonds and non-bonded capital lease obligations.

Source: HdL Coren and Cone, Contra Costa County Assessor and Auditor.



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Moraga-Orinda Fire Protection District
Legal Bonded Debt Margin
Last Ten Fiscal Years
(Thousands)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Debt limit	\$ 283,324,659	\$ 294,649,434	\$ 292,105,274	\$ 286,936,449	\$ 289,421,051
Total debt applicable to limit	-	-	-	-	-
Legal debt margin	<u>\$ 283,324,659</u>	<u>\$ 294,649,434</u>	<u>\$ 292,105,274</u>	<u>\$ 286,936,449</u>	<u>\$ 289,421,051</u>
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%

Legal Debt Margin Calculation for Fiscal Year 2018

Assessed value - secured	\$ 10,647,964,837
Debt limit (3.75% of assessed value) (a)	399,298,681
Debt applicable to limit: None	<u>-</u>
Legal debt margin	<u>\$ 399,298,681</u>

(a) California Health and Safety Code, Section 13937 sets the debt limit at 10%. The Code section was enacted prior to the change in basing assessed value to full market value when it was previously 25% of market value. Thus, the limit shown as 3.75% is one-fourth the limit to account for the adjustment of showing assessed valuation at full cash value.

Source: HdL, Coren and Cone

2014	2015	2016	2017	2018
\$ 306,973,464	\$ 332,122,988	\$ 356,768,195	\$ 378,464,933	\$ 399,298,681
-	-	-	-	-
<u>\$ 306,973,464</u>	<u>\$ 332,122,988</u>	<u>\$ 356,768,195</u>	<u>\$ 378,464,933</u>	<u>\$ 399,298,681</u>
0%	0%	0%	0%	0%



**Moraga-Orinda Fire Protection District
Demographic and Economic Statistics
Last Ten Calendar Years**

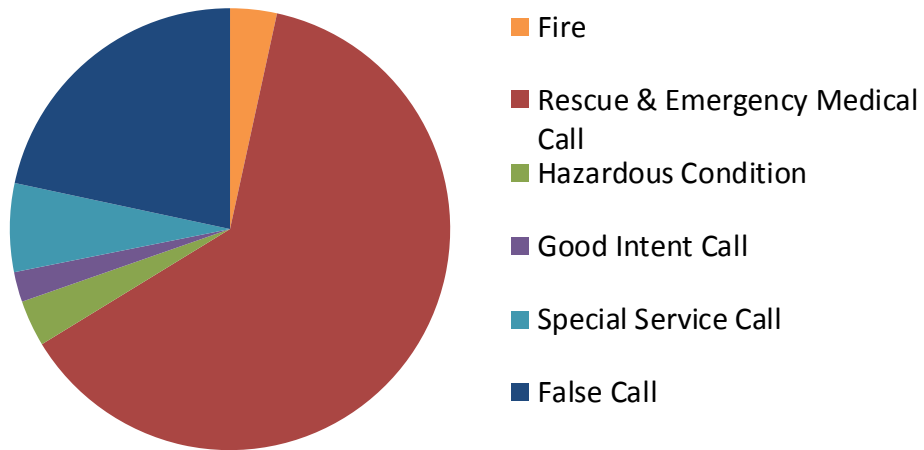
Calendar Year	Town of Moraga Population	City of Orinda Population	Total Population	Per Capita Personal Income	Personal Income (Thousands)	Unemployment Rate
2009	16,204	17,669	33,873	\$74,250	\$2,515,070	4.0%
2010	16,332	17,866	34,198	82,339	2,815,829	4.3%
2011	16,076	17,712	33,788	76,163	2,573,395	4.0%
2012	16,168	17,839	34,007	75,432	2,565,216	2.6%
2013	16,238	17,925	34,163	76,023	2,597,174	2.5%
2014	16,348	18,089	34,437	77,509	2,669,177	2.4%
2015	16,466	18,612	35,078	81,141	2,846,264	2.5%
2016	16,513	18,749	35,262	84,985	2,996,741	2.9%
2017	16,676	18,935	35,611	87,033	3,099,332	2.3%
2018	16,991	19,199	36,190	94,377	3,414,056	1.9%

Source: State of California Department of Finance, Employment Development Department.



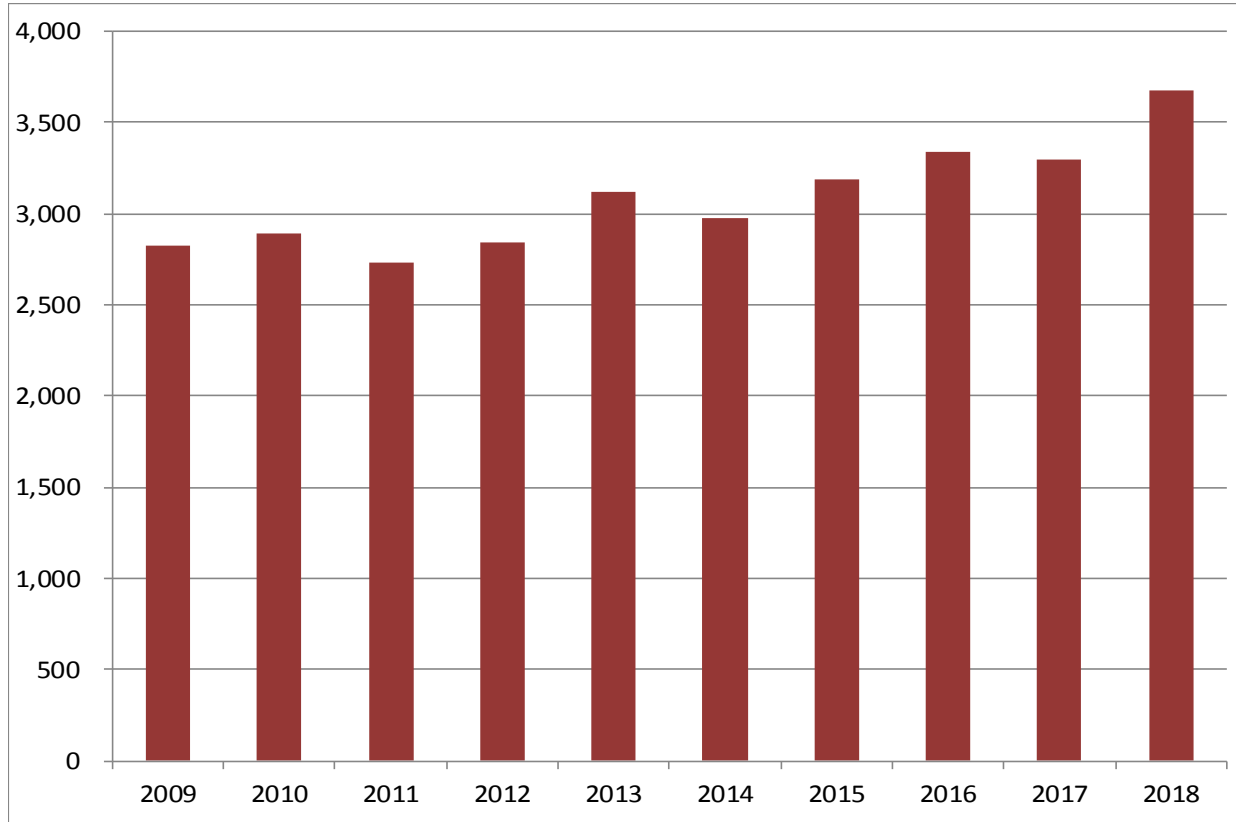
Moraga-Orinda Fire Protection District
Emergency Response Detail Analysis
Fiscal Year 2017 - 2018

<u>Category</u>	<u>Number of Incidents</u>	<u>Percent of Total Responses</u>
Fire	126	3.4%
Rescue & Emergency Medical Call	2,308	62.9%
Hazardous Condition	124	3.4%
Good Intent Call	81	2.2%
Special Service Call	238	6.5%
False Call	795	21.7%
Total	3,672	100.0%





Moraga-Orinda Fire Protection District
Total Emergency Responses
Last Ten Fiscal Years



<u>Fiscal Year</u>	<u>Number of Emergency Responses</u>
2009	2,824
2010	2,889
2011	2,735
2012	2,838
2013	3,121
2014	2,976
2015	3,189
2016	3,341
2017	3,296
2018	3,672



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VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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**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**

Board of Directors
Moraga-Orinda Fire Protection District
Moraga, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Moraga-Orinda Fire District (District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 29, 2018.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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. *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.

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 results 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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavreck, Trine, Day & Co. LLP

Palo Alto, California
October 29, 2018