FECHTER & COMPANY
Certified Public Accountants

MONTECITO FIRE PROTECTION DISTRICT

Annual Financial Report
with
Independent Auditor's Report Thereon

JUNE 30, 2025

MONTECITO FIRE PROTECTION DISTRICT

Annual Financial Report
June 30, 2025

Table of Contents

FECHTER
& COMPANY
Certified Public Accountants

Craig R. Fechter, CPA, MST
(1976 - 2022)

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of the governmental activities and each major fund of the Montecito Fire Protection District (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Montecito Fire Protection District as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Montecito Fire Protection District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Montecito Fire Protection District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

3445 American River Drive, Suite A | Sacramento, California 95864
phone 916-333-5360 | fax 916-333-5370 | www.fechtercpa.com

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison and pension information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Emphasis of Matter – Restatement of Prior Period Financial Statements

As discussed in Note 11 to the financial statements, the District restated its prior-period financial statements during the year ended June 30, 2025. The restatement was necessary to recognize a pension trust fund that had been established and operating for several years but was not previously reported in the District's financial statements. The District also corrected a mathematical error affecting the previously reported deferred inflows related to Other Post-Employment Benefits (OPEB). Our opinion on the prior-period financial statements is not modified with respect to this matter.

Fechter & Company
Certified Public Accountants

Fechter + Company

Sacramento, California
January 22, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

The purpose of the Management's Discussion and Analysis (MD&A) is to provide an overview of the District's financial condition and to highlight important changes and activities with fiscal implications that occurred during the year ended June 30, 2025. Please read it in conjunction with the District's basic financial statements and required supplementary information, which follow this section.

Discussion of Basic Financial Statements

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

The District's financial statements include three components:

1. Statement of Net Position and Governmental Funds Balance Sheet

2. Statement of Activities and Governmental Revenues, Expenditures, and Changes in Fund Balances

3. Notes to the Basic Financial Statements

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

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

Government-Wide Financial Analysis

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

Table 1 – Montecito Fire Protection District Net Position

	2025	2024 (restated)	Dollar Change	Percent Change
Assets:				
Current and other assets	$ 35,695,035	$ 30,820,966	$ 4,874,069	15.81%
Capital assets	13,158,386	12,742,974	415,412	3.26%
Total assets	48,853,422	43,563,940	5,289,482	12.14%
Deferred outflows	16,274,678	22,277,276	(6,002,598)	-26.94%
Liabilities:				
Current and other liabilities	5,186,711	5,285,211	(98,500)	-1.86%
Long-term liabilities	28,415,336	27,148,368	1,266,968	4.67%
Total liabilities	33,602,047	32,433,579	1,168,468	3.60%
Deferred inflows	2,175,512	7,148,877	(4,973,365)	-69.57%
Net Position:				
Invested in capital assets	13,158,386	12,742,974	415,412	3.26%
Restricted for pension	9,444,544	6,662,602	2,781,942	41.75%
Unrestricted	6,747,611	6,853,184	(105,573)	-1.54%
Total net position	$ 29,350,541	$ 26,258,760	$ 3,091,781	11.77%

The prior year was restated to incorporate the cumulative effect of the adoption of GASB 101 of $352,904 as of June 30, 2023 and change in FY24 expense of $15,672. An error in deferred inflows of OPEB was corrected resulting in a restatement of the June 30, 2023 net position of $1,313,468 and investment earnings of $542,440 offset by trust expenses of $28,164.

Total assets increased by $5,289,482, or 12.14%, when compared to the prior year. The change in current assets is primarily a result of increase in cash balances across all three District funds.

Total liabilities increased by $1,168,468, or 3.60%. The change in liabilities is primarily a result of the OPEB liability which increased by roughly $2.2 million due to changes in expectations and assumptions changes.

The deferred outflows and deferred inflows changes are for the pension and OPEB liabilities determined by independent actuarial reports.

Net position over time is a useful indicator of a government's financial position. The District's assets exceed liabilities by $29,350,541 at the close of the current fiscal year. The increase of $3,091,781, when compared to the prior year, is roughly the amount by which fund revenues exceed expenditures in the current fiscal year (See Table 2).

Table 2 – Montecito Fire Protection District Change in Net Position

	2025	2024 (restated)	Dollar Change	Percent Change
Revenues:				
Property taxes	$ 24,902,702	$ 23,594,439	$ 1,308,263	5.54%
Investment income	1,950,349	801,508	1,148,841	143.33%
Rental income	68,086	36,295	31,791	87.59%
Intergovernmental	4,073,303	2,344,514	1,728,789	73.74%
Miscellaneous	158,397	1,490,432	(1,332,035)	-89.37%
Total revenues	31,152,836	28,267,188	2,885,648	10.21%
Expenses:				
Salaries and benefits	24,753,727	24,403,058	350,669	1.44%
Services and supplies	2,474,724	2,765,021	(290,297)	-10.50%
Interest	75,775	96,108	(20,333)	-21.16%
Depreciation	756,828	792,894	(36,066)	-4.55%
Total expenses	28,061,055	28,057,081	3,974	0.01%
Change in net position	3,091,781	210,107	2,881,674	1371.53%
Net Position – Beginning	26,258,760	26,048,653	210,107	0.81%
Net Position – Ending	$ 29,350,541	$ 26,258,760	$ 3,091,781	11.77%

The District's total revenues increased by $2,885,648, or 10.21%, in the current fiscal year. The total increase is primarily attributed to the following factors:

- Property tax revenue increased by $1,308,263, or 5.54%, from the prior year due to assessed value increases in our District.
- Intergovernmental revenue increased by $1,728,789, or 73.74%, from the prior year as a result of increased mutual aid fire assignments.
- Investment income increased by $1,148,841 or 143.33% due to change in fair market value of Santa Barabara County pooled investments.

- Miscellaneous revenue decreased by $1,332,035, or 89.37%, from the prior year, primarily due to the prior year recognizing one-time revenues from insurance claim proceeds, Thomas Fire settlement escrow funds, and a significant community member donation.

The District's total expenses decreased by $3,974, or 0.01%. The total decrease is primarily attributed to the following factors:

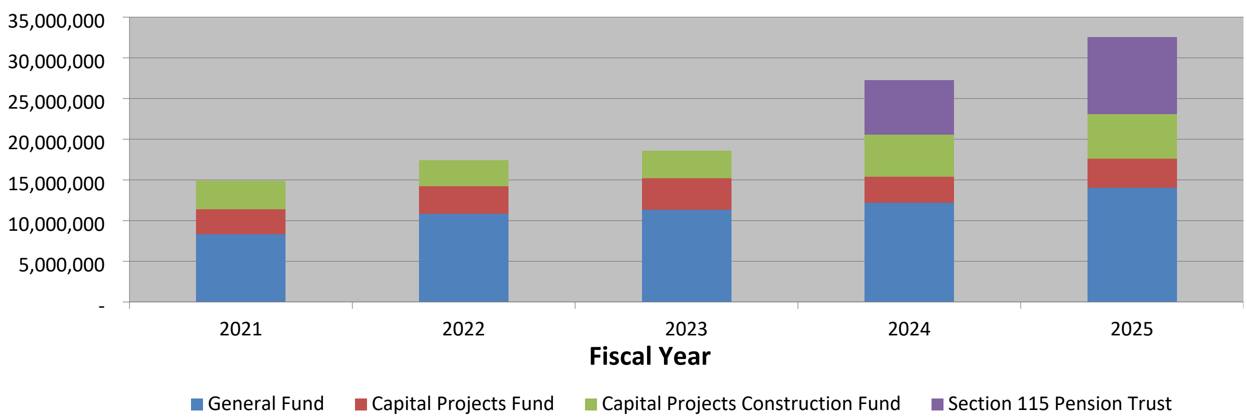
- Salaries and benefits increased by $350,669, or 1.44%, primarily due to increased overtime expenses for mutual aid fire assignments and GASB 68 (pension) and GASB 75 (OPEB) adjustments.

- Services and supplies decreased by $290,297, or 10.5%, reflecting reduced operational needs during the year, primarily due to professional services expenditures being below budget.

Analysis of Fund Balances of Individual Funds

The chart below displays the fiscal year end (2020 to 2024) fund balances for the District's General Fund (annual operating account), Capital Projects Fund (equipment pre-funding account), and Capital Projects Construction Fund (land and building account).

Fund Balances – 5 Year Trend



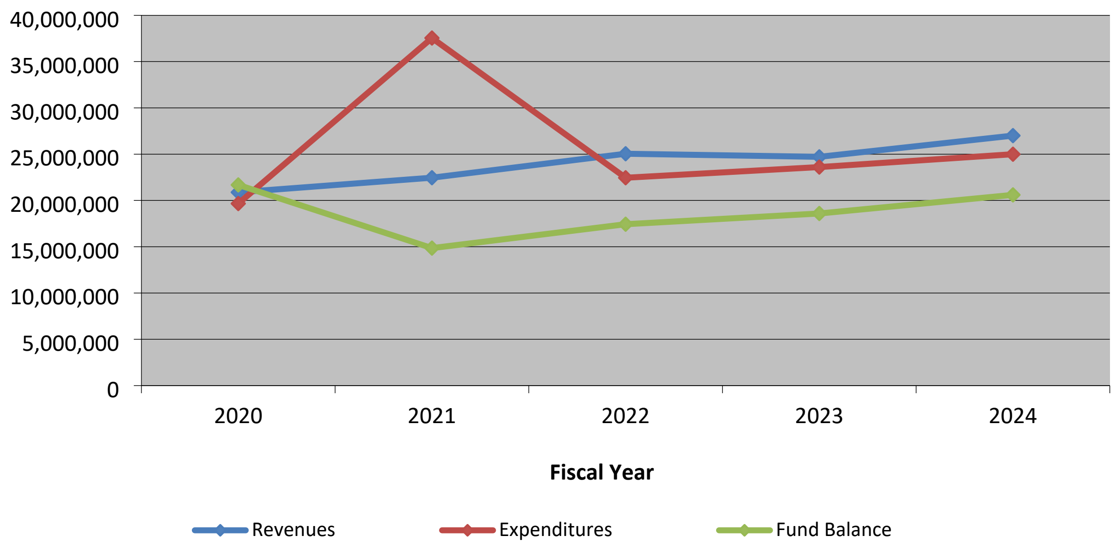
Fund balances for the General Fund and the Capital Projects Construction Fund have increased steadily from year to year. The Capital Projects Construction Fund balance decreased slightly in 2024 due to the purchase of a new Type 1 fire engine costing over $850,000. Beginning in 2024, the District's audited financial statements also reflect the balance of the Section 115 Pension Trust, which was established as an irrevocable trust to fund future pension contributions.

The General Fund balance includes $8,910,000 in Board-approved reserves for catastrophic and economic uncertainties.

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

The following chart displays the District's revenues, expenditures, and ending "Memorandum Only" fund balance totals for the same five-year period.

Revenues, Expenditures and Fund Balance - 5 Year Trend



In 2021, expenses increased significantly due to a one-time supplemental contribution of $16.8 million to CalPERS to reduce the pension unfunded accrued liabilities. In 2022, both expenses and revenues returned to levels consistent with prior years. In 2024, the fund balance increased significantly as the District's audited financial statements began reflecting the balance of the Section 115 Pension Trust.

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

The Board of Directors adopted the District's 2025 fiscal year operating budget in September of 2024 on a modified accrual basis. As adopted for the General Fund, budgeted revenues totaled $27,597,000, while projected expenditures totaled $28,050,000. Operating transfers to the Capital Projects Fund were $370,000.

The District formally amended its originally adopted budget in January 2025. As amended for the General Fund, final revised budgeted revenues increased by $650,000 to $28,247,000 while projected expenditures increased by $1,275,000 to $29,325,000.

Actual revenues for the year were $1,570,792 less than budgeted and actual expenditures were $3,532,619 less than the final amended budget on a modified accrual basis. Refer to the required supplementary information on page 36 for the Budgetary Comparison Schedule.

Capital Assets and Debt Administration

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2025 amounted to $12,742,974 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, structures, improvements, and equipment.

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

Table 3 – Montecito Fire Protection District Capital Assets

	2025	2024	Dollar Change	Percent Change
Land	$ 2,577,530	$ 2,577,530	$ -	0.00%
Construction in progress	1,073,013	69,666	1,003,347	1440.23%
Structures & improvements	10,412,937	10,373,437	39,500	0.38%
Equipment	8,365,558	8,661,657	(296,099)	-3.42%
Total cost	22,429,038	21,682,290	746,748	3.44%
Less: accumulated depreciation	(9,270,652)	(8,939,316)	(331,336)	3.71%
Total capital assets - net	$13,158,386	$12,742,974	$ 415,412	3.26%

Significant capital asset activity during fiscal year 2025 include the following:

- Construction in progress increased by $1,003,347, primarily due to capital construction projects that remained incomplete at year-end and ongoing upgrades to the District's radio communications system.
- The District placed operational equipment into service, including a new Fire Chief vehicle at a cost of $94,000 and emergency response equipment totaling $13,400. Equipment decreased due to the retirement and disposal of equipment, including a fire engine with an original cost of $310,000, a staff vehicle totaling $26,000, and other operational equipment totaling $84,000.
- In May 2025, the District closed its South Coast Dispatch Center upon joining the County of Santa Barbara's Regional Fire Communications Center. As a result of this closure, dispatch equipment with an original cost of $384,999 and accumulated depreciation of $283,480 was reclassified as held for sale.
- The District recognized $756,828 in depreciation expense.

Long-Term Debt

In May of 2021, the District authorized the issuance and sale of Taxable Pension Obligation Bonds (POB) with a principal amount of $8,263,240. Proceeds of the sale were used to pay down existing pension unfunded accrued liabilities with California Public Employees Retirement System (CalPERS). The bonds were issued at a 1.75% interest rate on the basis of a 360-day year over a seven-year period terminating on February 1, 2028. The District paid a bond principal payment of $1,173,594 and interest payments of $84,333 during the year ended June 30, 2025. The total outstanding debt at June 30, 2025 was $3,773,782.

Contacting the District Management

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

BASIC FINANCIAL STATEMENTS

MONTECITO FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2025

Assets:	
Cash and investments	$ 25,287,277
Restricted cash and investments held in trust	9,444,544
Accounts receivable	758,821
Interest receivable	204,394
Capital assets, net	13,158,386
Total Assets	48,853,422
Deferred Outflows of Resources - Pensions	10,476,375
Deferred Outflows of Resources - OPEB	5,798,303
	16,274,678
Liabilities:	
Current liabilities	
Accounts payable	399,928
Due to other governments	1,764,644
Salaries and benefits payable	475,865
Accrued interest - current portion	26,581
Compensated absences - current	1,325,561
Pension obligation bonds - current	1,194,132
Long-term liabilities:	
Net pension liability	17,776,752
Net OPEB liability	7,375,124
Compensated absences, net of current	812,138
Pension obligation bonds, net of current	2,451,322
Total Liabilities	33,602,047
Deferred Inflows of Resources - Pensions	1,559,693
Deferred Inflows of Resources - OPEB	615,819
	2,175,512
Net Position:	
Restricted for pension	9,444,544
Invested in capital assets	13,158,386
Unrestricted	6,747,611
Total Net Position	$ 29,350,541

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

MONTECITO FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
JUNE 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Contributions and Grants	Program Revenues: Capital Contributions and Grants	Net (Expense), Revenue, and Change in Net Position
Governmental Activities:					
Public protection	$ 27,985,280	$ 4,221,049	$ -	$ -	$ (23,764,231)
Interest expense	75,776	-	-	-	(75,776)
Total governmental activities	$ 28,061,056	$ 4,221,049	$ -	$ -	(23,840,007)
	General revenues:				
	Taxes and assessments				$ 24,902,702
	Investment income				1,950,349
	Rental income				68,086
	Gain on sale of asset				10,650
	Total general revenues				26,931,787
	Change in net position				3,091,781
	Net position at beginning of year				20,840,380
	Prior period adjustments				5,418,381
	Net position beginning of year - Restated				26,258,760
	Net position at end of year				$ 29,350,541

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

MONTECITO FIRE PROTECTION DISTRICT
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2025

	General Fund	Capital Project Fund	Capital Project Construction Fund	Section 115 Pension Trust	Total
Assets:					
Cash and investments	$ 16,320,628	$ 3,544,851	$ 5,421,798	$ -	$ 25,287,277
Restricted cash and investments held in trust	-	-	-	9,444,544	9,444,544
Accounts receivable	758,821	-	-	-	758,821
Interest receivable	133,638	26,323	44,433	-	204,394
Total Assets	$ 17,213,086	$ 3,571,174	$ 5,466,232	$ 9,444,544	$ 35,695,035
Liabilities:					
Current liabilities					
Accounts payable	$ 399,928	$ -	$ -	$ -	$ 399,928
Due to other governments	1,764,644				1,764,644
Salaries and benefits payable	475,865	-	-	-	475,865
Accrued interest - current portion	-	-	-	-	-
Total Liabilities	2,640,437	-	-	-	2,640,437
Deferred Inflows of Resources - Unavailable Revenue	507,366	-	-	-	507,366
Fund Balances					
Fund Balances:					
Restricted for pension	-	-	-	9,444,544	9,444,544
Committed	8,910,500	-	-	-	8,910,500
Assigned	-	-	2,572,999	-	2,572,999
Unassigned	5,154,783	3,571,174	2,893,232	-	11,619,190
Total Fund Balances	14,065,283	3,571,174	5,466,232	9,444,544	32,547,233
Total Liabilities, Deferred Inflows, and Fund Balances	$ 17,213,086	$ 3,571,174	$ 5,466,232	$ 9,444,544	$ 35,695,035

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

MONTECITO FIRE PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2025

Total fund balances of governmental funds differ from net position of governmental activities primarily because of the long-term focus of the Statement of Net Position versus the current financial resources focus of the governmental fund Balance Sheet. The differences are described below:

Total fund balances - governmental funds	$ 32,547,233
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	13,158,386
Long-term receivables are not available to pay current period expenditures and are reported as deferred inflows for unavailable revenue in governmental funds.	507,366
Pension and OPEB contributions subsequent to the plans' measurement dates and other deferrals will reduce the pension and OPEB liability in the future and are reported as deferred outflows of resources on the Statement of Net Position.	
Pension plan	10,476,375
Other post-employment benefits plan	5,798,303
Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Net Pension liability	(17,776,752)
Net OPEB liability	(7,375,124)
Compensated absences	(2,137,699)
Pension obligation bonds	(3,672,035)
Net differences between projected and actual earnings on pension plan investments and other pension and OPEB adjustments are reported as deferred inflows of resources on the Statement of Net Position.	
Pension plan	(1,559,693)
Other post-employment benefits plan	(615,819)
Net position of governmental activities	$ 29,350,541

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

MONTECITO FIRE PROTECTION DISTRICT
GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED
JUNE 30, 2025

	General Fund	Capital Project Fund	Capital Projects Construction Fund	Section 115 Pension Trust	Total
Revenues:					
Property taxes	$ 24,902,702	$ -	$ -	$ -	$ 24,902,702
Investment income	800,889	186,038	298,077	665,346	1,950,349
Rental income	68,086	-	-	-	68,086
Intergovernmental	4,286,039	-	-	-	4,286,039
Charges for services and other	147,747	10,650	-	-	158,397
Total Revenues	30,205,462	196,688	298,077	665,346	31,365,572
Expenditures:					
Salaries and benefits	21,177,051	-	-		21,177,051
Services and supplies	2,438,048	-	3,272	33,404	2,474,724
Debt service:					
Principal	1,173,594	-	-		1,173,594
Interest	84,333	-	-		84,333
Capital outlay	919,355	250,821	2,065		1,172,240
Total Expenditures/Expenses	25,792,381	250,821	5,337	33,404	26,081,943
Excess (deficiency) of revenues over expenditures	4,413,080	(54,133)	292,740	631,942	5,283,629
Other Financing Sources (Uses):					
Transfers in	-	370,000	-	2,150,000	2,520,000
Transfers out	(2,520,000)	-	-	-	(2,520,000)
Total other financing sources (uses)	(2,520,000)	370,000	-	2,150,000	-
Net change in fund balances	1,893,080	315,867	292,740	2,781,942	5,283,629
Fund Balances - Beginning	12,172,203	3,255,307	5,173,492	-	20,601,002
Prior period adjustments	-	-	-	6,662,602	6,662,602
Restated beginning Fund Balances	12,172,203	3,255,307	5,173,492	6,662,602	27,263,603
Fund Balances - Ending	$ 14,065,283	$ 3,571,174	$ 5,466,232	$ 9,444,544	$ 32,547,233

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

MONTECITO FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
JUNE 30, 2025

The net change in fund balances of governmental funds differs from the change in net position of governmental activities primarily because of the long-term focus of the Statement of Net Position versus the current financial resources focus of the governmental funds balance sheet. The differences are described below:

Net change in governmental fund balances	$ 5,283,629
Some revenues are reported as deferred inflows in governmental funds because they do not represent current financial resources that are recognized in the Statement of Activities. Amount represents the change in deferred inflows recognized.	(212,736)
Governmental funds report capital outlays as expenditures. In the Statement of Activities, however, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. The change in capital assets consists of:	
Capital outlay	1,172,240
Depreciation expense	(756,828)
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 compensated absences	120,800
Change in net pension liability	(430,377)
Change in deferred outflows of resources	(6,002,598)
Change in deferred inflows of resources	4,973,365
Change in other post-employment benefits payable	(2,237,867)
Accrued interest	8,558
Payment on pension obligation funds	1,173,594
Change in net position of governmental activities	$ 3,091,781

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (GASB 34), was issued to improve governmental financial reporting for citizens, district representatives, and creditors involved in the lending process. GASB 34 requires that a government entity present in its basic external financial statements both government-wide financial statements and fund financial statements, excluding fiduciary funds. Governments engaged in a single government program may combine their fund financial statement with their government-wide statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Fiduciary activies and balances are not include in the government wide financial statements.

GAAP requires that the government-wide financial statements be reported using the economic resources measurement focus and the accrual basis of accounting. In comparison, governmental funds employ the current financial resources measurement focus and the modified accrual basis of accounting. The economic resources measurement focus aims to report all inflows, outflows, and balances affecting or reflecting an entity's net position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when incurred for activities related to exchange and exchange-like activities. In addition, long-lived assets and liabilities are reported and current year activity offset against those balances.

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

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

Property taxes and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal year. Other receipts and taxes are determined to be both measurable and available when cash is received by the District and are recognized as revenue at that time. As of June 30, 2025, the unavailable revenue of $507,366 represents receivables related to mutual aid fire assignment not collected within 60 days.

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

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

The District maintains the following governmental fund types:

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

The ***Section 115 Pension Trust Fund*** accounts for the accumulated supplemental pension contribution not deposited with CalPERS. The District's restricted fund includes funds held in a trust that the District controls for future pension contributions. These funds are not available for general obligations of the District.

Investments

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

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

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

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

Receivables

Receivables are recorded in the District's Statement of Net Position and Governmental Funds Balance Sheet net of any allowance for uncollectible amounts. All receivables are deemed to be collectible at June 30, 2025, and, as such, the District has no allowance for uncollectible accounts for these receivables.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Capital Assets

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

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

Compensated Absences

Employees of the District may accumulate vacation, holiday and sick leave based on established personnel policies. Vacation, sick, and holiday are earned proportionally throughout the year and may be carried over subject to limits. Vacation and holiday are paid out upon termination or retirement while sick time remaining at retirement can be used as service years under the pension plan. Sick time expected to be used is estimated using historical experiences. Accrued compensated absence at year end represents all vacation, holiday and estimated sick expected to be used as well as pay related costs. The District follows the requirements, GASB issued Statement No. 101, *Compensated Absences*. This statement updated the recognition, measurement and disclosure requirements for compensated absences. Compensated absence is defined as leave for which employees may receive cash or noncash payments, such as vacation leave, sick leave, paid time off (PTO), and certain sabbatical leaves and should be recorded as a liability when it is attributed to services already rendered, accumulated and can be carried forward and is more likely than not the leave will be used or settled.

Deferred Compensation Plan

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Deferred Compensation Plan - continued

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

Fund Equity

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

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

- *Nonspendable fund balance* – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

- *Committed fund balance* – amounts that can only be used for specific purposes determined by formal action of the District's highest level of decision-making authority and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

- *Restricted fund balance* – This fund balance classification should be reported when there are constraints placed on the use of resources externally (by creditors, grant sources, contributors, etc.) or imposed by law or enabling legislation.

- *Assigned fund balance* – amounts that are constrained by the District's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making or by a body or an official designated for that purpose. This is also the classification for residual funds in the District's debt service, special revenue, and capital projects funds.

- *Unassigned fund balance* – the residual classification for the District's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

Memorandum Only – Total Columns

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

Use of Estimates

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

Other Post-Employment Benefits

The District accounts for its post-employment benefits in accordance with GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). This statement requires the District recognize in its financial statements the total Post-employment Benefits Other Than Pensions (OPEB) liability for the health benefits provided to retirees, less the amounts held in an irrevocable trust account.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Other Post-Employment Benefits - continued

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

Adoption of New Accounting Standard

Effective July 1, 2024, the District implemented, GASB issued Statement No. 101, *Compensated Absences*. This statement updates the recognition, measurement and disclosure requirements for compensated absences. Compensated absence is defined as leave for which employees may receive cash or noncash payments, such as vacation leave, sick leave, paid time off (PTO), and certain sabbatical leaves and should be recorded as a liability when it is attributed to services already rendered, accumulated and can be carried forward and is more likely than not the leave will be used or settled. The adoption of GASB 101 resulted in a change in accounting principle. As a result, the beginning net position of the government activities was adjusted by $368,575, reflecting the cumulative effect of applying the new standard (Note 12).

Recently Issued Accounting Pronouncements

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The guidance in this statement updates the presentation requirements for several financial statement items including (but not limited to) management's discussion and analysis, unusual or infrequent items, and budgetary comparisons. The new standard is effective for fiscal years beginning after June 15, 2025. The District is currently evaluating the extent of the anticipated impact of this standard.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, issued in September 2024, enhances note disclosure requirements by providing users with essential information about capital assets associated with leases and other intangible assets and capital assets held for sale. The Statement expands upon existing disclosure guidance under GASB 34 and requires governments to present more detailed and decision-useful information about these asset categories. GASB 104 is effective for fiscal years beginning after June 15, 2025, with earlier application encouraged. Management is currently evaluating the extent of the anticipated impact of this standard.

NOTE 2: CASH AND INVESTMENTS

Investment in the Santa Barbara County Investment Pool

The District is a voluntary participant in the Santa Barbara County Treasurer's investment pool that is regulated by California Government Code under the oversight of the Treasurer of the State of California. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer. As of June 30, 2025, the District had cash on deposit with the County Treasurer in the amount of $23,253,444.

Investments Authorized by District Policy

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

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk

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

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2025 is as follows:

	July 1, 2024	Additions	Deletions	June 30, 2025
Capital assets, not being depreciated:				
Land	$ 2,577,530	$ -	$ -	$ 2,577,530
Construction in progress	69,666	1,003,347	-	1,073,013
Total capital assets, not being depreciated	2,647,196	1,003,347	-	3,650,543
Capital assets, being depreciated:				
Structures and improvements	10,373,437	51,000	(11,500)	10,412,937
Equipment	8,661,657	117,893	(413,992)	8,365,558
Total capital assets, being depreciated	19,035,094	168,893	(425,492)	18,778,495
Less accumulated depreciation for:				
Structures and improvements	(4,027,304)	(260,742)	(8,501)	(4,296,547)
Equipment	(4,912,012)	(496,086)	433,993	(4,974,105)
Total accumulated depreciation	(8,939,316)	(756,828)	425,492	(9,270,652)
Total capital assets, being depreciated, net	10,095,778	(587,935)	-	9,507,843
Total capital assets, net	$ 12,742,974	$ 415,412	$ -	$ 13,158,386

Depreciation expense amounted to 756,828 for the fiscal year ended June 30, 2025. Included above are dispatch equipment that is held for sale with original cost of $384,999 and accumulated depreciation of $283,480.

NOTE 4: LONG-TERM LIABILITIES

Changes to the District's long-term liabilities for the year ended June 30, 2025, are as follows:

	June 30, 2024 (restated)	Repayments & Change in Value	June 30, 2025	Short term portion
Compensated absences	$ 2,258,499	$ (120,800)	$ 2,137,699	$ 1,325,561
Pension obligation bond	4,819,048	(1,173,594)	3,645,454	1,194,132
Net pension liability	17,346,375	430,377	17,776,752	-
Net OPEB liability	5,137,257	2,237,867	7,375,124	-
	$ 29,561,179	$ 1,373,850	$ 30,935,029	$ 2,519,693

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

NOTE 4: LONG-TERM LIABILITIES - continued

The District entered into a pension obligation bond dated June 10, 2021 with the US Bank for the sole purpose of paying down its pension liability. The bond carries an interest rate of 1.75% and will be amortized as follows:

Fiscal Year Ending June 30	Principal	Interest	Total due
2026	1,194,132	63,795	$ 1,257,927
2027	1,215,029	42,898	1,257,927
2028	1,236,293	21,635	1,257,928
Total future payments	$ 3,645,454	$ 128,328	$ 3,773,782

NOTE 5: INTERFUND TRANSFERS

Interfund transfers in the District's fund financial statements made during the year ended June 30, 2025 are as follows:

Fund #	Fund Name	Transfers In	Transfers Out
3650	General Fund	$ -	$ 370,000
3652	Capital Projects Fund	370,000	-
		$ 370,000	$ 370,000

NOTE 6: RISK MANAGEMENT

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

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

FAIRA provides the District with insurance-like benefits for general liability and excess liability coverage, automobile claims, management liability coverage, and property coverage for buildings, contents, and crime. During the fiscal year, the District contributed an annual premium of $150,895, with limits ranging from $1,000,000 to $2,000,000 for each liability, and excess liability coverage of $10,000,000. The insurance coverage in excess of $1,000,000, up to $10,000,000, is provided by the Allied World Insurance Company.

NOTE 7: RETIREMENT PLAN

Plan Description

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

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

On January 1, 2013, the Public Employee Pension Reform Act of 2013 (PEPRA) became effective, which made numerous changes to public pension provisions for agencies contracting with CalPERS. A new tier level was created for new public agency employees, which includes a different retirement benefit formula as well as different employer and member contribution rates as compared to current public agency employees. CalPERS issues a separate comprehensive annual financial report, copies of which may be obtained from the CalPERS webpage at *www.calpers.ca.gov*.

In May 2017, the District established a Public Agency Retirement System (PARS) Public Agencies Post-Retirement Pension Program (PARS Pension Trust), a single employer irrevocable trust established to fund future pension contributions. The PARS Trust is approved by the Internal Revenue Code Section 115 and invests funds in equity, bond, and money market mutual funds. The Fire Chief or designee is the District's Plan Administrator. Copies of the PARS Trust annual financial report may be obtained from PARS at 4350 Von Karman Avenue, Suite 100, Newport Beach, California 92660.

The purpose of the Pension Trust is to maintain local control over funds set-aside exclusively to pay future pension contributions to CalPERS. The payments made to the Pension Trust are at the sole discretion of the board.

NOTE 7: RETIREMENT PLAN - continued

Funding Policy

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

Tier	Safety	Non-Safety
Tier 1	27.36%	20.69%
PEPRA	15.12%	8.63%

In addition, the District also makes unfunded liability payments annually to help make up for the shortfall in the pension plan. These are actuarially determined. The following represents the unfunded liability payments made during the 2025 fiscal year:

Tier	Safety	Non-Safety
Tier 1	$ 518,064	$ 42,314
PEPRA	13,207	892

Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

At June 30, 2025, the District reported a liability of $17,776,752 in the Statement of Net Position for its proportionate share of the net pension liability less amounts retained in the Pension Trust. The net pension liability was measured as of June 30, 2024, and the total pension liability for all Plans used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard update procedures.

The District's proportion of the net pension liability was based on a projection of their long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, as actuarially determined.

NOTE 7: RETIREMENT PLAN - continued

Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions - continued

The District's proportionate shares of the net pension liability for all Miscellaneous Plans with actuarial valuation dates of June 30, 2023 (measurement dates June 30, 2024 and 2023) were as follows:

	Safety	Non-Safety
Proportion - June 30, 2024	0.21513%	0.02531%
Proportion - June 30, 2025	0.22768%	0.02433%
Change - increase (decrease)	0.01255%	-0.00098%

For the fiscal year ended June 30, 2025, the District recognized a pension expense of $7,505,959 in its Government-Wide financial statements. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits.

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 3,884,088	$ -
Differences between expected and actual experience	1,456,449	48,017
Changes in assumptions	439,235	-
Changes in employer's proportion	3,826,491	38,915
Difference between employer's contributions and employer's proportionate share of contributions	-	1,472,761
Net differences between projected and actual earnings on plan investments	870,112	-
Total	$ 10,476,375	$ 1,559,693

Employer contributions of $3,884,088 reported at June 30, 2025 as deferred outflows of resources related to contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

NOTE 7: RETIREMENT PLAN - continued

Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions - continued

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

	Deferred Outflows/(Inflows) of Resources		
Measurement Date	Safety	Non-Safety	Total
2026	$ 1,861,075	$ 831,065	2,692,140
2027	2,238,539	119,512	2,358,051
2028	274,576	5,576	280,152
2029	(274,535)	(23,215)	(297,749)
	$ 4,099,656	$ 932,938	$ 5,032,594

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30-year rolling period. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.

Actuarial Assumptions

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

- Discount Rate/Rate of Return – 6.9%, net of investment expense
- Inflation Rate – 2.3%
- Salary Increases – Varies by Entry Age and Service
- COLA Increases – up to 2.3%
- Post-Retirement Mortality – Derived using CalPERS' Membership Data for all Funds

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the period July 1, 2017 through June 30, 2020.

NOTE 7: RETIREMENT PLAN - continued

Actuarial Assumptions - continued

The long-term expected rate of return on pension plan investments (6.9%) was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocations	Real Return Years 1-10
Global equity-cap-weighted	30.00%	8.29%
Global equity-non-cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%

The discount rate used to measure the total pension liability was 6.9%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension fund's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. In theory, the discount rate may differ from the long-term expected rate of return discussed previously. However, based on the projected availability of the pension fund's fiduciary net position, the discount rate is equal to the long-term expected rate of return on pension plan investments and was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 7: RETIREMENT PLAN - continued

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.9% at measurement date June 30, 2024 as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

	1% Decrease 5.9%	Discount Rate 6.9%	1% Increase 7.9%
Non-Safety	$ 2,678,125	$ 1,176,725	$ (59,147)
Safety	33,909,265	16,600,029	2,443,506
District's proportionate share of the net pension liability (asset)	$ 36,587,390	$ 17,776,754	$ 2,384,359

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

NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description and Funding Policy

The District provides retiree healthcare benefits for employees who retire with CalPERS pension benefits immediately upon termination of employment from the District. The District contracts with CalPERS for this insured-benefit plan, an agent multiple-employer post-employment healthcare plan, established under the State of California's Public Employees' Medical and Hospital Care Act (PEMHCA). The plan's medical benefits and premium rates are established by CalPERS and the insurance providers.

The District offers the same medical, dental and vision plans to its retirees as to its active employees, with the exception that once a retiree becomes eligible for Medicare (that is, reaches age 65), he or she must join a Medicare HMO or a Medicare Supplement plan under PEMHCA. The District pays for medical, dental, and vision premiums for the lifetime of the retiree and their eligible dependents. The District pays 100% of the retiree medical premiums, up to a maximum of $3,000 per month for 2024, and 100% of the premiums for retiree dental and vision coverage. The District also pays a percentage-of-premium administrative charge for all retirees.

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

NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (OPEB) - continued

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

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

Employees Covered by Benefit Terms

At the OPEB liability valuation date of June 30, 2024, the following employees were covered by the benefit terms:

- Retired employees – 56
- Active employees – 50

Total OPEB liability

The District's total OPEB liability was measured as of June 30, 2024 and was determined by an actuarial valuation as of June 30, 2024.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	4.0%
Medical cost trend	4.0%-7.5% increases
Discount rate	5.0%

NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (OPEB) - continued

Changes in the Net OPEB Liability

The changes in the net OPEB liability for the OPEB Plan are as follows:

Total OPEB liability - June 30, 2024	$ 5,137,257
Service cost	580,594
Interest	901,721
Amortization of deferred inflows/outflows	2,023,136
Less benefit paid	(1,208,427)
Administrative costs	(59,157)
Total OPEB liability - June 30, 2025	$ 7,375,124

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

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

	1% Decrease 4.0%	Discount Rate 5.0%	1% Increase 6.0%
District's net OPEB plan liability	$10,208,547	$ 7,375,124	$ 5,036,986

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

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

	1% Decrease	Current Trend Rate	1% Increase
District's net OPEB plan liability	$ 4,799,795	$ 7,375,124	$10,561,768

NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (OPEB) - continued

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

For the year ended June 30, 2025, the District recognized OPEB expense of $1,840,721. OPEB expense represents the change in the net OPEB liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss and actuarial assumptions.

At June 30, 2025, the District reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between expected and actual experience	$ 1,886,026	$ -
Change in assumptions	1,288,684	-
Net differences between projected and actual earnings	995,027	615,819
Contributions subsequent to measurement date	1,628,566	-
	$ 5,798,303	$ 615,819

Employer contributions of $1,628,566 reported at June 30, 2025 as deferred outflows of resources related to contributions made subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2025.

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

Year Ending June 30,	Amount
2026	$ 742,425
2027	961,335
2028	469,977
2029	465,875
2030	442,522
Thereafter	471,784
Total	$ 3,553,918

NOTE 9: WORKFORCE HOUSING

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

NOTE 10: COMMITMENTS AND CONTINGENCIES

Contract Commitments

As of June 30, 2025, the District has outstanding construction contract commitments of $551,272.

Litigation

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

Grant Revenues

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

NOTE 11: PRIOR PERIOD ADJUSTMENTS

During the year ended June 30, 2025, the District identified a pension trust fund that had been established and in operation for several years but was not previously reported in the District's financial statements. In addition, a mathematical error was noted in how the District reported deferred inflows for OPEB.

NOTE 11: PRIOR PERIOD ADJUSTMENTS - continued

In accordance with GASB Statement No. 100, Accounting Changes and Error Corrections, the District has restated its beginning net position of the restricted fund as of July 1, 2024 to include the previously omitted pension trust fund. The omission and mathematical error were determined to be an error in prior financial reporting.

	Government Wide	Section 115 Pension Trust Fund
Net position/Fund Balance as previously reported	$ 20,840,379	$ -
Beginning year balance in transfers to assets restricted for pension	6,662,602	6,662,602
Deferred inflows - OPEB correction	(875,646)	-
Cumulative effective of adoption of GASB 101	(368,575)	-
Total prior period adjustments	5,418,381	6,662,602
Net position/fund balance, beginning of year restated	$ 26,258,760	$ 6,662,602

The pension trust fund is now reported as a separate restricted governmental fund. The District has also included the required note disclosures and required supplementary information for the pension trust fund in these financial statements.

Management has evaluated the circumstances that led to the omission and has implemented additional procedures to ensure all fiduciary activities are properly identified and reported in future periods.

NOTE 12: SUBSEQUENT EVENTS

Subsequent events have been reviewed through January 22, 2026, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

MONTECITO FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Unaudited)
FOR THE YEAR ENDED
JUNE 30, 2025

	Budgeted Amounts			Variance with Final Budget Positive
Revenues	Original	Final	Actual	(Negative)
Property taxes	$ 24,905,000	$ 24,905,000	$ 24,902,702	$ (2,298)
Investment income	319,000	319,000	413,219	94,219
Rental income	69,000	69,000	68,086	(914)
Intergovernmental	2,077,000	2,677,000	4,286,039	1,609,039
Charges for services and other	227,000	277,000	147,747	(129,253)
Total revenues	27,597,000	28,247,000	29,817,792	1,570,792
Expenditures				
Salaries and benefits	22,548,000	23,498,000	21,177,051	2,320,949
Services and supplies	2,887,000	2,887,000	2,438,048	448,952
Debt service - principal	1,174,000	1,174,000	1,173,594	406
Interest	85,000	85,000	84,333	667
Capital outlay	1,356,000	1,681,000	919,355	761,645
Total expenditures	28,050,000	29,325,000	25,792,381	3,532,619
Excess of revenues over expenditures	(453,000)	(1,078,000)	4,025,410	5,103,410
Other Financing Uses				
Transfers in (out)	(370,000)	(370,000)	(2,520,000)	(2,150,000)
Total other financing uses	(370,000)	(370,000)	(2,520,000)	$ (2,150,000)
Net changes in fund balances	$ (823,000)	$ (1,448,000)	1,505,410	
Fund balances - Beginning			12,172,203	
Fund balances - Ending			$ 13,677,613	

See accompanying note to the Budgetary Comparison Schedule

Required Supplementary Information
Notes to the Budgetary Comparison Schedules
For the Year Ended June 30, 2025

NOTE 1: BUDGETARY AND LEGAL COMPLIANCE

In accordance with California Health and Safety Code Section 13895, on or before October 1, the District must submit a board approved budget to the County Auditor. Annual budgets are adopted for the District's General, Capital Projects, and Capital Projects Construction Funds. Budgets are prepared on the modified accrual basis of accounting consistent with GAAP. Actual revenues exclude unrealized gains and losses resulting from fair market value adjustments to investments, as such amounts are not included in the legally adopted budget. Annually, the Board of Directors conducts a public hearing for the discussion of proposed budgets. At the conclusion of the hearing, the Board adopts the final budgets. All appropriations lapse at fiscal year-end and are subject to re-appropriation as part of the following year's budget. The legal level of budgetary control (the level on which expenditures may not legally exceed appropriations) is maintained at the object level. Any changes in the annual budget must be changed by a vote of the Board. The Board amended the originally adopted General Fund budget in January of 2025.

MONTECITO FIRE PROTECTION DISTRICT

Required Supplementary Information
Other Post-Employment Benefits (OPEB) Plan – Schedule of Funding Progress
For the Year Ended June 30, 2025

	2025	2024	2023
Total OPEB liability - beginning	$ 5,137,257	$ 5,388,420	$ 2,174,029
Service cost	580,594	523,196	658,841
Interest	901,721	886,571	903,520
Expected return on plan assets	(644,210)	(617,270)	(774,764)
Experience differences	-	-	-
Changes in assumptions	-	-	-
Benefit paid	(1,208,427)	(1,120,954)	(1,058,520)
Change in deferred outflows and inflows	2,549,032	20,519	3,423,846
Administrative costs	59,157	56,775	61,468
Total OPEB liability - ending	$ 7,375,124	$ 5,137,257	$ 5,388,420
Covered Payroll	$ 12,219,893	$ 12,924,630	$ 12,475,816
Total OPEB liability as a percentage of covered payroll	60.35%	39.75%	43.19%
Plan fiduciary net position as a percentage of the total OPEB liability	65.49%	71.54%	69.66%
Measurement date	6/30/2024	6/30/2023	6/30/2022

	2022	2021	2020	2019
Total OPEB liability - beginning				
Service cost	$ 3,521,734	$ 2,204,104	$ 2,414,377	$ 1,601,486
Interest	540,465	447,974	427,392	472,727
Expected return on plan assets	877,038	904,833	879,400	753,337
Experience differences	(680,482)	(704,617)	(687,583)	(794,397)
Changes in assumptions	-	-	-	405,816
Benefit paid	-	-	-	(167,851)
Change in deferred outflows and inflows	(1,050,351)	(987,445)	(886,355)	-
Administrative costs	(1,094,556)	1,599,980	-	195,809
Total OPEB liability - ending	60,181	56,905	56,873	(52,550)
	$ 2,174,029	$ 3,521,734	$ 2,204,104	$ 2,414,377
Covered Payroll	$ 12,479,866	$ 9,738,029	$ 9,550,994	$ 10,410,655
Total OPEB liability as a percentage of covered payroll	17.42%	36.16%	23.08%	23.19%
Plan fiduciary net position as a percentage of the total OPEB liability	86.66%	77.88%	84.21%	82.17%
Measurement date	6/30/2021	6/30/2020	6/30/2019	6/30/2018

MONTECITO FIRE PROTECTION DISTRICT

Required Supplementary Information - Pension
For the Year Ended June 30, 2025

Last 10 Fiscal Years*:

	FY 2025	FY 2024	FY 2023	FY 2022	FY 2021
District's proportion of the net pension liability	0.007540%	0.019781%	0.208489%	-0.111050%	0.235350%
District's proportionate share of the net pension liability	$ 17,776,754	$ 10,373,642	$ 14,326,491	$ (6,005,892)	$ 25,606,939
District's covered employee payroll	9,777,169	9,441,441	8,546,799	7,612,491	7,856,722
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	181.82%	109.87%	167.62%	-78.90%	325.92%
Plan Fiduciary net position as a percentage of the total pension liability	82.40%	76.21%	86.66%	88.29%	73.00%

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

CALPERS - Schedule of District Contributions

	FY 2025	FY 2024	FY 2023	FY 2022	FY 2021
Actuarially determined contribution	$ 3,884,087	$ 3,835,543	$ 3,728,854	$ 3,482,791	$ 3,303,840
Total action contribution	(3,884,087)	(3,835,543)	(3,728,854)	(3,482,791)	(3,303,840)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 9,777,169	$ 9,441,441	$ 8,546,799	$ 7,612,491	$ 7,856,722
Contributions as a percentage of covered employee payroll	39.73%	40.62%	43.63%	45.75%	42.05%

	FY 2020	FY 2019	FY 2018	FY 2017
District's proportion of the net pension liability				
District's proportionate share of the net pension liability	0.223520%	0.220500%	0.217400%	0.374780%
District's covered employee payroll	$ 22,903,886	$ 21,248,085	$ 21,524,106	$ 18,462,053
District's proportionate share of the net pension liability	7,537,293	7,517,960	6,983,314	6,784,400
as a percentage of its covered-employee payroll				
Plan Fiduciary net position as a percentage of	303.87%	282.63%	308.22%	272.13%
the total pension liability				
	77.23%	77.40%	75.48%	76.68%

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

CALPERS - Schedule of District Contributions

Last 10 Fiscal Years*:

	FY 2020	FY 2019	FY 2018	FY 2017
Actuarially determined contribution				
Total action contribution	$ 2,663,298	$ 2,788,692	$ 772,837	$ 934,063
Contribution deficiency (excess)	(2,663,298)	(2,788,692)	(772,837)	(934,063)
	$ -	$ -	$ -	$ -
District's covered-employee payroll				
Contributions as a percentage of covered employee payroll	$ 7,537,293	$ 7,517,960	$ 6,983,314	$ 6,784,400
	35.33%	37.09%	11.07%	13.77%