



COMPREHENSIVE ANNUAL
FINANCIAL REPORT

For the Fiscal Year Ended June 30,

2018

**Sacramento Metropolitan Fire District
CALIFORNIA**



Photo Credits

Cover

Wes Schultz, Retired Battalion Chief

The photo captures a live structure fire training drill near Folsom Boulevard and Bradshaw Road. Training hones a firefighter's ability to quickly respond to dangerous scenarios while reducing injuries.

Title Page

The photo captures a member of the Metro Fire Strike Team at the Ferguson Fire in the Sierra National Forest, Stanislaus National Forest, and Yosemite National Park in California. The wildfire started on July 13, 2018 and burned through 96,901 acres. It was fully contained on August 18, 2018.

Sacramento Metropolitan Fire District



CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2018

Prepared by the Finance Division

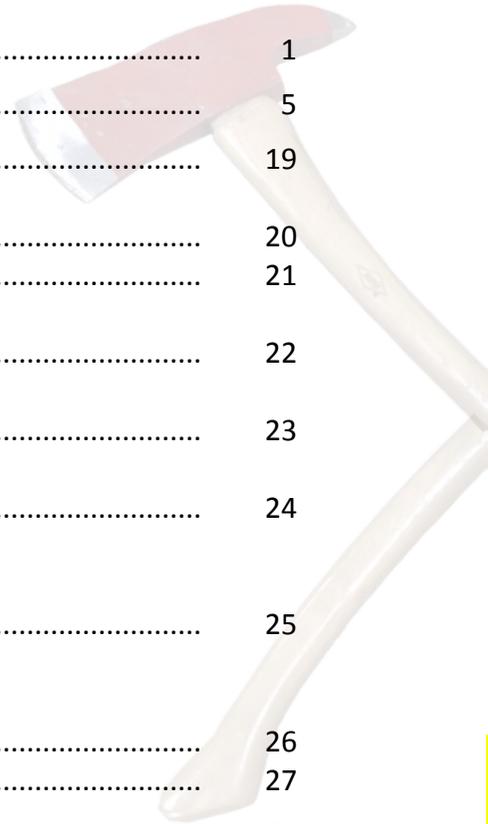
Table of Contents

INTRODUCTORY SECTION

Letter of Transmittal	i
Certificate of Achievement for Excellence in Financial Reporting	viii
Directory of Officials	ix
Organizational Chart	x
District Boundaries by Station	xii
Stations and Facilities	xiv
District History	xx

FINANCIAL SECTION

Independent Auditor's Report	1
Management's Discussion and Analysis	5
Basic Financial Statements	19
Governmental-Wide Financial Statements –	
Statement of Net Position	20
Statement of Activities	21
Fund Financial Statements –	
Governmental Funds Balance Sheet	22
Reconciliation of the Governmental Funds Balance	
Sheet to the Statement of Net Position	23
Statement of Revenues, Expenditures, and Changes	
in Fund Balances – Governmental Funds	24
Reconciliation of the Statement of Revenues,	
Expenditures, and Changes in Fund Balances	
to the Statement of Activities	25
Statement of Revenues, Expenditures and	
Changes in Fund Balance – Budget and Actual –	
General Fund	26
Notes to the Financial Statements	27
Required Supplementary Information	59
Schedule of Changes in Net Pension Liability – CalPERS	
Safety Plan	60
Schedule of Plan's Proportionate Share of Net Pension Liability –	
CalPERS Miscellaneous Plans and SCERS Plans	61
Schedule of Employer Contributions – CalPERS and SCERS Plans	62
Schedule of Changes in Net OPEB Liability	63
Schedule of Employer Contributions – OPEB Plan	64
Notes to Required Supplementary Information	65



Other Supplementary Information	67
Nonmajor Governmental Funds	68
Combining Balance Sheet – Nonmajor Governmental Funds	69
Combining Statement of Revenues, Expenditures, and Changes In Fund Balances – Nonmajor Governmental Funds	70
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Grant Fund	71
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Facilities Fund	72
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Impact Fee Fund	73

STATISTICAL SECTION

Table of Contents	75
Financial Trends	
Net Position by Component	76
Changes in Net Position	77
Fund Balances of Governmental Funds	78
Changes in Fund Balances of Governmental Funds	79
Expenditures by Function	80
Revenue Capacity	
General Revenues by Source	81
Assessed Value of Taxable Property	82
Assessed and Estimated Actual Value of Taxable Property	83
Property Tax Levies and Collections	84
Direct and Overlapping Property Tax Rates	85
Principal Property Taxpayers	86
Debt Capacity	
Ratio of Outstanding Debt by Type	87
Ratio of General Bonded Debt Outstanding	88
Computation of Direct and Overlapping Debt	89
Computation of Legal Bonded Debt Margin	90
Demographic and Economic Information	
Demographic Statistics	91
Demographic and Economic Statistics	92
Private Sector Principal Employers	93
Operating Information	
Summary of District Activities	94
Total Responses	95
Emergency Response Detail Analysis	96
Emergency Response Graph	98
Service Connected Illness/Injury Report	99
Staffing Summary	100
Capital Asset Statistics by Function	101

Introductory Section



Sacramento Metropolitan Fire District

10545 Armstrong Ave., Suite 200 • Mather, CA 95655 • Phone (916) 859-4300 • Fax (916) 859-3702

TODD HARMS
Fire Chief

December 26, 2018

Board of Directors
Sacramento Metropolitan Fire District
10545 Armstrong Ave, Suite 200
Mather, California 95655

Members of the Board:

We are pleased to present the Sacramento Metropolitan Fire District (“Metro Fire”) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018. This report has been prepared by the Finance Division following the guidelines recommended by the Government Finance Officers Association (GFOA) and is in conformance with generally accepted accounting principles (GAAP) for state and local government entities established by the Governmental Accounting Standards Board (GASB). Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that management has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Richardson & Company, LLP, Certified Public Accountants, have issued an unmodified (“clean”) opinion on Metro Fire’s financial statements for the year ended June 30, 2018. The independent auditor’s report is located at the front of the financial section of this report. Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides 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.

PROFILE OF SACRAMENTO METROPOLITAN FIRE DISTRICT

REPORTING ENTITY

Metro Fire is an autonomous Special District established under California Health and Safety Code Section 13800 on December 1, 2000. Metro Fire is the result of the reorganization of the American River and Sacramento County Fire Protection Districts, which brought together 16 predecessor fire districts including Arcade, Arden, Carmichael, Citrus Heights, Elverta, Fair Oaks, Florin, Mather Field, McClellan Field, Michigan Bar, Mills, North Highlands, Orangevale, Rancho Cordova, Rio Linda, and Sloughhouse. Metro Fire provides fire suppression and emergency medical services (EMS) along with various other public safety and hazard mitigation community services.

As a special district, Metro Fire is governed by a Board of Directors; each member is elected by the voters within a geographical area, or division, of Metro Fire’s operational area. The Fire Chief oversees the general operations of Metro Fire in accordance with the policy direction prescribed by the Board of Directors. The Fire Chief is supported by his executive staff consisting of the Board Clerk and three Deputy Chiefs that manage the Operations, Administration, and Support Services Branches of Metro Fire.

SERVICE AREA AND SERVICES

Metro Fire serves a population of about 750,000 in a service area encompassing 359 square miles that include most of unincorporated Sacramento County, the cities of Citrus Heights and Rancho Cordova, and a portion of Placer County. Within the boundaries of Metro Fire are wildland areas, single and multi-family residential units, commercial and light industrial occupancies, hotels, regional hospitals, institutional buildings, local airfields, numerous convalescent/assisted living facilities, equestrian areas, and open space areas including hiking trails. Several major interstate highways also traverse Metro Fire's jurisdiction, along with the American River, a major recreation resource for area residents.

Metro Fire provides all-hazard emergency services to the communities it serves. Additionally, mutual aid agreements to provide fire and/or emergency medical assistance between Metro Fire and other public safety agencies are in place and are honored by Metro Fire. Metro Fire staff is also routinely deployed to local, state, and federal emergencies around the country.

Metro Fire's philosophy with regard to all-hazard emergencies is one of a rapid and effective deployment of appropriate resources to mitigate any emergency. Metro Fire's response goal as approved by the Board of Directors is for a 4-minute travel time to 90% of all major emergencies (in addition to a 1 minute dispatch and 2 minute turnout time).

Metro Fire is organized into three branches - Operations, Support Services, and Administration.

OPERATIONS

The all-hazard nature of Metro Fire is exemplified by the Operations Branch, which consists of Suppression, EMS, Special Operations, Training, Safety, Health & Fitness, and Emergency Planning.

- Suppression encompasses all aspects of Metro Fire's all-hazard emergency services delivered from 41 stations with daily shift staffing of 192 personnel. Suppression resources answered over 97,000 calls for service in 2018.
- The EMS Division is responsible for the management of the emergency medical system, ensuring that our emergency medical technician (EMT) and paramedic personnel are trained and equipped to serve the public at the highest levels. EMTs are certified health care professionals trained to provide basic life support in accordance with the State of California Scope of Practice for EMTs, while paramedics are licensed by the State of California to provide advanced life support (ALS). The provision of ALS services is accomplished through the strategic deployment of dual-role fire department medic units (FDM) and the single role paramedic program (SRPP). Metro Fire employs over 400 paramedics who are assigned on engines, trucks, ambulances, helicopters, aircraft rescue and firefighting (ARFF) units, boats, and bicycles. On a daily basis, all ambulances and suppression apparatus are staffed with at least one paramedic.

As of June 30, 2018, Metro Fire deployed 14 24-hour FDM units that are staffed by Firefighter/Paramedics and Firefighter/EMTs, along with six reserve ambulances that are available if needed to be staffed and placed in service. The additional ambulances provide surge protection during periods of high call volume. There are 35 ALS engine companies and seven ALS truck companies in service on a 24-hour basis. These apparatus responded to calls for emergency medical service with paramedics who assist with critically ill or injured patients if needed.

In fiscal year 2012/13, Metro Fire introduced the SRPP. This program enhances emergency medical services within the community by providing four additional 24-hour ALS ambulances along with five peak time ambulances to augment the EMS system during times of high demand. The SRPP units are staffed with non-firefighter EMT and paramedic personnel.

- Metro Fire has several Special Operations programs that are managed under the Operations Division. These programs include Hazardous Materials (HAZMAT), Technical Rescue, Urban Search and Rescue (US&R), Swift Water Rescue, Tactical Emergency Medical Support (TEMS), Aviation and Dozer programs. Metro Fire's HAZMAT and Technical Rescue programs are certified by the California Office of Emergency Services for Type I statewide response. The US&R program is a member of California Urban Search and Rescue Task Force 7 (CA TF-7), one of 27 US&R task forces in the nation, and one of eight in California. Metro Fire's aviation and dozer programs are the only ones of their kind regionally, and provide critical response capabilities to the region. Metro Fire's TEMS program, also the only one of its kind regionally, provides tactical medical support to the Sacramento County Sheriff's Department, Citrus Heights Police Department, and FBI SWAT Teams. Additionally, Metro Fire is a member of the FBI Joint Terrorism Task Force, Regional Fusion Center and Urban Area Security Initiative's Urban Area Working Group.
- The Training Division's mission is to improve service delivery to the community by providing realistic, ongoing, and verifiable training to Metro Fire personnel and assisting them to develop and strengthen essential job skills. Training strives to ensure all-hazard operational readiness and enhance the ability of our members to provide quality public service.

SUPPORT SERVICES

The Support Services branch of Metro Fire comprises five divisions: Fleet, Facilities, Logistics, Information Technology, and Communications.

- The Fleet Maintenance Division maintains a fleet of about 330 emergency and support vehicles in a modern facility that contains 30 functional working bays. The majority of the fleet services and repairs are performed at this facility and range from routine service and maintenance to full engine in-frame and pump overhauls. A mobile repair program provides limited field repairs in an effort to reduce inconvenience and downtime to emergency apparatus.
- The Facilities Division has the responsibility of providing repairs, improvements and maintenance for all of Metro Fire's existing fire stations, support and administrative facilities.
- Logistics is responsible for ordering, receiving and storing fire suppression equipment, emergency medical equipment and other essential supplies that are used on a daily basis.
- Information Technology is responsible for providing data, voice, and video communications to 41 fire stations, four administrative buildings, and over 330 vehicles.
- Communications oversees radio communications throughout Metro Fire's fire stations, administrative buildings, and vehicles.

ADMINISTRATION

The Administration Branch comprises three divisions: Community Risk Reduction, Human Resources, and Finance.

- Under the direction of the Fire Marshal, the Community Risk Reduction Division (CRRD) works with developers and citizens to make the community safe through activities such as plan review, fire inspections, code enforcement, fire investigation and exterior fire hazard mitigation.
- Providing the highest quality of service to the citizens of Metro Fire depends on having a dedicated, well-qualified group of employees. The Human Resources Division seeks to recruit and maintain a diverse workforce that reflects the community served, and strives to support Metro Fire's mission of providing professional and compassionate protection, education, and service to the community.
- The Finance Division oversees all financial aspects of Metro Fire's multi-million dollar operation. Processes are in place to safeguard Metro Fire's assets, track spending, properly pay employees, collect all revenue and cost reimbursements, and produce quality reporting of all transactions. This Division also guides the very important budget process to see resources are properly allocated for optimum public service levels.

APPARATUS

Metro Fire has in place a 20-year rolling vehicle/apparatus replacement plan which measures the proper utilization period for each piece of apparatus and identifies when replacements should occur. Metro Fire's fleet is made up of emergency vehicles and apparatus which must be kept in a constant state of readiness.

<u>Apparatus Type</u>	<u>No. In Service</u>	<u>Apparatus Type</u>	<u>No. in Service</u>
Engine	39	Aircraft Rescue Firefighting Unit	3
Wildland Engine	34	Ambulance	18
Ladder Truck	5	Dozer	2
Hazmat Truck	2	Rescue Boat	2
Rescue Truck	1	Helicopter	2
Water Tender	6	Support/Other Vehicles	166
Decontamination Unit	1		

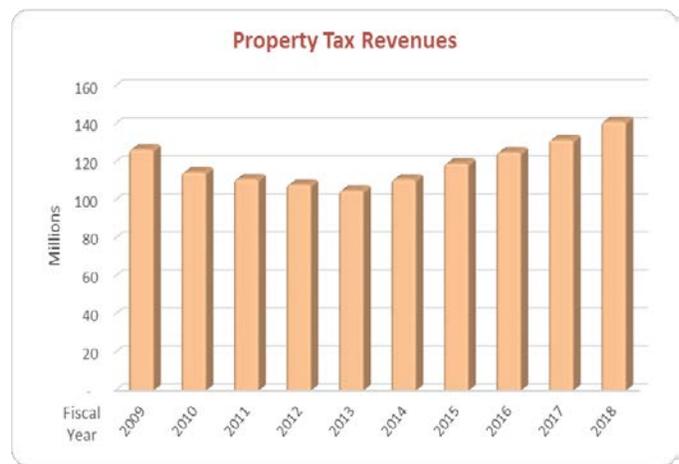
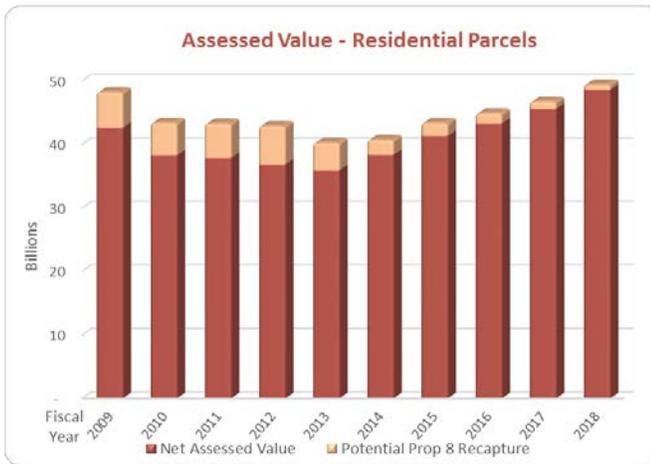
Metro Fire's fire suppression apparatus have been equipped to the highest industry standards for fighting and extinguishing structural type fires, and rendering assistance to patients on medical emergency incidents. Metro Fire's fire engines are capable of delivering water at rates up to 1,500 gallons per minute. Metro Fire's philosophy related to wildland fires revolves around strategically located, specialized "off road" wildland apparatus specifically designed to combat these difficult fires. Because of the potential for major wildland fires, Metro Fire deploys water tender units capable of supplying smaller attack vehicles during large incidents. These units are strategically placed within Metro Fire's service area for maximum effectiveness.

Metro Fire is the only fire agency in the region with aircraft and dozer response programs. Because of this, these apparatus are critical assets to the region and enhance regional capabilities. Other support vehicles include mobile air units, fuel trucks, helicopter tender, an aircraft tow vehicle, battalion chief and staff vehicles, a Self-Contained Breathing Apparatus (SCBA) repair unit, trailers, flatbeds, forklifts, a pallet jack, a scissor lift, tractors, and tow vehicles.

ECONOMIC OUTLOOK

LOCAL ECONOMY

Metro Fire’s primary source of funding is property tax revenue and, as such, the resources available to support its operations are driven by assessed property values. The housing market has fully recovered from the last recession; current median home prices in many regions are at or above pre-recession peak values. Fiscal year 2017/18 total assessed property value within the District’s jurisdiction was 6.2% higher than the prior year, with the largest factor contributing to the increase (2%) being assessed value changes resulting from transfer of ownership in the prior year which accounted for 35% of all growth experienced in the District. The increase in assessed value translated to an increase of about 7.5% in property tax revenues in fiscal year 2017/18.

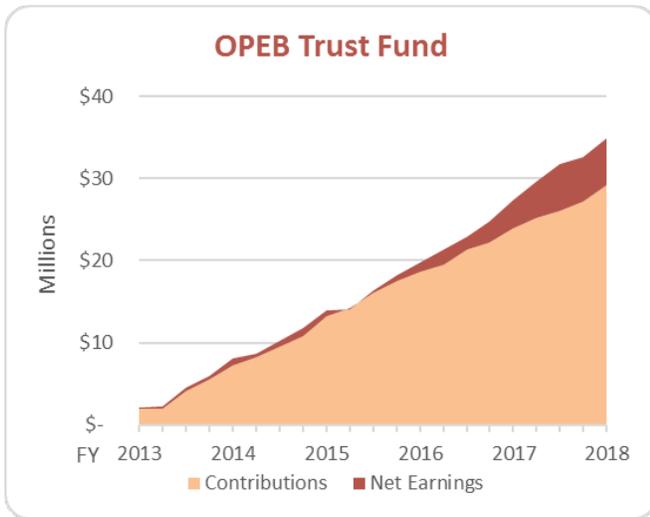


In 1978 California voters approved Proposition 8 that allows county assessors to reduce the value of properties below their Proposition 13 taxable values when the real estate market declines. Such reductions are to be restored as the real estate market improves. Now, after five years of declining and five years of improved real estate values, the Sacramento County Assessor has restored approximately 82.1% of property values that were lowered during the recession under Proposition 8. This means that the impact of future increases is expected to be smaller. Looking ahead, Metro Fire is projecting a 5% increase in property tax revenues for the upcoming year based on published assessed values. Metro Fire will continue to monitor trends that impact property values in order to develop realistic projections of property tax revenues upon which budgeting and service level decisions can be made.

Another major source of funding for Metro Fire is cost recovery associated with providing emergency medical services. Metro Fire bills approximately \$140 million annually for these services, with a collection rate of close to 25%, which is typical for these services due to lower reimbursement rates for patients covered by Medi-Cal and Medicare. As property tax revenues declined during the recession, greater emphasis was placed on cost recovery, and this revenue source has steadily increased in recent years.

LONG-TERM FINANCIAL PLANNING AND SUSTAINABILITY

The Board of Directors, command staff and employees have a track record of working together to not only address the immediate fiscal challenges that were presented by the most recent economic recession, but also to establish and maintain policies and practices to ensure Metro Fire’s long-term financial sustainability. Metro Fire’s long-term financial planning efforts have identified key issues that, if left unaddressed, would create fiscal uncertainty and likely result in a disruption in future service delivery. Two of these critical issues are the liabilities associated with retiree medical benefits and pensions, including the retirement of \$70 million of pension obligation bonds originally issued in 2004.



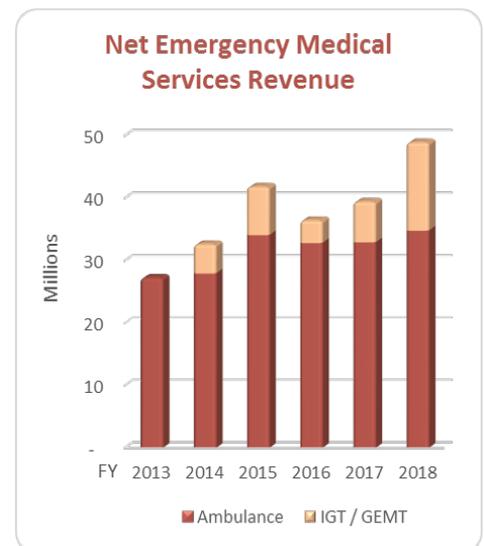
With the implementation of a new accounting standard (GASB 75) that governs the reporting of retiree medical or other post-employment benefits (OPEB), the net OPEB liability is now being reported on the statement of net position and not just as a note disclosure. Metro Fire’s OPEB funding plan involves a combination of contributions to a trust and cost-saving measures agreed to by Metro Fire employees that both lower the long-term cost of OPEB and provides for funding the actuarially determined contribution associated with the explicit rate subsidy for retiree medical premiums. To help finance future costs with investment earnings, Metro Fire makes contributions to California Employers’ Benefit Trust (CERBT) Fund managed by California Public Employees’ Retirement System (CalPERS).

With respect to pension liability, Metro Fire continues to make the required contributions to CalPERS each year to fund both the normal cost and amortization of the unfunded liability for its miscellaneous and safety plans. CalPERS’ December 2016 decision to reduce the assumed rate of return on investments from 7.5% to 7.0% resulted in an increase in required contributions made by Metro Fire and its employees, and will have a significant impact on future budgeting decisions. Additionally, Metro Fire recently reached an agreement with Sacramento County Employees’ Retirement System (SCERS) regarding the funding of the unfunded liability of that plan, which requires annual contributions through 2036.

Finally, Metro has a longstanding policy to set aside funds each year, in addition to the annual debt service required by the bond documents, so as to accumulate the necessary funds to early retire two series of pension bonds. Metro Fire retired one of the bond series in November 2018 for \$25.5 million. Combined with scheduled principal and interest payments on a third series of pension bonds, also issued in 2004, Metro Fire’s pension bond debt is expected to be fully retired by 2025.

Another key component of Metro Fire’s long-term financial sustainability is looking ahead and planning for the needs of future development. Based on information provided by regional planning departments about current and future development plans, Metro Fire is actively planning for the facility and service needs of those future developments. The cost of future capital needs will be funded with revenue generated from a Capital Facilities Fee that was implemented in fiscal year 2014/15 specifically to address the impacts of new development and to date has generated nearly \$4 million in available funding. To the extent that property tax revenues expected to be generated by new development would not be sufficient to fund the expected operating cost to provide service, Metro Fire will explore alternative funding mechanisms to ensure that adequate service is provided and to avoid any degradation of service to existing communities.

Metro Fire has made great strides in recent years in identifying new funding mechanisms to ensure greater recovery of costs for the services provided. Metro Fire led a statewide effort to increase the cost recovery associated with emergency medical transport services by sponsoring state legislation allowing ground emergency medical transporters



(GEMT) in California to seek additional reimbursement from the federal government related to fee-for-service Medi-Cal patients. In addition, Metro Fire has participated in an Inter-Governmental Transfer (IGT) program that allows Metro Fire to receive federal matching funds for medical transports related to Medi-Cal Managed Care beneficiaries. For FY 2017/18, net revenue from these two sources totaled over \$14 million, including nearly \$13 million in net IGT revenue resulting from two years of activity.

Metro Fire’s approach to financial sustainability encompasses both ensuring maximum cost recovery for the fee-based services provided as well as identifying and sustainably funding long-term liabilities, with an overall goal of annually aligning revenues and expenditures such that reserves sufficient to cover future contingencies are established and maintained.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Metro Fire for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2017. This is the fourth consecutive year that Metro Fire has achieved this prestigious award. In order to be awarded a Certificate of Achievement, Metro Fire had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements. A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. However, we believe that our current CAFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program’s requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate. In addition, Metro Fire also received the California Society of Municipal Finance Officers (CSMFO) Meritorious Award for its 2018-19 operating budget. The award recognizes high quality budget documents that reflect CSMFO’s recommended practices on budgeting.

In July 2017, Metro Fire received the District Transparency Certificate of Excellence issued by the Special District Leadership Foundation in recognition of its outstanding efforts to promote transparency and good governance. To receive the award, a special district must demonstrate the completion of essential governance transparency requirements, including properly conducting open and public meetings, filing financial transactions and compensation reports to the State Controller in a timely manner, and providing readily available information to the public, such as current district budget information and the most recent financial audit.

The preparation of the CAFR reflects the combined and dedicated effort of Metro Fire staff. We especially want to recognize the Finance Division staff, along with Metro Fire’s independent auditors, Richardson & Company, LLP for their contributions to provide complete, reliable, open and transparent financial information, and for fostering the enhanced stewardship of public funds. We would like to take this opportunity to express our thanks and sincere appreciation to the Board of Directors for their continued support, trust, and guidance. Together, Metro Fire’s leadership and staff bring an effective combination of skills, experience and dedication to carry out Metro Fire’s mission:

***“TO PROVIDE PROFESSIONAL AND COMPASSIONATE
PROTECTION, EDUCATION AND SERVICE TO OUR COMMUNITY.”***

Respectfully submitted,



Todd Harms
Fire Chief



Amanda Thomas
Chief Financial Officer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Sacramento Metropolitan Fire District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

Board of Directors

PRESIDENT	VICE-PRESIDENT	SECRETARY		
				
Jim Barnes Division 9	Gay Jones Division 8	Jennifer Sheetz Division 5	Frederick Gayle Division 1	Grant B. Goold Division 2

			
Randy Orzalli Division 3	Ted Wood Division 4	D'Elman Clark Division 6	Matt Kelly Division 7

Executive Staff

Todd Harms



FIRE CHIEF

Greg Casentini
DEPUTY CHIEF
ADMINISTRATION

Eric Bridge
DEPUTY CHIEF
OPERATIONS

Brian Shannon
DEPUTY CHIEF
SUPPORT SERVICES

Amanda Thomas
CHIEF FINANCIAL OFFICER

Assistant Chiefs

Chris Quinn
A SHIFT

Tyler Wagaman
B SHIFT

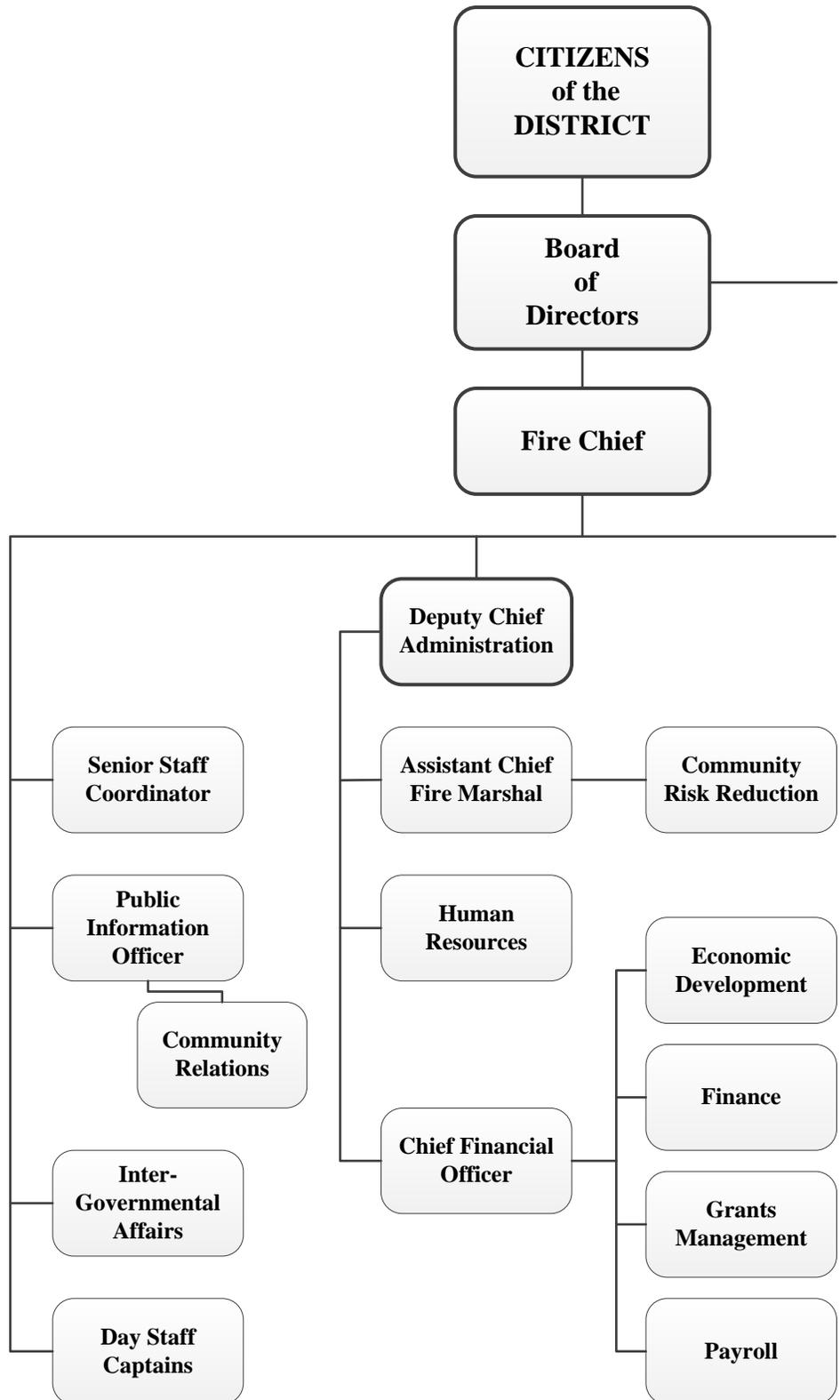
Tom Neville
C SHIFT

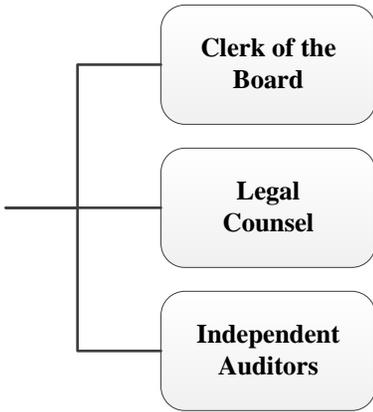
Randy Hein
EMS

Maurice Johnson
SPECIAL OPERATIONS

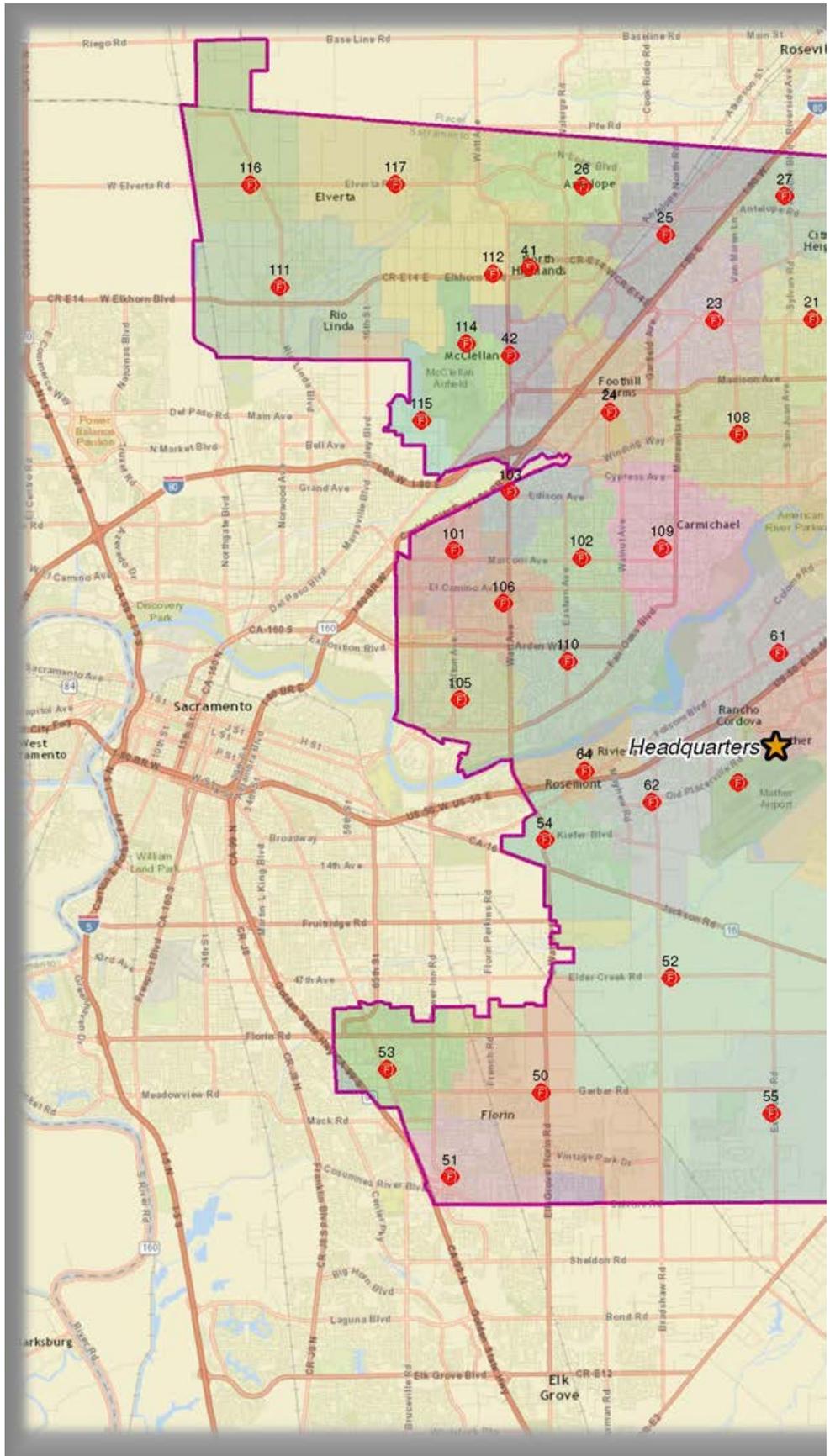
Lisa Barsdale
FIRE MARSHAL

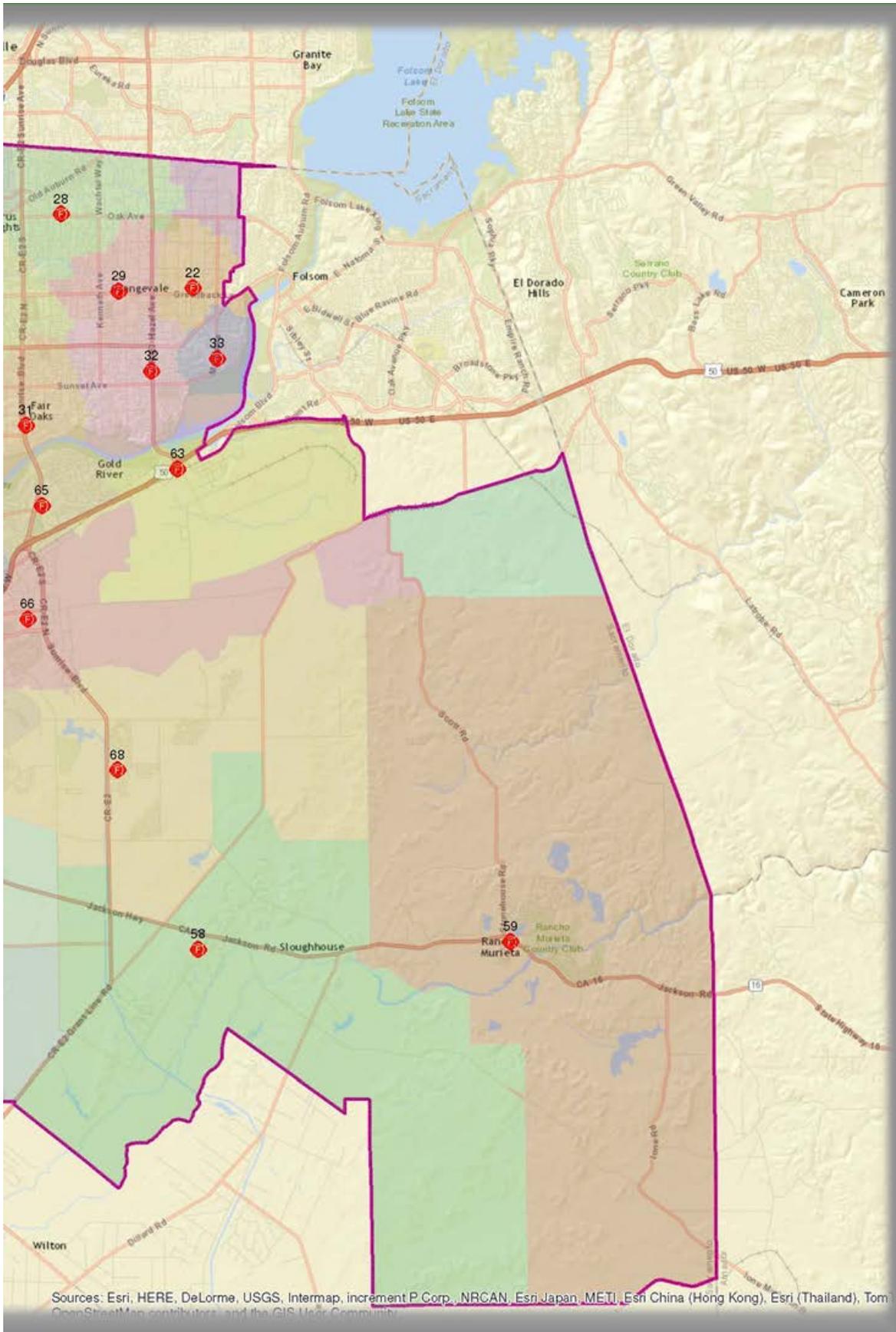
Organizational Chart





District Map





Sources: Esri, HERE, DeLorme, USGS, Intermap, increment P Corp., NRCAN, Esri Japan, METI, Esri China (Hong Kong), Esri (Thailand), TomTom, Swisstopo, OpenStreetMap contributors, and the GIS User Community

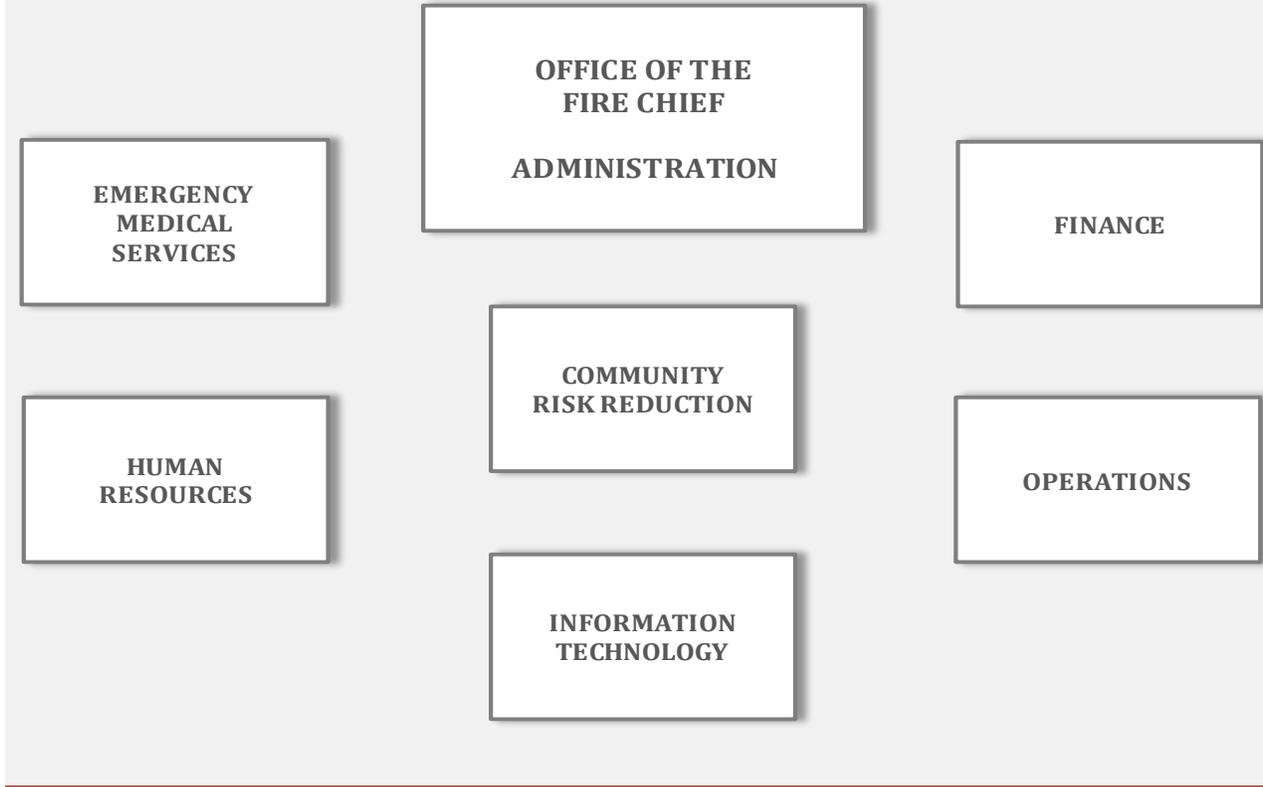
Stations and Facilities



HEADQUARTERS

10545 Armstrong Avenue, Suite #200
Mather, California 95655

HEADQUARTERS DIVISIONS



COMMUNICATIONS/FACILITIES/FLEET
4425 Dudley Blvd.
McClellan



LOGISTICS/TRAINING/SAFETY
3012 Gold Canal Drive
Rancho Cordova



STATION #21
7641 Greenback Lane
Citrus Heights



STATION #22
6248 Chestnut Avenue
Orangevale



STATION #23
6421 Greenback Lane
Citrus Heights



STATION #24
4942 College Oak Drive
Sacramento



STATION #25
7352 Roseville Road
Sacramento



STATION #26
8000 Palmerson Drive
Antelope



STATION #27
7474 Grand Oaks Blvd.
Citrus Heights



STATION #28
8189 Oak Avenue
Citrus Heights



STATION #29
8681 Greenback Lane
Orangevale



STATION #31
7950 California Avenue
Fair Oaks



STATION #32
8890 Roediger Lane
Fair Oaks



STATION #41
6900 Thomas Drive
North Highlands



STATION #42
5608 North Haven
North Highlands



STATION #50
8880 Gerber Road
Sacramento



STATION #51
8210 Meadowhaven Drive
Sacramento



STATION #53
6722 Fleming Avenue
Sacramento



STATION #54
8900 Fredic Avenue
Sacramento



STATION #55
7776 Excelsior Road
Sacramento



STATION #58
7250 Sloughhouse Road
Elk Grove



STATION #59
7210 Murieta Drive
Rancho Murieta



STATION #61
10595 Folsom Blvd.
Rancho Cordova



STATION #62
3646 Bradshaw Road
Sacramento



STATION #63
12395 Folsom Blvd.
Rancho Cordova



STATION #64
9116 Vancouver Drive
Sacramento



STATION #65
11201 Coloma Road
Rancho Cordova



STATION #66
3180 Kilgore Road
Rancho Cordova



STATION #68
4381 Anatolia Drive
Rancho Cordova



STATION #101
3000 Fulton Avenue
Sacramento



STATION #102
4501 Marconi Avenue
Sacramento



STATION #103
3824 Watt Avenue
Sacramento



STATION #105
2691 Northrop Avenue
Sacramento



STATION #106
2200 Park Towne Circle
Sacramento



STATION #108
6701 Winding Way
Fair Oaks



STATION #109
5634 Robertson Avenue
Carmichael



STATION #110
1432 Eastern Avenue
Sacramento



STATION #111
6609 Rio Linda Blvd.
Rio Linda



STATION #112
6801 34th Street
North Highlands



STATION #114
5824 Kelly Way
McClellan



STATION #115
4727 Kilzer Avenue
McClellan



STATION #116
7995 Elwyn Avenue
Elverta



STATION #117
7961 Cherry Brook Drive
Elverta

District History

1918- **Mather Air Force Base Fire Department** was established in 1918, named after a WWI test pilot, Carl Mather.

1922- Established in June 1922, the **Mills Fire Department** covered approximately 55 square miles. Its original budget was in the \$3,000 range.

1923- In May 1923, the first meeting was held to form the **Rio Linda Outpost of Fire Protection** which had a roster of 13 volunteers and a newly purchased soda and acid type fire engine, affectionately known as “Old Betsy”.

1925- The **Elverta Fire District** was formed in October 1925. A Graham Dodge truck was later purchased and modified to serve as its first fire truck. On its main fire station, a siren was installed with a button on the outside of the building – the first person to hear of a fire would run to the station to push it and activate the siren.

1933- The **Orangevale Volunteer Fire Dept.** was formed in 1933 with a single fire station located on Hazel Avenue and Greenback Lane. Its first fire engine was a converted 1917 REO touring car purchased for \$650 by volunteers.



1935- While onlookers stood by helplessly as a barn burned to the ground on December 31, 1933, talk began on the need for fire protection. In 1935, the non-profit corporation called the **Citrus Heights Fire District** was formed. Amidst the depression and lack of funds, everything pertaining to the District was purchased with funds from the local residents rather than county taxes. This was the only source of income until 1941.

1938- In late December 1938, the first piece of firefighting equipment was put into service at the Sacramento Air Depot and staffed by temporary firefighters. In 1939, staff was replaced with an all-civilian fire department and the base and was ultimately renamed to McClellan Air Force Base. **McClellan AFB Fire Department** grew to a maximum of six fire stations with personnel in excess of 30. It was augmented early on by over 125 airmen.

1942- In January 1942, a temporary Board of Commissioners was elected and in July of that same year, a groundbreaking ceremony was held for Station 1 of the newly formed **Arcade Fire Protection District**. The construction of the station began with volunteer labor and donated materials. In the summer of 1952, Station 2 was built, Station 3 was purchased from the San Juan School District in 1957, and Station 4 was converted from a portion of a warehouse in 1973.

1942- In 1935, several concerned citizens conceived the idea of fire protection and received eight donated Indian back pumps. In 1938, the community appropriated \$250 for the purchase of a 1932 Model “B” Ford pickup with a small water tank, pump and hose. In 1942, the **Fair Oaks Fire District** was legally formed. Ten volunteer firemen served the area and in 1947 the first voluntary Fire Chief was appointed.

1942- Local merchants and citizens, seeing the need for fire protection, purchased a hand drawn chemical cart for \$950 in 1918. In the 1930s, the cart was no longer serviceable and the area was without any organized fire protection. On July 26, 1942, the **Florin Fire District** was formally organized and the first official act of the Board of Directors was to appoint a Fire Chief.

1942- Mr. Daniel W. Carmichael developed the Carmichael Colony in 1909 with the purchase of 2,000 acres of land north and west of the American River. Two years later, he acquired an additional 1,000 acres. Fire prevention at that time was a community endeavor. In 1927 a local businessman instituted a more formal volunteer firefighting force, purchasing a Model T fire engine which held 30 gallons of water, 100 feet of hose and other tools and equipment. In 1942, the **Carmichael Fire District** was officially organized and the area that was known as Donovan's Corners became Fire Station 1.

1943- County maps refer to Arden as "Rancho del Paso." It is a community of approximately 2,000 people which included two stores, two service stations, three large hop ranches, and one school in a nine-square mile agricultural area. On January 4, 1943, from the efforts of a close-knit group of citizens, a petition for formation of a fire district was submitted and approved by the Sacramento County Board of Supervisors and the **Arden Fire District** was born.

1945- The **Citrus Heights Fire Protection District** became a legal governmental entity in 1945 with the merger of the Citrus Heights Fire District and the Orangevale Volunteer Fire Department.

1947- The **Sloughhouse Fire Protection District** was formed in 1947 with volunteers and donated equipment. Without a formal fire station, the pumper and other apparatus were housed at Riella Ranch and the Sloughhouse Grocery Store until 1965 when volunteers built a station on Sloughhouse Road.

1951- The first firehouse for the **North Highlands Village Fire District**, which was formed in September 1951, was located next to the Flying A gasoline station on North Haven Drive. Daytime alarms were received by telephone at the Flying A gasoline station and night calls were answered at an apartment across the street. This District remained an all-volunteer district until July, 1957 when three firefighters were hired at \$340 per month.

1958- The Rancho Cordova community was protected by the Mills Fire Dept. In 1958, the name of the department was changed to the **Rancho Cordova Fire Protection District**.

1983- The **American River Fire Protection District** was formed on August 1, 1983 by the consolidation of the Arden and Carmichael Fire Districts. At conception, the District had six fire stations and served 26 square miles. It responded to 3,715 alarms during the inaugural year.

1984- In 1983 the Board of Directors voted to merge the Citrus Heights and North Highlands Fire Districts. It was approved and on February 4, 1984, the North Highlands Village Fire District became part of the Citrus Heights Fire Protection District.

1989- The **Sacramento County Fire Protection District** was organized with the consolidation of the Rancho Cordova Fire Protection District, Fair Oaks Fire District and the Citrus Heights Fire Protection District in July of 1989. Emergency services were provided to the community through 20 fire stations.

2000- On December 1, 2000, the **Sacramento Metropolitan Fire District** was formed from the consolidation of 16 historic fire districts. Now commonly known as Metro Fire, it is the seventh largest local fire district in the State of California and the largest in Sacramento County. For more detail on the merge, please see the Letter of Transmittal in this report.





This page intentionally left blank

Financial Section



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sacramento Metropolitan Fire District
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Sacramento Metropolitan Fire District (Metro Fire) as of and for the year ended June 30 2018, and the related notes to the financial statements, which collectively comprise Metro Fire's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, each major fund and the aggregate remaining fund information of Metro Fire as of June 30, 2018 and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Change in Accounting Principles

As discussed in Note 10 to the financial statements, during the year ended June 30, 2018, the Metro Fire adopted new accounting guidance, GASB No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinion is not modified with respect to this matter.

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 Changes in Net Pension Liability – CalPERS Safety Plan, Schedule of Plan's Proportionate Share of Net Pension Liability – CalPERS Miscellaneous Plans and SCERS Plan, Schedule of Employer Contributions to the Pension Plan, Schedule of Changes in Net OPEB Liability and Schedule of Employer Contributions to the OPEB Plan on pages 6 to 18 and 60 to 65 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 Metro Fire's basic financial statements. The introductory section, other supplementary information and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedule for the Capital Facilities, Impact Fee and Grant Funds and combining and individual nonmajor governmental funds financial statements and schedules are the responsibility of management and were derived from and relate 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 other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Directors
Sacramento Metropolitan Fire District

The introductory and statistical sections 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 December 26, 2018 on our consideration of Metro Fire’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Metro Fire’s internal control over financial reporting and compliance.

Richardson & Company, LLP

December 26, 2018



This page intentionally left blank

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Sacramento Metropolitan Fire District (Metro Fire) provides the reader with a narrative overview of Metro Fire's financial position and performance for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-vii of this report.

FINANCIAL HIGHLIGHTS

Government-wide:

- ❖ During the year, Metro Fire recognized \$230,132,505 in taxes and other revenues from governmental activities, which was \$11,614,614 less than related expenses.
- ❖ Metro Fire's net position as of the end of the year is a net *deficit* of \$590,203,001 mainly due to unfunded pension and other post-employment benefits obligations. Offsetting these amounts are net investments in capital assets of \$69,839,317.
- ❖ Overall outstanding long-term liabilities increased by \$263 million during the year. This was mainly the result of recognition of net other postemployment benefit (OPEB) liability and increases in net pension liability due to interest on the prior unfunded balance.

Fund level:

- ❖ Metro Fire's governmental funds reported combined fund balances of \$71,931,812, an increase of \$12,463,537 in comparison with the prior year largely due to two years of Inter-Governmental Transfer (IGT) revenues recognized during the year.
- ❖ Unassigned fund balance for the general fund was \$32,131,813 or approximately 15% of total general fund expenditures. This amount is available for spending at the Metro Fire's discretion.

ANNUAL REPORT OVERVIEW

The discussion and analysis provided herein is intended to serve as an introduction to Metro Fire's basic financial statements. The basic financial statements consist of three components:

- Government-wide financial statements
- Fund financial statements including budgetary comparison statements
- Notes to financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The *government-wide financial statements* comprise the *Statement of Net Position* and the *Statement of Activities* which provide broad financial information and present a longer-term view of Metro Fire's finances. These statements are reported using the accrual basis of accounting which is similar to the accounting used by most private sector companies. The government-wide financial statements can be found on pages 20-21 of this report.

The *Statement of Net Position* presents information on all of Metro Fire's assets and deferred outflows, and liabilities and deferred inflows, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial health of Metro Fire is improving or deteriorating.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The *Statement of Activities* presents information showing how Metro Fire's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

GOVERNMENTAL FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. Metro Fire uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

The governmental fund financial statements comprise the *Balance Sheet* and the *Statement of Revenues, Expenditures, and Changes in Fund Balances* both of which provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The modified accrual basis of accounting is used to measure cash and all other financial assets that can readily be converted into cash. It helps determine the availability of financial resources that can be spent in the near future to finance programs. The governmental fund financial statements can be found on pages 22-26 of this report.

NOTES TO THE FINANCIAL STATEMENTS

Financial statement notes are an important part of the basic financial statements and provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 27-57 of this report.

In addition to the Basic Financial Statements and accompanying notes, this report also includes supplementary information intended to furnish additional detail to support the basic financial statements. A Statistical Section is also included which provides various financial schedules as well as historical trend data.

FINANCIAL ACTIVITIES OF METRO FIRE AS A WHOLE

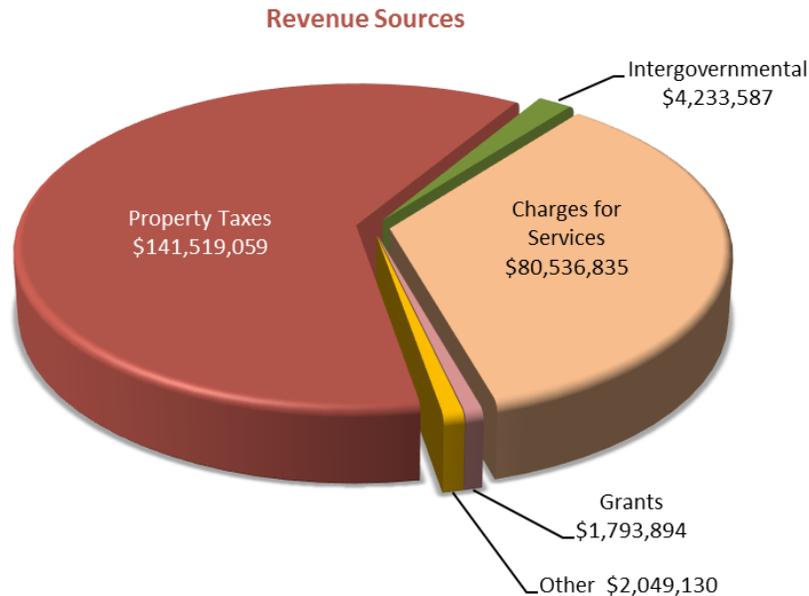
This analysis focuses on the net position and changes in net position of Metro Fire's Governmental Activities presented in the Government-Wide Statement of Net Position and Statement of Activities.

GENERAL AND PROGRAM REVENUES

The primary source of funding for the services provided by Metro Fire comes from property taxes, which comprised about 61% of total revenues for the year. A summary of revenue sources for the fiscal years ended June 30, 2018 and 2017 is presented on the next page.

Table 1
Condensed Schedule of Revenues
(in thousands)

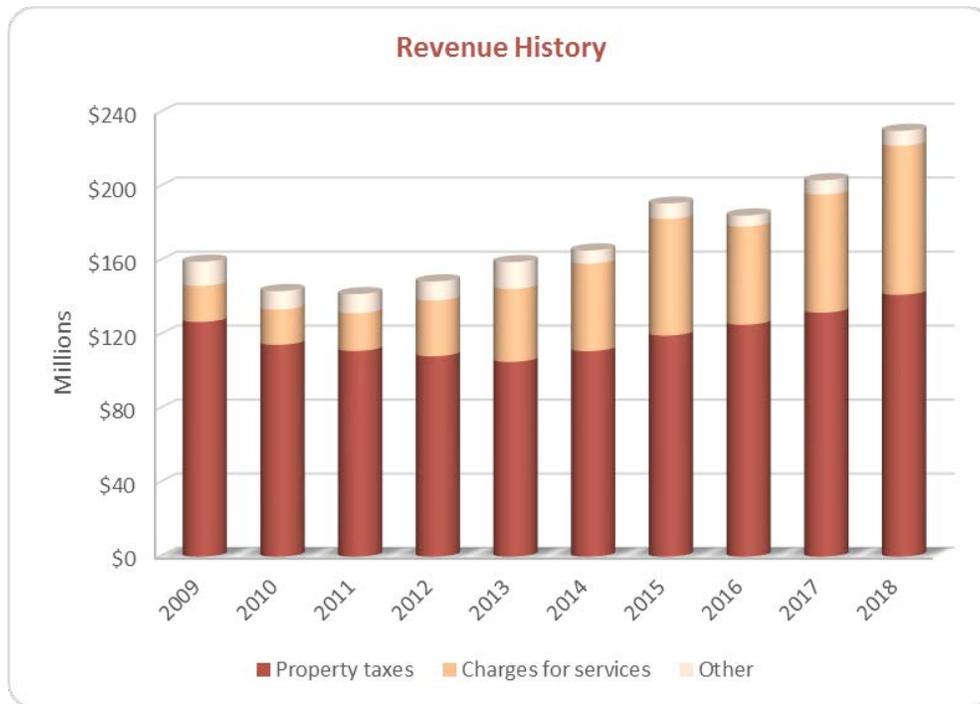
	2018	2017	\$ Change	% Change
General revenues				
Property taxes	\$ 141,519	\$ 131,875	\$ 9,644	7.3%
Intergovernmental	4,234	4,107	127	3.1%
Rentals and other income	425	951	(526)	(55.3%)
Miscellaneous	1,624	1,159	465	40.1%
Total general revenues	147,802	138,092	9,710	7.0%
Program revenues				
Charges for services	80,537	63,902	16,635	26.0%
Operating grants and contributions	1,794	1,037	757	73.0%
Capital grants and contributions	-	370	(370)	(100.0%)
Total program revenues	82,331	65,309	17,022	26.1%
Total revenues	<u>\$ 230,133</u>	<u>\$ 203,401</u>	<u>\$ 26,732</u>	13.1%



Metro Fire monitors property valuation closely with a property tax consultant to identify trends and develop forecasts of this critical revenue source. In fiscal year 2008/09, assessed property values in Metro Fire’s service area reached a high point of \$57.8 billion. The real estate market in the region since then was hit hard by the recession, and assessed property values within Metro Fire’s boundaries steadily declined to \$49.5 billion in 2012/13; a reduction of \$8.3 billion, or 14%. Annual property tax revenue during this time declined from its peak of \$129 million to \$105 million in 2012/13; a drop of \$24 million, or 19%. Since then, Metro Fire experienced 5 straight years of growth in assessed property values, increasing by \$3.6 billion in the most recent fiscal year to a total of \$63.1 billion. Property tax revenue in 2017/18 grew by \$10 million, or 7.3%.

MANAGEMENT'S DISCUSSION AND ANALYSIS

While management expects to see modest growth in future property taxes, it continues to find ways to lessen its fiscal dependency on property tax revenues. The chart below presents Metro Fire's revenue history for the past 10 fiscal years.



As reflected in the chart, non-property tax related revenue grew from \$33 million in 2009/10 to \$89 million in 2017/18; an increase of \$56 million. The introduction of the Single-Role Paramedic Program (SRPP), supplemental medical transport cost reimbursements, and other changes relative to delivery of emergency medical transport services have resulted in a substantial increase in cost recovery for emergency medical services. As a result of the efforts mentioned above, charges for services amounting to \$80 million now comprise 35% of total revenues compared to just 12% in 2009/10; however, it should be noted that additional IGT expenditures of \$18 million result in a net charges for services amount of \$62 million.

Starting in 2013/14, Metro Fire participated in the Ground Emergency Medical Transport (GEMT) Program that allows qualified public entities to collect federal matching funds for services provided to Medi-Cal beneficiaries that are part of the Fee for Service (FFS) Program. This program accounts for approximately 9% of the medical patients seen by Metro Fire. For the past 4 fiscal years, Metro Fire was able to receive additional federal funds for the rest of its Medi-Cal patients consisting of managed care beneficiaries through a mechanism called Rate Range Intergovernmental Transfer (IGT). As a governmental entity, Metro Fire is allowed to partner with the Federal Medicaid program to receive additional funding as a result of services provided to Medi-Cal managed care beneficiaries. The GEMT and IGT programs provided *gross* reimbursements of \$1.3 million and \$31 million (before related fees), respectively. The gross revenue from the IGT program was about \$16 million higher compared to the prior fiscal year due to changes in the time frame covered. After related fees, the net reimbursement from the IGT program was \$13 million, about \$7 million higher than the prior fiscal year due to covering activity for two years.

During the year, operating and capital grants increased by \$757 thousand or about 73% compared to the prior year. The increase is mainly attributable to higher Staffing for Adequate Fire and Emergency Response (SAFER) reimbursements during the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

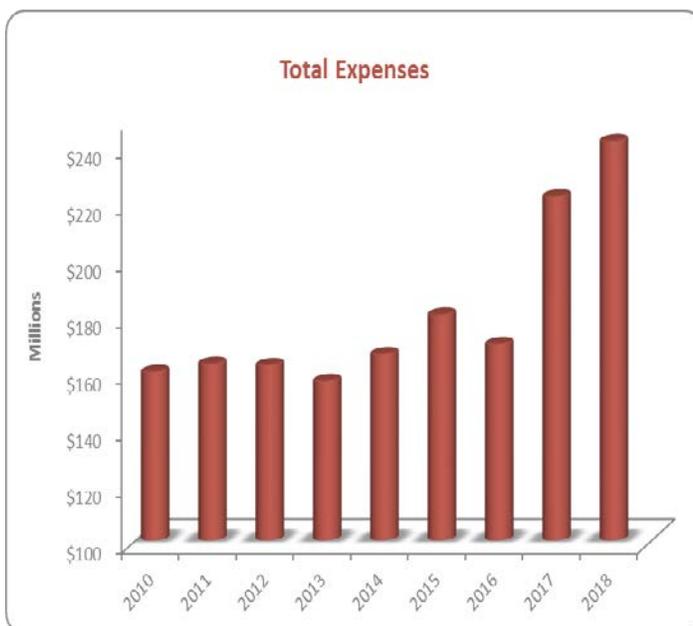
EXPENSES

As a public safety provider, the majority of Metro Fire's operating expense relates to labor costs, which comprise about 77% of total expenses. A summary of Metro Fire's expenses for the fiscal years ended June 30, 2018 and 2017 and a history of total expenses are presented below:

Table 2
Condensed Schedule of Expenses
(in thousands)

	2018	2017	\$ Change	% Change
Public protection				
Salaries and benefits	\$ 187,118	\$ 178,385	\$ 8,733	5%
Services and supplies	43,486	32,615	10,871	33%
Other	2,227	2,097	130	6%
Subtotal	<u>232,831</u>	<u>213,097</u>	<u>19,734</u>	9%
Interest	4,197	4,271	(74)	(2%)
Loss on disposal of capital assets	91	-	91	-
Depreciation	<u>4,628</u>	<u>4,721</u>	<u>(93)</u>	(2%)
TOTAL EXPENSES	<u>\$ 241,747</u>	<u>\$ 222,089</u>	<u>\$ 19,658</u>	9%

Public protection expenses for the year were \$233 million, or 9% more than the prior year. The majority of the expenses relates to salaries and benefits which increased by about 5%, primarily due to two 2.2% across-the-board wage increase during the year and increases in the net pension liability and changes to the related deferred outflows and inflows. The pension expense used for financial reporting is usually larger than the required employer contributions and will likely be more volatile from year-to-year as both favorable and unfavorable results flow through the statements on an accelerated basis.



The other significant program expense is services and supplies which amounted to \$43.5 million, an increase of \$10.9 million or 33% from the prior year. The increase is mainly due to higher costs associated with the IGT program. The program required Metro Fire to transfer \$18 million to the State of California for its matching contribution to fund the IGT plus the State's fee, compared to \$9 million in the prior year. The State drew down the federal share of matching funds for payment to the Managed Care Plans. The Plans then distributed \$31 million to Metro Fire for a net revenue of \$13 million.

As Metro Fire's available resources at its disposal are dictated mainly by property values which are subject to cyclical changes, management will continue to work collaboratively with the Board and Labor to aggressively seek out new sources of revenue and cost-saving opportunities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

ANALYSIS OF NET POSITION

This analysis focuses on the net position and changes in net position of Metro Fire's Governmental Activities, as presented below in the government-wide Statement of Net Position and Statement of Activities as of and for the years ended June 30, 2018 and 2017.

Table 3
Condensed Schedule of Net Position
(in thousands)

	2018	2017	\$ Change	% Change
Assets:				
Cash and investments	\$ 71,403	\$ 61,744	\$ 9,659	16%
Other current assets	19,931	17,508	2,423	14%
Capital assets	92,860	94,401	(1,541)	(2%)
Total Assets	<u>184,194</u>	<u>173,653</u>	<u>10,541</u>	<u>6%</u>
Deferred outflows of resources	<u>129,314</u>	<u>80,218</u>	<u>49,096</u>	<u>61%</u>
Liabilities:				
Current and other liabilities	11,530	11,844	(314)	(3%)
Long-Term liabilities	846,666	583,488	263,178	45%
Total Liabilities	<u>858,196</u>	<u>595,332</u>	<u>262,864</u>	<u>44%</u>
Deferred inflows of resources	<u>45,515</u>	<u>14,968</u>	<u>30,547</u>	<u>204%</u>
Net position:				
Net investment in capital assets	69,839	70,897	(1,058)	(1%)
Restricted	5,667	5,973	(306)	(5%)
Unrestricted	(665,709)	(433,299)	(232,410)	(54%)
Total net position	<u>\$ (590,203)</u>	<u>\$ (356,429)</u>	<u>\$ (233,774)</u>	<u>(66%)</u>

Table 4
Schedule of Changes in Net Position
(in thousands)

	2018	2017	\$ Change	% Change
Total revenues	\$ 230,133	\$ 203,401	\$ 26,732	13%
Total expenses	(241,747)	(222,089)	(19,658)	(9%)
Excess (Deficiency)	<u>(11,614)</u>	<u>(18,688)</u>	<u>7,074</u>	<u>38%</u>
Beginning net position	(356,429)	(337,741)	(18,688)	(6%)
Prior period adjustment	(222,160)	-	(222,160)	
Beginning net position, as restated	<u>(578,589)</u>	<u>(337,741)</u>	<u>(240,848)</u>	<u>(71%)</u>
Ending net position	<u>\$ (590,203)</u>	<u>\$ (356,429)</u>	<u>\$ (233,774)</u>	<u>(66%)</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Metro Fire's net position decreased by \$234 million during the year mainly due to restatement arising from implementation of GASB 75 which requires recognition of the full net OPEB liability and associated deferrals.

Net Investment in Capital Assets

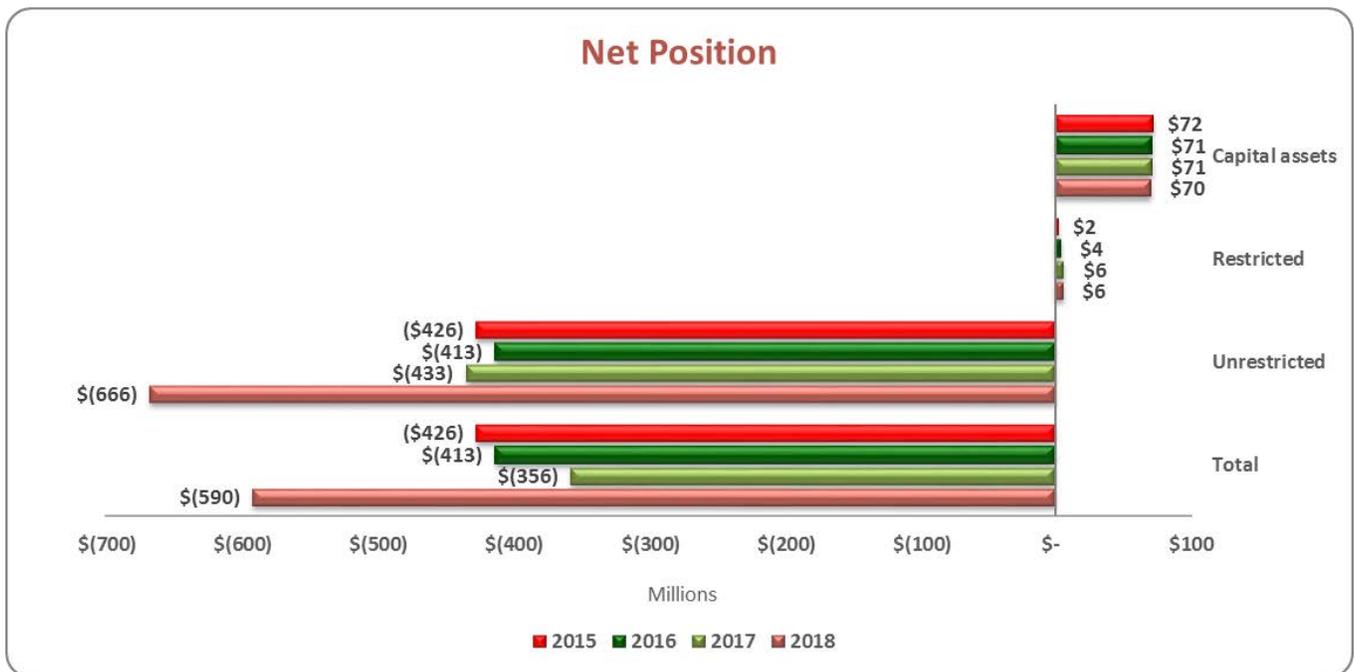
Metro Fire uses capital assets to deliver firefighting and medical services to the citizens and as such these are not available for future spending. Metro Fire's investment in capital assets of \$70 million is shown net of related debt of \$23 million. This represents a decrease of \$1 million from the prior year mainly due to depreciation of \$4.6 million offset by acquisition of new capital assets. Although reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources since the capital assets themselves cannot be used to repay this debt.

Restricted Net Position

Restricted net position of \$5.7 million represents resources that are subject to external restrictions on their use. These resources can be used mainly for capital acquisition, debt payments, and for grant approved expenditures.

Unrestricted Net Position

Unrestricted net position, which can be used to finance day-to-day operations without constraints, is a negative \$665.7 million, a decrease of \$232 million from the prior year. This decrease is caused mainly by the recognition of the full net OPEB liability and the related deferrals. Partially offsetting this deficit is positive unrestricted net position in Metro Fire's General Fund. Metro Fire's net position for the past ten years is shown on page 76.



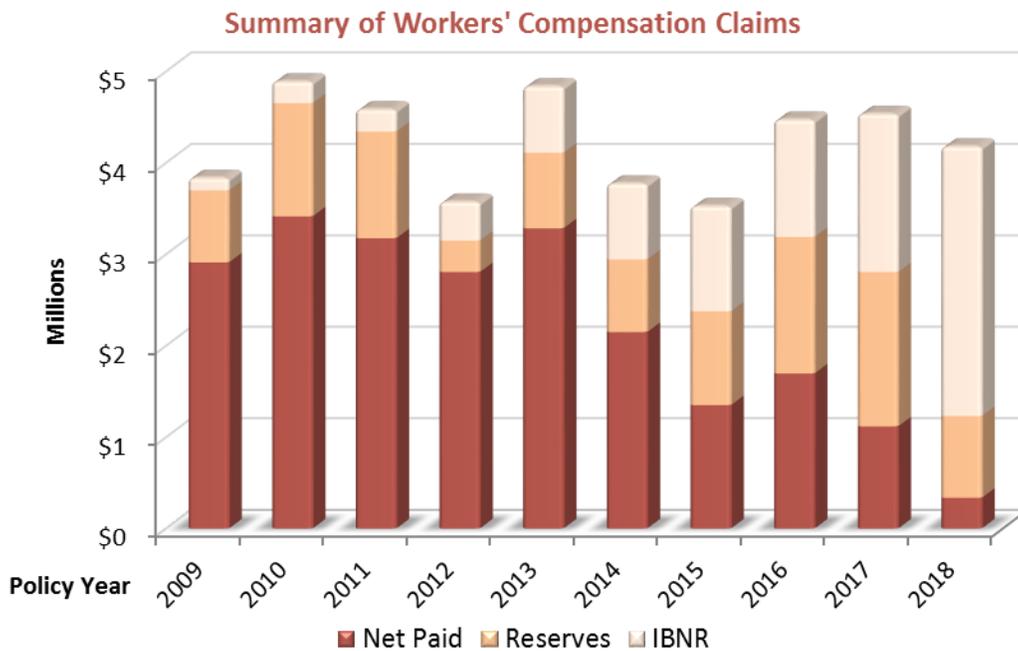
ASSETS AND LIABILITIES

As shown in Table 3, Metro Fire’s total assets showed an increase of about \$11 million due to unspent proceeds from a new capital lease, increase in amounts set aside from development fees, and positive cash flows from the general fund.

Liabilities on the other hand increased by \$263 million or 44% mainly due to increases in long-term liabilities. These liabilities include capital leases, bonds, compensated absences, workers’ compensation liability, net OPEB liability, and net pension liability. Capital leases and bonds are discussed in Note 5. A net pension liability of \$449 million was recognized as of June 30, 2018. This represents an increase of \$49 million mainly due to interest on the prior year balance and decrease in the discount rate used to value the liability.

Metro Fire also has a liability for other post-employment benefits amounting to \$273 million at the end of the year which is an increase of \$216 million. The increase is mainly due to the implementation of GASB 75.

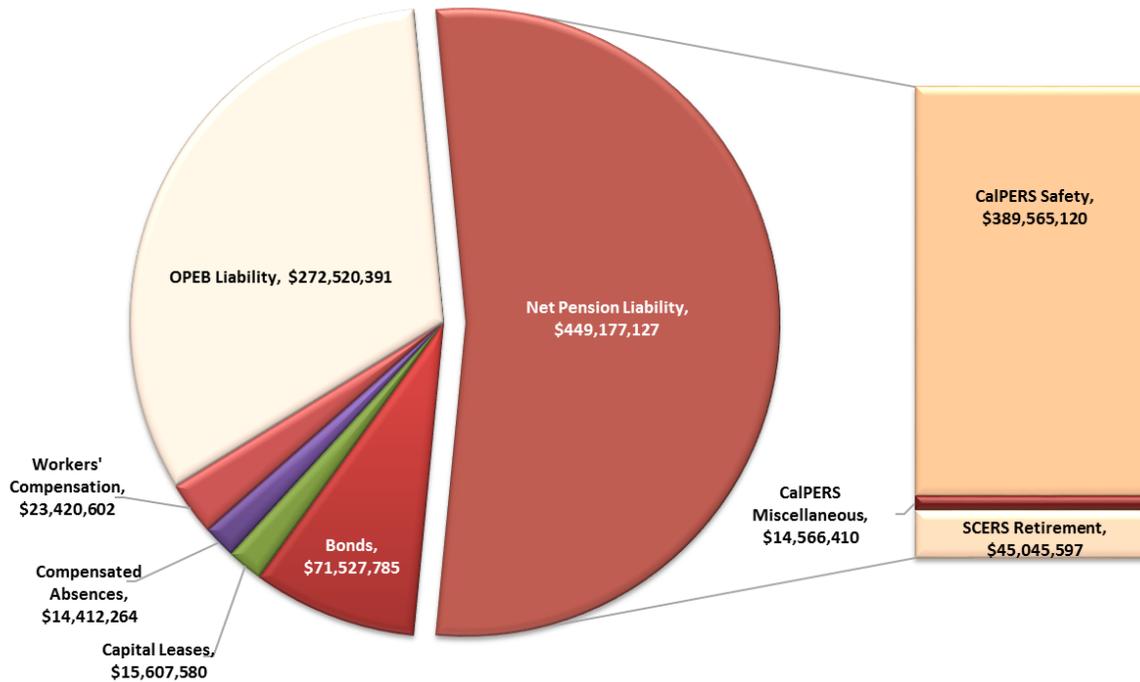
Metro Fire is self-insured for workers’ compensation claims and the liability is actuarially determined. Claim liabilities and related expenditures are reported when it is probable that a loss has occurred and the loss amount can be reasonably estimated. The liability for workers’ compensation claims on June 30, 2018 was \$23 million which is largely unchanged from the prior year. Below is a chart depicting Metro Fire’s claim losses by policy year since 2006, which also reflects how much remains outstanding for each year (i.e. reserves and Incurred but not reported-IBNR).



In recent years, Metro Fire has restored services eliminated during the recession, resulting in additional time worked. This additional exposure would be expected to increase ultimate losses from worker’s compensation claims. However, due to Metro Fire’s efforts to emphasize safety on the job, the number of claims and severity of claims being reported were kept in check.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The breakdown of Metro Fire's liabilities is as follows:



DEFERRED OUTFLOWS & INFLOWS OF RESOURCES

Deferred outflows are not available to pay liabilities in the way assets are available. In the same vein, deferred inflows of resources are not technically liabilities. When all the recognition criteria are met, the deferred outflow of resources will become an expense while the deferred inflow of resources will become revenues. These deferrals relate to the implementation of the accounting standards on pension liability reporting. The majority of the deferred outflows of resources reported resulted from current year pension and OPEB contributions while deferred inflows arose from changes in assumptions, actual investment gains in excess of the amount assumed, and other deferred items.

GOVERNMENTAL FUND BALANCE AND BUDGETARY HIGHLIGHTS

GENERAL FUND

The General Fund is the general operating fund of Metro Fire and is generally used to account for all financial resources relative to operations. The major source of revenue for the General Fund is property taxes (\$141 million), which accounts for 62% of Metro Fire's operating revenues. Charges for ambulance transport services, deployments, and other services (\$79 million) account for 35% of operating revenues. General Fund revenues increased by \$29 million or 15% compared to the prior year, mainly due to higher assessed property values resulting in higher tax revenues and IGT revenues covering two years of activity.

General Fund expenditures increased by \$21 million or 11% compared to the prior year. The increase is mainly related to the aforementioned changes in the IGT program which in turn resulted in increased fees of \$9 million. In addition, there were also salary and benefit-related increases of \$9 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

Budgetary fund variances are monitored by the Board of Directors during regular Finance and Audit Committee meetings. As necessary, the Board revises the budget when new information is available. For budgeting purposes, Metro Fire accounts for the activities of its leased properties and IGT separately from its other general fund activities. For purposes of this report, those activities have been combined. The combined General Fund final *adopted* budget for fiscal year 2017/18 forecasted for a \$4.3 million surplus. Actual results had a more favorable \$11.4 million surplus. Comparisons of Metro Fire’s original and final budget as well as the actual governmental fund results for the General Fund and the nonmajor funds appears on pages 26, 71, 72, and 73 of this report. Below is a summary of final budget and actual results for the General Fund for fiscal year ending June 30, 2018:

Table 5
Condensed Schedule of Revenues and Expenditures
Budget to Actual - General Fund
(in thousands)

	Final Budget	Actual	Variance
Total Revenues	\$ 226,091	\$ 227,249	\$ 1,158
Total Expenditures	(217,909)	(212,029)	5,880
Financing Sources (Uses)	(3,843)	(3,842)	1
Net Change in Fund Balance	<u>\$ 4,339</u>	<u>\$ 11,378</u>	<u>\$ 7,039</u>

Actual revenue was slightly higher than budgeted revenues due to higher supplemental tax collections than anticipated. Actual expenditures were \$5.9 million lower than budgeted due to the following:

- ❖ \$2.2 million was set aside in anticipation of pension bond retirements which was essentially treated as an expenditure to transfer from our unassigned fund balance to committed fund balance; in the fund financial statements, it is treated as a transfer from cash to investments rather than as an expenditure.
- ❖ The rest of the budget savings resulted from deferral of certain service expenditures into the next fiscal year, lower fuel costs, and various other cost efficiencies.

The final budget and original budget revenues and appropriations remained relatively the same during the year.

OTHER GOVERNMENTAL FUNDS

The Capital Facilities Fund is used to account for capital lease proceeds and general operating transfers to fund capital purchases. The final budget projected a deficit of \$2.3 million while actual results ended with a more favorable \$57 thousand deficit due mainly to the deferral of certain capital outlays into the next fiscal year.

The Impact Fee Fund accounts for the proceeds from development impact fees which produced a slightly lower actual surplus when compared to the budget. The surplus is restricted for use on capital outlay relating to construction of future fire stations and acquisition of apparatus to serve new developments.

The Grant Fund is used to account for various types of grants awarded to Metro Fire. Grant activity was slightly higher during the most recent fiscal year due to higher reimbursements from the SAFER grant which assisted Metro Fire in paying for nine firefighter positions. The remaining fund balances can only be used for purposes authorized in the grant awards.

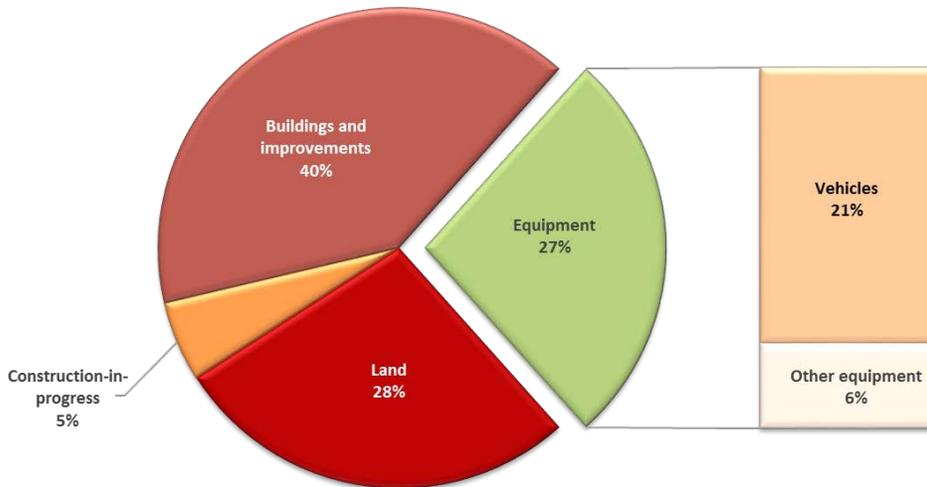
CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

Metro Fire owns 43 fire stations: 41 of which are currently providing fire suppression/EMS responses. Metro Fire also owns its headquarters building, a logistics warehouse building, a training facility, a fleet maintenance building, a radio shop building, and two surplus office buildings. Resources include hundreds of vehicles and equipment consisting of fire engines, fire trucks, ambulances, a hazardous materials unit, heavy rescue units, two firefighting rescue helicopters, two bulldozers, rescue boats, a decontamination unit, and multiple support staff vehicles.

Table 6
Capital Assets at Year-End
Net of Depreciation
(in thousands)

	2018	2017	\$ Change	% Change
Land	\$ 25,569	\$ 25,613	\$ (44)	(0%)
Construction-in-progress	5,023	3,809	1,214	32%
Buildings and improvements	37,419	37,265	154	0%
Equipment	24,849	27,715	(2,866)	(10%)
Totals	\$ 92,860	\$ 94,402	\$ (1,542)	(2%)



Funding for infrastructure has historically come from development fees and property tax revenue; both of which were negatively impacted by the recession. As a result, in order to fund infrastructure and fire service apparatus needs, a combination of lease revenue bond issues and capital lease financing was employed.

At the end of the current fiscal year, Metro Fire had over \$92 million invested in a broad range of capital assets, including buildings, fire stations, and various pieces of equipment. During the current year, Metro Fire invested about \$3.2 million in capital assets in accordance with its capital replacement plan. This increase was offset by depreciation of \$4.6 million. Additional detail regarding capital assets is located in Note 3 of the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

DEBT ADMINISTRATION

The following table summarizes the long-term debt for the last two years:

Table 7
Outstanding Debt at Year-End
(in thousands)

	2018	2017	\$ Change	% Change
Pension bonds payable	\$ 62,371	\$ 63,998	\$ (1,627)	(3%)
Lease revenue bonds payable	9,157	9,375	(218)	(2%)
Capital Leases	15,608	16,606	(998)	(6%)
Totals	\$ 87,136	\$ 89,979	\$ (2,843)	(3%)

Debt payments during the year amounted to \$7.1 million offset by bond accretion of \$1.3 million in one of Metro Fire's pension bond series. In addition, during the year, new capital leases amounting to \$2.9 million were entered into to purchase various pieces of apparatus, ambulances, and other equipment.

Metro Fire's budget includes bi-annual principal and interest payments. In addition, Metro Fire has a policy that requires setting aside of an annual deposit payment for the eventual extinguishment of the Pension Bond Series B and C, in 2025 and 2018, respectively. In conjunction with the pension bond debt, Moody's Investor Service rated Metro Fire's credit as a favorable A2 with a stable outlook, and during the year S&P Global Ratings upgraded its ratings from AA- to AA. S&P Global Ratings assigned a rating of AA- in conjunction with the lease revenue bond debt. Additional detail regarding long-term debt is located in Note 5 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The economic recession that began in 2008 presented Metro Fire with significant challenges. The Board of Directors, management and employees responded by working together to address both the immediate and long-term fiscal challenges confronting Metro Fire, with the goal of preserving service levels. While fiscal challenges remain, steps have been taken that place Metro Fire on a more predictable and fiscally sustainable path moving forward. As discussed previously, Metro Fire utilizes long-term financial planning tools to help identify fiscal challenges and guide current decision making. These financial planning efforts reflect a shared commitment on the part of the Board, management and employees to provide an exceptionally high level of service within a framework that promotes long-term financial sustainability.

During the recession, management and union representatives engaged in a highly collaborative effort to address a structural budget imbalance in the General Fund brought on by the negative impacts of the lingering economic recession; namely, reduced property tax revenue, rising health care costs and rising pension costs caused by significant pension fund investment losses. Labor and management were able to reach agreement on a number of concessions that both achieved operational cost savings and allowed Metro Fire to begin pre-funding retiree medical benefits. Pre-funding retiree medical benefits was identified as a key measure in preserving and reducing the long-term cost of this significant retirement benefit.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The chart to the right provides a history of the assessed value of properties within Metro Fire's jurisdiction in the last 10 fiscal years. Property values have now increased for 5 consecutive years and are projected to grow by 6.5% next fiscal year. The assessed value increase between 2017/18 and 2018/19 is estimated at \$4.1 billion, with the largest share of that amount (approximately \$1.5 billion) resulting from increases in assessed value due to transfers of ownership in the prior year.

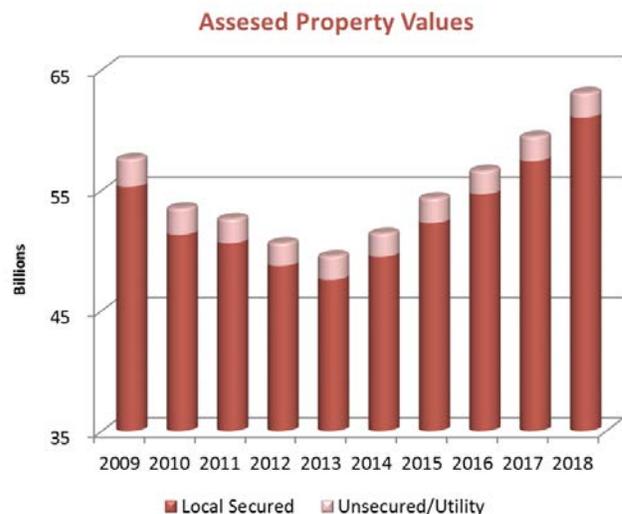
While the District was forced to reduce service as a result of property tax revenue reductions during the recession, improved revenues in recent years have gradually permitted the restoration of service. The final budget for FY 2018/19 reflects a General Fund overall planned deficit (including leased property and IGT activities) of \$2.8 million. The deficit is due to the anticipated use of reserves coming from one of the 2-year IGT funding received in the FY 2017/18 which was reserved for use in the upcoming year. The final budget provides for increased ongoing spending requirements resulting from labor cost escalation, including salary increases and an increase in required pension contributions, and additional debt service payments resulting from substantial capital replacement and other equipment purchases financed in recent years.

While the final budget for 2018/19 falls short of achieving the Board's goal of establishing an operating reserve of 15%, it does keep Metro Fire on track with respect to addressing the long-term financial obligations associated with the commitment to current employees and retirees to pay medical benefits after retirement by funding the OPEB actuarially determined contribution as well as maintaining the funding plan for the outstanding pension obligation bonds. Establishing and maintaining adequate reserves remains an important goal for Metro Fire.

Management regularly reviews financial projections and makes adjustments based on recent trends in real property value, capital needs and financing costs, and changes adopted by the retirement and healthcare systems under which Metro Fire provides benefits to its employees. District spending choices are prioritized and reflect public values, with service levels balanced against adequate funding to maintain facilities, vehicles and equipment and providing a sustainable level of fair and reasonable employee compensation. These efforts are undertaken with a commitment to sustaining the high level of service Metro Fire currently provides to the community and maintaining its long-term fiscal stability.

OBTAINING ADDITIONAL INFORMATION

These financial reports are intended to provide Metro Fire's elected officials, citizens, investors, and creditors with a general overview of Metro Fire's financial condition and an accounting of the public's money. If you have questions about this report or need more financial information, contact Metro Fire's Chief Financial Officer at 10545 Armstrong Avenue, Mather, CA 95655. More information on Metro Fire's operations can also be found at www.metrofire.ca.gov.



Basic Financial Statements

Sacramento Metropolitan Fire District
Statement of Net Position
June 30, 2018

ASSETS	
Cash and investments	\$ 64,330,385
Receivables, net of allowance for uncollectibles:	
Medic fees receivable	8,431,135
Taxes receivable	1,400,000
Other receivables	1,818,944
Due from other governments	4,499,497
Inventory	2,759,500
Prepaid expenses and other assets	1,022,836
Restricted cash and investments	7,072,149
Capital assets:	
Not being depreciated	30,591,991
Being depreciated, net	62,267,587
Total Assets	<u>184,194,024</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension	111,197,393
Deferred outflows related to OPEB	18,116,370
Total Deferred Outflows of Resources	<u>129,313,763</u>
LIABILITIES	
Accounts payable and accrued expenses	6,232,119
Salaries and benefits payable	4,675,903
Accrued interest payable	622,146
Long-term liabilities:	
Due within one year - others	15,591,091
Due in more than one year - OPEB liability	272,520,391
Due in more than one year - net pension liability	449,177,127
Due in more than one year - others	109,377,140
Total Liabilities	<u>858,195,917</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension	19,731,424
Deferred inflows related to OPEB	25,783,447
Total Deferred Inflows of Resources	<u>45,514,871</u>
NET POSITION	
Net investment in capital assets	69,839,317
Restricted for:	
Capital acquisition	4,140,532
Debt service	680,852
Grants	721,209
Other purposes	123,960
Unrestricted	(665,708,871)
Total Net Position	<u>\$ (590,203,001)</u>

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

Sacramento Metropolitan Fire District
Statement of Activities
For the Year Ended June 30, 2018

EXPENSES	
Public protection	
Salaries, benefits, services and supplies	\$ 232,830,780
Interest and financing costs	4,198,287
Depreciation	4,627,532
Loss on disposal of capital assets	90,520
Total Expenses	<u>241,747,119</u>
 PROGRAM REVENUES	
Charges for services	
Emergency medical services	67,212,664
Reimbursements from other agencies	5,516,280
Development fees and other charges	7,807,891
Operating grants and contributions	1,793,894
Total Program Revenues	<u>82,330,729</u>
 Net Program Expense	 <u>(159,416,390)</u>
 GENERAL REVENUES	
Property taxes	141,519,059
Intergovernmental	4,233,587
Rentals and other income	425,130
Miscellaneous	1,624,000
Total General Revenues	<u>147,801,776</u>
 Change in Net Position	 (11,614,614)
 Net Position, Beginning of Year - as previously reported	 (356,428,730)
Prior period adjustment	(222,159,657)
Net position, Beginning of Year - as restated	<u>(578,588,387)</u>
 Net Position, End of Year	 <u>\$ (590,203,001)</u>

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

**Sacramento Metropolitan Fire District
Governmental Funds Balance Sheet
June 30, 2018**

	General Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS			
Cash and investments	\$ 63,672,927	\$ 657,458	\$ 64,330,385
Receivables, net of allowance for uncollectibles:			
Medic fees receivable	8,431,135	-	8,431,135
Taxes receivable	1,400,000	-	1,400,000
Other receivables	1,776,788	42,156	1,818,944
Due from other governments	4,049,773	449,724	4,499,497
Due from other funds	150,379	229,419	379,798
Inventory	2,759,500	-	2,759,500
Prepaid costs and other assets	69,994	952,842	1,022,836
Restricted cash and investments	123,960	6,948,189	7,072,149
	<u>\$ 82,434,456</u>	<u>\$ 9,279,788</u>	<u>\$ 91,714,244</u>
LIABILITIES			
Accounts payable and accrued expenditures	\$ 5,383,389	\$ 1,052,546	\$ 6,435,935
Salaries and benefits payable	4,646,186	29,717	4,675,903
Due to other funds	229,419	150,379	379,798
	<u>10,258,994</u>	<u>1,232,642</u>	<u>11,491,636</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	8,229,352	61,444	8,290,796
FUND BALANCES			
Nonspendable	2,829,994	952,842	3,782,836
Restricted	123,960	6,265,522	6,389,482
Committed	28,860,343	767,338	29,627,681
Unassigned	32,131,813	-	32,131,813
	<u>63,946,110</u>	<u>7,985,702</u>	<u>71,931,812</u>
	<u>\$ 82,434,456</u>	<u>\$ 9,279,788</u>	<u>\$ 91,714,244</u>

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

Sacramento Metropolitan Fire 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	\$	71,931,812
 <u>Capital Assets</u>		
Cost of capital assets used in governmental activities are reported as expenditures in governmental funds. However, the statement of net position includes these as capital assets.		92,859,578
 <u>Deferred Outflows of Resources</u>		
Deferred outflows applicable to future periods and, therefore, are not reported in the funds, related to the following:		
Pensions		111,197,393
Other Postemployment Benefits		18,116,370
 <u>Long-term Liabilities</u>		
Long-term liabilities applicable to Metro Fire's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.		
Accrued interest payable on long-term debt		(622,146)
Bonds payable		(71,527,785)
Capital lease obligations		(15,607,580)
Compensated absences		(14,412,150)
Workers' compensation liability		(23,216,900)
Liability for other post-employment benefits		(272,520,391)
Net pension liability		(449,177,127)
 <u>Deferred Inflows of Resources</u>		
Certain receivables are not available to pay current period expenditures and therefore are unavailable in the governmental funds.		8,290,796
Deferred inflows applicable to future periods and, therefore, are not reported in the funds, related to the following:		
Pensions		(19,731,424)
Other Postemployment Benefits		(25,783,447)
Net Position of Governmental Activities	\$	<u><u>(590,203,001)</u></u>

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

Sacramento Metropolitan Fire District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	General Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES			
Property taxes	\$ 141,419,059	\$ -	\$ 141,419,059
Charges for services	79,380,313	-	79,380,313
Intergovernmental	4,233,587	1,732,450	5,966,037
Development fees	-	1,231,621	1,231,621
Use of money and property	355,104	70,168	425,272
Miscellaneous	1,860,472	-	1,860,472
Total Revenues	<u>227,248,535</u>	<u>3,034,239</u>	<u>230,282,774</u>
EXPENDITURES			
Current:			
Public protection	205,766,885	1,785,723	207,552,608
Capital outlay	-	3,187,700	3,187,700
Debt service:			
Principal	3,681,845	3,396,181	7,078,026
Interest and financing costs	2,580,147	357,457	2,937,604
Total Expenditures	<u>212,028,877</u>	<u>8,727,061</u>	<u>220,755,938</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>15,219,658</u>	<u>(5,692,822)</u>	<u>9,526,836</u>
OTHER FINANCING SOURCES (USES):			
Issuance of capital leases	-	2,925,101	2,925,101
Sale of capital assets	-	11,600	11,600
Transfers in	89	3,842,265	3,842,354
Transfers out	<u>(3,842,265)</u>	<u>(89)</u>	<u>(3,842,354)</u>
Total Other Financing Sources (Uses)	<u>(3,842,176)</u>	<u>6,778,877</u>	<u>2,936,701</u>
Net Change in Fund Balances	11,377,482	1,086,055	12,463,537
Fund Balance, Beginning of Year	<u>52,568,628</u>	<u>6,899,647</u>	<u>59,468,275</u>
Fund Balance, End of Year	<u>\$ 63,946,110</u>	<u>\$ 7,985,702</u>	<u>\$ 71,931,812</u>

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

Sacramento Metropolitan Fire 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 Balance - Total Governmental Funds \$ 12,463,537

Capital Asset Transactions

Governmental funds report capital outlay as expenditures. However, in the Government-wide Statement of Activities the cost of those assets when completed is allocated over their estimated useful lives as depreciation expense.

Cost of assets capitalized	3,187,700
Depreciation expense	(4,627,532)

Governmental funds report proceeds from disposal of capital assets as revenues. However, in the government-wide statement of activities only the gain or (loss) on the sale of capital assets is reported. This is the difference between the gain or (loss) and proceeds.

(102,120)

Long-term Debt

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities and has no effect on net position.

(2,925,101)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities and has no effect on net position.

7,078,026

Bond accretion does not require use of current financial resources but decreases net position

(1,312,740)

Measurement Focus

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

Change in accrued interest payable, bond premiums and discounts	52,057
Change in compensated absences	(383,640)
Change in workers' compensation	(60,995)
Change in net pension liability	(49,282,520)
Change in net deferrals relating to pension	26,216,200
Change in OPEB liability	23,434,216
Change in net deferrals relating to OPEB	(25,201,431)

Some receivables are unavailable in the Governmental Funds because the amounts do not represent current financial resources that are recognized under the accrual basis in the Statement of Activities.

(150,271)

Change in Net Position of Governmental Activities

\$ (11,614,614)

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

**Sacramento Metropolitan Fire District
Statement of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Property taxes	\$137,565,000	\$139,344,000	\$141,419,059	\$ 2,075,059
Charges for services	76,132,356	80,314,108	79,380,313	(933,795)
Intergovernmental	4,181,000	4,257,000	4,233,587	(23,413)
Use of money and property	910,299	910,299	355,104	(555,195)
Miscellaneous	763,000	1,265,097	1,860,472	595,375
Total Revenues	<u>219,551,655</u>	<u>226,090,504</u>	<u>227,248,535</u>	<u>1,158,031</u>
EXPENDITURES				
Current:				
Public protection				
Salaries and benefits	156,929,074	160,558,391	160,359,002	199,389
Services and supplies	44,556,061	46,571,440	43,180,266	3,391,174
Other	2,178,416	2,228,000	2,227,617	383
Debt service:				
Principal	5,971,040	5,971,040	3,681,845	2,289,195
Interest and financing costs	2,580,215	2,580,215	2,580,147	68
Total Expenditures	<u>212,214,806</u>	<u>217,909,086</u>	<u>212,028,877</u>	<u>5,880,209</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>7,336,849</u>	<u>8,181,418</u>	<u>15,219,658</u>	<u>7,038,240</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	89	89
Transfers out	(3,578,518)	(3,842,658)	(3,842,265)	393
Total Other Financing Sources (Uses)	<u>(3,578,518)</u>	<u>(3,842,658)</u>	<u>(3,842,176)</u>	<u>482</u>
Net Change in Fund Balance	<u>\$ 3,758,331</u>	<u>\$ 4,338,760</u>	<u>\$ 11,377,482</u>	<u>\$ 7,038,722</u>

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Sacramento Metropolitan Fire District (“Metro Fire”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. Metro Fire’s significant accounting policies are described below.

A. SCOPE OF FINANCIAL REPORTING ENTITY

Metro Fire was established under Health & Safety Code Section 13800 on December 1, 2000, as a result of the merger between the American River and Sacramento County Fire Protection Districts. It is governed by a nine member Board of Directors elected by geographic division. Metro Fire’s boundaries cover approximately 359 square miles that includes portions of Sacramento and Placer counties with an estimated population of 750,000 residents. Metro Fire provides fire protection services including fire suppression, fire prevention, inspection, plan checking, and public education programs. It also provides emergency medical services, including advanced life support; hazardous materials response; and rescue services. It employs close to 700 personnel and operates 41 fire stations, an administration building, a supply warehouse, a training facility, a fleet shop, and several other support buildings.

Metro Fire has reviewed criteria to determine whether other entities with activities that benefit Metro Fire should be included within its financial reporting entity. The criteria used is financial accountability which is determined by a combination of factors such as fiscal dependence, board appointment, the existence of a financial benefit or burden relationship, or the ability of Metro Fire to impose its will on the other entity. Metro Fire has determined that no outside entity meets the required criteria, and therefore, no agency has been included as a component unit in Metro Fire’s financial statements. In addition, Metro Fire is not aware of any entity that would exercise such oversight responsibility that would result in Metro Fire being considered a component unit of that entity.

Joint Powers Authorities or Jointly Governed Organizations

Metro Fire participates in three joint ventures under joint powers agreement (JPAs):

- The California Fire and Rescue training Authority (CFRTA) provides fire, rescue, EMS, and Haz-Mat training,
- Sacramento Regional Fire/EMS Communications Center (SRFECC) serves as Metro Fire’s fire and Emergency Medical Services (EMS) dispatch center,
- Special District Risk management Authority (SDRMA) provides insurance coverage for general and auto liability, errors and omissions, property, boiler and machinery and employee dishonesty.

The JPAs are governed by boards consisting of representatives from member districts. Each board controls the operations of their JPAs, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board. The relationships between Metro Fire and the JPAs are such that the JPAs are not component units of Metro Fire for financial reporting purposes. In the event of the dissolution of CFRTA or SRFECC, Metro Fire will receive a pro-rata share of the assets and liabilities of these organizations. In the event of the dissolution of SDRMA, Metro Fire is only liable for unpaid insurance premiums and is neither entitled to nor obligated for any assets or liabilities of SDRMA. Annual audited financial information can be obtained by contacting each JPA’s management.

During the year, Metro Fire contributed the following amounts: \$3,650,578 to SRFECC, \$624,231 to SDRMA, and \$45,000 to CFRTA. Metro Fire also paid CFRTA \$158,444 for training costs. Metro Fire currently has a ground lease agreement with CFRTA whereby it leased 15.6 acres of land to CFRTA for over 50 years at a minimum rental fee of \$30,000 per year. In addition, Metro Fire leases office space to CFRTA at an annual base rate of \$31,452.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF ACCOUNTING AND PRESENTATION

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.

Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of Metro Fire and incorporate data from the governmental funds. Metro Fire has only governmental activities, which are supported primarily by taxes, intergovernmental revenues, and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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 they are levied. Grants and similar items are recognized as revenue when all eligibility requirements have been met.

Fund Financial Statements

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, Metro Fire considers all revenues, except property taxes, to be available if they are collected within 90 days of the end of the current fiscal period. Property taxes are recognized if received within 60 days of the end of the current fiscal period. Property taxes, charges for services, intergovernmental revenues, rental income, and investment earnings 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. 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. All other revenue items are considered to be measurable and available only when cash is received by Metro Fire.

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 workers compensation claims, 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accounts of Metro Fire are organized on the basis of funds. A fund is a separate accounting unit with a self-balancing set of accounts. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Metro Fire resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent. The emphasis of fund financial statements is on major governmental funds reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

Metro Fire reports the following major governmental funds:

The *General Fund* is the general operating fund of Metro Fire. It is used to account for all financial resources except those required or designated by the Board of Directors to be accounted for in another fund.

Metro Fire reports the following nonmajor governmental funds:

The *Grant Fund* is a special revenue fund used to account for the proceeds of federal and state grants that are legally restricted to expenditures for specific purposes.

The *Capital Facilities Fund* is a capital projects fund used to account for the acquisition and construction of Metro Fire's major capital facilities. It is primarily funded by capital lease financing and general fund operating transfers.

The *Impact Fee Fund* is a capital projects fund used to account for all resources received from development impact fees. It is used for the construction or acquisition of future fire stations and acquisition of apparatus to serve new developments.

During the course of operations, Metro Fire has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the government-wide financial statements. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the government-wide financial statements.

C. BUDGETARY PRINCIPLES

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Grant Fund, Capital Facilities Fund, and Impact Fee Fund. As required by the laws of the State of California, a preliminary and then a final budget are adopted on or before October 1 of each fiscal year. Significant operating changes are addressed by the Board of Directors in their Mid-Year Budget amendment or earlier if necessary. The appropriated budget is prepared by fund, division, and object level. The legal level of budgetary control is at the fund level and then the object level. Each fund will have its own budget for the following items: 1) salaries and benefits, 2) services and supplies, 3) capital outlay, and 4) debt service and other expenditures. The Board must approve amendments or transfers of appropriations between funds or objects.

A Statements of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual is presented for all funds on pages 26, 71, 72, and 73. It is presented at the legal level except for debt service and other expenditures in which *debt service* is presented separately from *other expenditures*. Reclassifications were made in the budgeted amounts to be consistent with the presentation of the actual balances.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget.

For the year ended June 30, 2018, no instances existed in which expenditures exceeded appropriations.

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

1. Cash and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including money market mutual funds.

Investments are reported at fair value.

2. Medic Fees Receivable

The medic fees receivable balance arises from billings to insurance companies and patients for medic services. Metro Fire has a receivable balance of \$8,431,135 which is net of allowance for doubtful accounts of \$7,360,649 at June 30, 2018. The allowance includes an estimate for future uncollectible debt and insurance write-offs.

3. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," Metro Fire recognizes deferred outflows and inflows of resources. In addition to assets, a deferred outflow of resources is reported separately which is defined as a consumption of net position that is applicable to a future reporting period. In addition to liabilities, a deferred inflow of resources is also reported separately and is defined as an acquisition of net position that is applicable to a future reporting period. See Note 6-E and 7 for information about deferred outflows and inflows relating to Metro Fire's pension plan and other postemployment benefits.

4. Inventory and Prepaid Items

Inventories are stated at cost using the weighted average method. Inventories consist of medical and other supplies, vehicle parts, helicopter parts, and fuel. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid costs in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased. Prepaid costs of governmental funds offset nonspendable fund balance to indicate they do not constitute resources available for future appropriation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Capital Assets

Capital assets for governmental fund types are not capitalized in the funds used to acquire or construct them. Capital acquisitions are reflected as expenditures in the governmental fund, and the related assets are reported in the government-wide financial statements. Capital assets are defined by Metro Fire as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value or the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. For certain older assets, including infrastructure, estimated historical costs are used. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

<u>Asset Class</u>	<u>Years</u>
Buildings and Improvements	25 to 50
Equipment	5 to 25

Costs of assets sold or retired (and related amounts of accumulated depreciation) are eliminated from the accounts in the year of sale or retirement and the resulting gain or loss is included in the operating statement of the related fund. In governmental funds, the sale of general capital assets is included in the statement of revenues, expenditures and changes in fund balances as proceeds from sale.

6. Restricted Assets

Metro Fire’s restricted assets consist of fees collected to defray the cost of constructing facilities to serve new construction, unspent financing proceeds for capital acquisitions, amounts held for payment of workers’ compensation claims, and debt service reserves.

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities. Issuance costs are expensed as incurred. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

8. Fund Balance Flow Assumptions

Sometimes Metro Fire will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is Metro Fire’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

9. Net Position Flow Assumption

Sometimes Metro Fire will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is Metro Fire’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

E. REVENUES AND EXPENDITURES/EXPENSES**1. Property Taxes**

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

Secured property taxes are levied on or before the first day of November of each year. They become a lien on real property on January 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 County uses the alternative method of property tax apportionment known as the “Teeter Plan.” Under this method of property tax apportionment, the County purchases the delinquent secured taxes at June 30 of each fiscal year. These taxes are accrued as intergovernmental receivables; they are recognized as governmental fund revenues only if they are received from the County within 60 days after year-end. For government-wide presentation, they are accrued when earned regardless of the timing of the related cash flows.

2. Charges for Services

Charges for services represent various cost reimbursements that Metro Fire obtains in the normal course of its operations. A bulk of these charges comes from cost recoveries for its emergency medical transports. In addition, Metro Fire obtains reimbursements from other agencies for costs associated with deploying personnel and equipment to respond to emergencies. These reimbursements are reflected as revenues and the related costs as expenses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Metro Fire participated in a statewide Intergovernmental Transfer (IGT) program in which the federal government provides for federal matching funds related to the medical assessment and transportation to Medi-Cal managed care beneficiaries. This program required Metro Fire to transfer funds to the State of California, which then received matching funds from the federal government. The State then transferred the funds, less its administrative fees to the managed care plans which then paid Metro Fire. Metro Fire records the gross amount transferred to the State as expenses and the gross amount received from the plans as revenues.

3. Compensated Absences

Regular, full-time Metro Fire employees are granted vacation and sick leave in varying amounts based upon length of service. Any accrued hours, not in excess of the maximum allowable and unused during the current period, are carried forward to following years. Additionally, certain employees are allowed compensated time-off in lieu of overtime compensation and/or from working on holidays. Metro Fire employees may receive up to 40% of accumulated sick leave in cash upon retirement, with the remainder applied as an additional service credit for the purpose of determining pension benefits under the Public Employees' Retirement System.

Compensated absences are accrued in the government-wide financial statements when earned. A liability for compensated absences is reported in governmental funds only if it has matured, for example, as a result of an employee resignation or retirement, and is currently payable.

4. Pensions

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note 6 and the required supplementary information [RSI] section immediately following the Notes to Financial Statements), regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

The net pension liability is measured as of Metro Fire's prior fiscal 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. 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 purposes of measuring the net pension liability and deferred outflows/inflows or resources relating to pensions and pension expense, information about the fiduciary net position of Metro Fire's pension plans with the California Public Employees' Retirement System (CalPERS) and Sacramento County Employees' Retirement System (SCERS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS and SCERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value. Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Other Postemployment Benefits Obligation (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Sacramento Metropolitan Fire District Retiree Healthcare Plan (“Plan”) and additions to/deductions from Plan’s fiduciary net position have been determined on the same basis as they are reported by the trustee for the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value. Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflow and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The net difference between projected and actual earnings on investments is spread over 5 years while the expected average remaining service life (EARSL, 7.18 years at June 30, 2017) is used for all other amounts. See Note 7 for additional information.

F. 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, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

G. NEW ACCOUNTING PRONOUNCEMENTS

In June 2017, the GASB issued Statement No. 87, Leases. This Statement requires 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 of provisions of the contract. It will be effective for Metro Fire’s fiscal year ending June 30, 2021.

NOTE 2 – CASH AND INVESTMENTS

At June 30, 2018, Metro Fire’s cash, cash equivalents, and investments are comprised of the following:

Cash on hand and in banks	\$ 1,018,487
Investments:	
Money market mutual funds	2,359,628
Sacramento County Pooled Investment Fund	43,191,172
Commercial Paper	6,090,565
U.S. government issues	18,742,682
Total cash and investments	<u>\$ 71,402,534</u>

Cash and investments are reflected on the basic financials statements as follows:

Cash and investments	\$ 64,330,385
Restricted cash and investments	7,072,149
Total cash and investments	<u>\$ 71,402,534</u>

Investments amounting to \$24,860,343 held by a fiscal agent is committed to the planned early retirement of Metro Fire’s pension bond obligation.

NOTE 2 – CASH AND INVESTMENTS (Continued)

A. DEPOSIT AND INVESTMENT POLICIES

California statutes authorize special districts to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600. The following table identifies the investment types that are authorized for Metro Fire by the California Government Code (or Metro Fire’s investment policy, whichever is more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio
U.S. Treasury and Agency Obligations	5 years	None
California Local Agency debt	5 years	80%
Bankers acceptances	180 days	40%
Commercial paper	270 days	40%
Negotiable certificates of deposit	180 days	30%
Medium-term corporate notes	180 days	30%
Collateralized mortgage obligation	180 days	20%
Repurchase agreements	1 year	30%
Reverse repurchase agreements	92 days	20%
Local Agency Investment Fund	N/A	None
Money market mutual funds	N/A	20%

The ultimate maximum maturity of any investment is limited to five years. The dollar-weighted average maturity of all securities shall be equal to or less than three years. Moreover, no more than 80% of the portfolio may be invested in issues other than United States Treasuries and Government Agencies. Metro Fire complied with the provisions of California Government Code and Metro Fire’s investment policy pertaining to the types of investments held, institutions in which deposits were made and security requirements.

B. INVESTMENT IN POOLED FUNDS

Metro Fire’s investments in the Sacramento County pooled investment fund is managed by the Sacramento County Treasurer and is stated at fair value or amortized cost, which approximates fair value. The total amount invested by all public agencies as of June 30, 2018 was \$4,029,757,939. The investment pool is actively managed with a weighted average maturity of 309 days. Metro Fire’s share of the pool is stated at market value in its financial statements. Sacramento County does not invest in any derivative financial products directly. The value of pooled shares in Sacramento County that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of Metro Fire’s position in the pool. The Sacramento County Treasury Investment Oversight Committee (Committee) has oversight responsibility for the County’s cash and investment pool.

C. 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.

NOTE 2 – CASH AND INVESTMENTS (Continued)

Information about the sensitivity of the fair values of Metro Fire’s investments to market fluctuations is provided by the following table that shows the distribution of its investments by maturity as of year-end:

Type of Investment	Total	Effective Duration		
		< 1 year	1-2 years	3-5 years
Sacramento County pooled investment fund	\$ 43,191,172	\$ 43,191,172	\$ -	\$ -
Money market mutual funds	2,359,628	2,359,628	-	-
Commercial paper	6,090,565	6,090,565	-	-
U.S. government issues	18,742,682	18,742,682	-	-
Total	<u>\$ 70,384,047</u>	<u>\$ 70,384,047</u>	<u>\$ -</u>	<u>\$ -</u>

D. CREDIT RISK

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the instrument. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Metro Fire is permitted to hold investments of issuers with a minimum short-term rating of A-1 and P-1, and the long-term rating of A and A2, respectively by Standard & Poor’s and Moody’s rating agencies. Presented below is the actual rating as of year-end for each investment:

Type of Investment	Total	Ratings as of Year End			
		AAA/Aaa	AA/Aa2	A-1/P-1	Unrated
Sacramento County pooled investment fund	\$ 43,191,172	\$ -	\$ -	\$ -	\$ 43,191,172
Money market mutual funds	2,359,628	2,359,628	-	-	-
Commercial paper	6,090,565	-	-	6,090,565	-
U.S. government issues	18,742,682	-	18,742,682	-	-
Total	<u>\$ 70,384,047</u>	<u>\$ 2,359,628</u>	<u>\$18,742,682</u>	<u>\$ 6,090,565</u>	<u>\$ 43,191,172</u>

E. CONCENTRATION OF CREDIT RISK

Metro Fire had no investment policy limiting the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer, other than external investment pools that represent 5% or more of total district-wide investments are as follows:

Issuer	Investment Type	Amount
Federal National Mortgage Association	U.S. government issues	\$ 16,561,853

F. CUSTODIAL CREDIT RISK

Custodial risk for deposits is the risk that, in the event of a bank failure, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

NOTE 2 – CASH AND INVESTMENTS (Continued)

The California Government Code and Metro Fire’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities must be equal to at least 110% of the total amount deposited by the public agencies. California law allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured deposits.

At June 30, 2018, Metro Fire’s bank balance was \$1,174,737 of which \$435,805 was covered by federal depository insurance while \$738,932 was collateralized as required by state law.

G. FAIR VALUE MEASUREMENTS

Metro Fire categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Metro Fire has the following recurring fair value measurements as of June 30, 2018:

	Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Commercial paper	\$ 6,090,565	\$ -	\$ 6,090,565	\$ -
U.S. government issues	18,742,682	702,783	18,039,899	-
Total investments by fair value	24,833,247	702,783	24,130,464	-
Investments measured at the net asset value (NAV):				
Money market mutual funds	2,359,628			
Investments measured at amortized cost:				
Sacramento County Investment Pool	43,191,172			
Total investments measured at fair value	\$ 70,384,047			

Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. All securities classified in Level 2 are valued using pricing models based on market data, such as matrix or model pricing from outside pricing services. These valuation techniques include third party benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two sided markets, benchmark securities, bids, offers and reference data including market research publications.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the years ended June 30, was as follows:

	July 1, 2017	Increases	Decreases	Transfers	June 30, 2018
Capital assets, not being depreciated:					
Land and Land Improvements	\$ 25,612,639	\$ 9,935	\$ (53,934)	\$ -	\$ 25,568,640
Construction-in-progress	3,809,467	1,984,910	-	(771,026)	5,023,351
Total capital assets, not being depreciated	29,422,106	1,994,845	(53,934)	(771,026)	30,591,991
Capital assets, being depreciated:					
Buildings and improvements	58,733,557	11,112	-	2,309,948	61,054,617
Equipment	66,341,347	1,181,743	(4,969,449)	(1,538,922)	61,014,719
Total capital assets, being depreciated	125,074,904	1,192,855	(4,969,449)	771,026	122,069,336
Less accumulated depreciation for:					
Buildings and improvements	(21,469,086)	(1,520,899)	-	(645,619)	(23,635,604)
Equipment	(38,626,394)	(3,106,633)	4,921,263	645,619	(36,166,145)
Total accumulated depreciation	(60,095,480)	(4,627,532)	4,921,263	-	(59,801,749)
Total capital assets being depreciated, net	64,979,424	(3,434,677)	(48,186)	771,026	62,267,587
Total capital assets	\$ 94,401,530	\$ (1,439,832)	\$ (102,120)	\$ -	\$ 92,859,578

Depreciation expense of \$4,627,532 was charged to public protection for the year ended June 30, 2018. As discussed in Note 5-B, Metro Fire issued lease revenue bonds to finance certain capital acquisitions. Three fire stations with a net book value of \$9,954,431 as of June 30, 2018 were used as security for the bonds. In addition, Metro Fire also has several capital lease obligations in which equipment with a total net book value of \$17,570,788 as of June 30, 2018 were pledged as collateral.

NOTE 4 – INTERFUND TRANSACTIONS

Transactions between funds of Metro Fire are recorded as interfund transfers. The unpaid balances at year-end, as a result of such transactions, are shown as due to and due from other funds. Interfund balances at June 30, 2018 consisted of the following:

Due to	Due from		Total
	General Fund	Grant Fund	
General Fund	\$ -	\$ 150,379	\$ 150,379
Capital Facilities	229,419	-	229,419
	\$ 229,419	\$ 150,379	\$ 379,798

The balance between the General and the Capital Facilities Fund represent an interfund-loan which is not expected to be paid within the next year. All remaining balances resulted from processing certain disbursements by Metro Fire's fiscal agent out of funds other than the intended fund.

NOTE 4 – INTERFUND TRANSACTIONS (Continued)

Interfund transfers for the fiscal year ended June 30, 2018, consisted of the following amounts:

Transfer to	Transfer from		
	General Fund	Grant Fund	Total
General Fund	\$ -	\$ 89	\$ 89
Grant Fund	15,912	-	15,912
Capital Facilities Fund	3,826,353	-	3,826,353
Total	<u>\$ 3,842,265</u>	<u>\$ 89</u>	<u>\$ 3,842,354</u>

The interfund transfer made by the General Fund to the Capital Facilities Fund was made to pay debt service for capital spending in previous years. The transfer by the General Fund to the Grant Fund was made to fulfill grant matching requirements.

NOTE 5 – LONG-TERM LIABILITIES

The following is a summary of long-term obligation transactions for the fiscal year ended June 30, 2018:

	Restated Balance			Balance June 30, 2018	Due Within One Year
	July 1, 2017	Additions	Reductions		
Pension bonds payable	\$ 63,998,350	\$ 1,312,740	\$ (2,940,000)	\$ 62,371,090	\$ 2,465,000
Lease revenue bonds payable, net of unamortized premiums	9,374,616	-	(217,921)	9,156,695	225,000
Capital leases	16,605,506	2,925,101	(3,923,027)	15,607,580	4,429,912
Compensated absences	14,045,528	5,360,392	(4,993,656)	14,412,264	4,666,114
Workers' compensation liability	23,308,505	2,761,566	(2,649,469)	23,420,602	3,805,065
OPEB Liability	295,954,607	25,723,401	(49,157,617)	272,520,391	-
Net Pension Liability	399,894,607	180,168,356	(130,885,836)	449,177,127	-
	<u>\$ 823,181,719</u>	<u>\$ 218,251,556</u>	<u>\$ (194,767,526)</u>	<u>\$ 846,665,749</u>	<u>\$ 15,591,091</u>

The liability for compensated absences, worker's compensation liability, OPEB liability, and net pension liability, are fully liquidated by the General Fund.

A. PENSION BONDS PAYABLE

In October 2004, Metro Fire issued taxable pension obligation bonds in three series for the original amount of \$69,998,975. The proceeds were used to reduce the unfunded actuarial liabilities of its pension plans. Series A bonds were issued as fixed rate bonds which require semi-annual payments of interest at a fixed rate of 4.79% with annual principal payments that began on May 15, 2005 until the final maturity date of May 15, 2025. Series B bonds were issued as auction rate securities which initially require semi-annual interest payments at a rate of 5.37% which will reset to auction rates on November 19, 2025 with principal payments beginning on May 15, 2026 until the final maturity date of May 15, 2030. Series C bonds were issued as convertible auction rate securities in the form of zero-coupon bonds that accrete interest at a rate of 5.51% which will reset to auction rates on November 15, 2018 with principal payments beginning on May 15, 2019 until the final maturity date of May 15, 2034.

NOTE 5 – LONG-TERM LIABILITIES (Continued)

In the following maturity schedule, an interest rate of 5% is assumed at the point in time where the rates change to auction rates. The table below presents pension bonds payable maturities including interest accreting after June 30, 2018 in the amount of \$683,910:

Fiscal year ending June 30,	Principal	Interest	Total
2019	\$ 2,465,000	\$ 2,632,462	\$ 5,097,462
2020	2,250,000	3,151,888	5,401,888
2021	2,430,000	3,032,188	5,462,188
2022	2,880,000	2,902,912	5,782,912
2023	2,075,000	2,749,696	4,824,696
2024 - 2028	16,005,000	11,538,168	27,543,168
2029 - 2033	27,675,000	6,237,500	33,912,500
2034 - 2038	7,275,000	363,750	7,638,750
	<u>\$ 63,055,000</u>	<u>\$ 32,608,564</u>	<u>\$ 95,663,564</u>

By policy, Metro Fire is setting aside funds annually for the purpose of fully retiring the Series B and Series C bonds on their initial auction dates.

B. LEASE REVENUE BONDS

On November 15, 2011, Metro Fire sold tax-exempt Lease Revenue Bonds with interest rates ranging from 3% to 5.125% and a face value of \$12,960,000, of which \$11,786,000 was available to replenish reserves used to fund the headquarters building, building improvements, purchase of firefighting and computer equipment and to pay off the note payable of \$74,509. The bonds were issued at a premium of \$85,926. Portions of the bonds mature annually until May 15, 2041. Standard & Poor's Rating Agency rated the bonds at AA-. As of June 30, 2018, bonds payable maturities (excluding unamortized premiums/discounts of \$66,695) were as follows:

Fiscal year ending June 30,	Principal	Interest	Total
2019	\$ 225,000	\$ 447,306	\$ 672,306
2020	240,000	436,056	676,056
2021	250,000	424,056	674,056
2022	260,000	411,556	671,556
2023	275,000	401,806	676,806
2024 - 2028	1,545,000	1,826,706	3,371,706
2029 - 2033	1,960,000	1,414,094	3,374,094
2034 - 2038	2,505,000	866,381	3,371,381
2039 - 2043	1,830,000	190,650	2,020,650
	<u>\$ 9,090,000</u>	<u>\$ 6,418,612</u>	<u>\$ 15,508,612</u>

This bond issuance is subject to the arbitrage rebate and yield restriction requirements of the federal tax code. Payments to the Internal Revenue Service are required for rebatable arbitrage, if any, 60 days after every five years from the issuance date of the bonds and on final redemption date or maturity of the bond issue. The most recent arbitrage calculation was performed as of December 8, 2016 and it was determined that Metro Fire had no rebatable arbitrage liability.

NOTE 5 – LONG-TERM LIABILITIES (Continued)

C. CAPITAL LEASES

Metro Fire has entered into certain capital lease arrangements under which the related leased equipment will become the property of Metro Fire when all terms of the lease agreements are met. Future minimum lease payments under the capital leases are as follows:

Fiscal year ending June 30,	Principal	Interest	Total
2019	\$ 4,429,912	\$ 345,178	\$ 4,775,090
2020	4,352,457	244,735	4,597,192
2021	4,102,780	146,010	4,248,790
2022	2,100,401	56,049	2,156,450
2023	622,030	14,687	636,717
	<u>\$ 15,607,580</u>	<u>\$ 806,659</u>	<u>\$ 16,414,239</u>

These lease agreements qualify as capital leases and therefore have been recorded at the present value of future minimum lease payments as of the inception date.

NOTE 6 – RETIREMENT PLANS

A. PLAN DESCRIPTIONS

Metro Fire provides pension benefits to eligible employees through defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS) and Sacramento County Employees' Retirement System (SCERS), which both act as a common investment and administrative agent for its participating member employers. Benefit provisions and all other requirements for CalPERS are established by State statute and benefit provisions and all other requirements for SCERS are established by Section 31584 of the County Employees Retirement Law of 1937. The establishment and amendment of specific benefit provisions of the plans are authorized by resolutions of the Board.

Metro Fire contributes to the following defined benefit pension plans:

- ❖ The Safety Plan of the Sacramento Metropolitan Fire District (the Safety Plan), an agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS).
- ❖ The Miscellaneous Plan of the Sacramento Metropolitan Fire District (the Miscellaneous Plan), a cost-sharing multiple-employer defined benefit pension plan administered by CalPERS.
- ❖ The Sacramento County Employees Retirement System Plan (the SCERS Plan), a cost-sharing multiple-employer defined benefit pension plan administered by the County of Sacramento.

Only the plans administered by CalPERS are open for new enrollment. SCERS is only responsible for providing benefits to employees or retirees of Metro Fire who were members of SCERS before January 1, 1997. CalPERS issues publicly available financial reports for its plans. Copies of the CalPERS annual financial report and pertinent past trend information may be obtained at <https://www.calpers.ca.gov>. SCERS issues a publicly available financial report for its plans. Copies of the SCERS annual report may be obtained at <http://www.retirement.saccounty.net>.

NOTE 6 – RETIREMENT PLANS (Continued)

B. BENEFITS PROVIDED

Each plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The passage of the Public Employees’ Pension Reform Act (“PEPRA”) imposed several restrictions to the pension benefits that may be offered to employees hired on or after January 1, 2013 that were not previously CalPERS members, including increasing minimum retirement ages, increasing the percentage required for member contributions, and excluding certain types of compensation as pensionable. PEPRA has also created limits on pensionable compensation tied to the Social Security taxable wage base. The cumulative effect of these PEPRA changes will ultimately reduce Metro Fire’s retirement costs.

All permanent full-time employees and part-time employees working at least 1,000 hours per year are enrolled in the CalPERS Safety Plan or the Miscellaneous Plan. Safety membership is extended only to those involved in fire suppression, and certain other related classifications, while all other employees are classified as Miscellaneous. Upon retirement, participants are entitled to a monthly retirement benefit, payable for life, in an amount equal to a benefit factor multiplied by their service years and by their highest average monthly salary over 12 consecutive months of employment or, in the case of PEPRA employees, 36 consecutive months of employment. The Plans’ provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Safety Plan		Miscellaneous Plan	
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
CalPERS membership date				
Benefit formula (at full retirement)	3.0% @ 50	2.7% @ 57	3.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50 and up	50 and up	50 and up	52 and up
Monthly benefits, as a % of eligible compensation (based on retirement age)	3.0%	2.0% to 2.7%	2.0% to 3.0%	1.0% to 2.0%

The SCERS Plan provides benefits to employees or retirees of Metro Fire who were members of SCERS before January 1, 1997 (closed to new entrants). It provides retirement and death benefits based on the employee's years of service prior to January 1, 1997, age and average final compensation. Employees with 5 years of service prior to January 1, 1997 are vested and may receive retirement benefits at age 50.

C. EMPLOYEES COVERED

The following employees were covered by the benefit terms for the Plans:

	CalPERS		SCERS
	Safety	Miscellaneous	
Inactive or their beneficiaries currently receiving benefits	721	124	117
Inactive entitled to but not yet receiving benefits	196	87	6
Active	577	82	19
Total covered employees	<u>1,494</u>	<u>293</u>	<u>142</u>

The information above was based on the most recent actuarial information available as of June 30, 2017.

NOTE 6 – RETIREMENT PLANS (Continued)

D. CONTRIBUTIONS

Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. For each of the CalPERS plans, the contractually required contribution rate for the year ended June 30, 2018, was a specified percent of annual payroll, 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; and a fixed dollar amount contribution for any unfunded accrued liability for past service.

Contribution rates for the Safety Plan are individually determined for Metro Fire by CalPERS and do not reflect any cost-sharing provisions. Contribution rates for the Miscellaneous Plan are determined with reference to the risk pool to which they belong. Additionally, CalPERS manages a side fund for the Miscellaneous Plan, that was created at the time Metro Fire joined the plan, to reflect the difference between the funded status of Metro Fire’s plan and the funded status of the risk pool. The side fund is invested and is being amortized to reduce the normal required contributions.

Required normal cost contributions were made each pay period based on required contribution rates as shown below. Unfunded liability contributions were made in July 2017 for Miscellaneous Classic and PERPA separately and for Safety Classic and PERPA combined. In addition to their employee contributions, classic safety employees contribute 3% of their pay towards employer contributions. Required contributions of active plan members and of Metro Fire for fiscal year ended June 30, 2018 were as follows:

	Safety Plan		Miscellaneous Plan	
	Classic	PEPRA	Classic	PEPRA
Required employer normal cost rates	17.324%	17.324%	13.885%	7.000%
Unfunded Liability Contribution	\$ 17,625,127		\$ 576,200	\$ 130
Required employee contribution rates	9.000%	10.500%	8.000%	6.750%
Actual employer contributions made	\$ 24,923,664	\$ 2,212,410	\$ 1,277,432	\$ 122,833
Actual employee contributions made	\$ 6,302,618	\$ 1,304,896	\$ 410,122	\$ 119,024

Metro Fire withdrew from SCERS effective January 1, 1997. As part of its withdrawal from the SCERS Plan, Metro Fire contractually agreed to eliminate its net pension liability by July 1, 2022 or such other date as mutually agreed by SCERS and Metro Fire. Metro Fire contributes annually to the Plan to pay down this liability which is recalculated annually by SCERS’ actuary. For the fiscal year ended June 30, 2018, Metro Fire paid \$3,300,000.

E. PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES RELATED TO PENSIONS

Net Pension Liability: The net pension liability (NPL) is measured as of June 30, 2017 based on the results of the actuarial calculation performed as of June 30, 2016 for the CalPERS plans and as of June 30, 2017 for the SCERS plan. Fiduciary net position is based on fair value of investments as of June 30, 2017. As of June 30, 2018, Metro Fire reported the following net pension liabilities:

CalPERS Safety Plan	\$ 389,565,120
CalPERS Miscellaneous Plan	14,566,410
SCERS Plan	45,045,597
Total NPL	<u>\$ 449,177,127</u>

NOTE 6 – RETIREMENT PLANS (Continued)

Metro Fire’s net pension liability for the CalPERS Safety Plan is measured as the Plan’s total pension liability, less the Plan’s fiduciary net position. The changes in the NPL for the Safety Plan is as follows:

CalPERS Safety Plan	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2016	\$ 1,036,339,530	\$ 687,775,481	\$ 348,564,049
Changes recognized for the measurement period			
Service cost	18,488,530	-	18,488,530
Interest on the total pension liability	76,681,729	-	76,681,729
Changes in assumptions	64,990,592	-	64,990,592
Differences between actual and expected experience	(10,900,231)	-	(10,900,231)
Contributions from employer	-	24,771,710	(24,771,710)
Contributions from employee	-	7,261,402	(7,261,402)
Net investment income	-	77,241,891	(77,241,891)
Benefit payments, including refunds of employee contributions	(54,404,805)	(54,404,805)	-
Administrative Expense	-	(1,015,454)	1,015,454
Net changes	94,855,815	53,854,744	41,001,071
Balances at June 30, 2017	\$ 1,131,195,345	\$ 741,630,225	389,565,120

The net pension liability for CalPERS Miscellaneous Plan is measured as the proportionate share of the collective net pension liability of the Miscellaneous Risk Pool (risk pool) as a whole. In determining an individual rate plan’s proportion of the risk pool’s net pension liability, CalPERS first estimates the total pension liability (TPL) and the fiduciary net position (FNP) for the risk pool as a whole as well as the individual rate plans. The allocated net pension liability represents the difference between the plan’s proportionate share of the TPL and FNP. Metro Fire’s proportionate share of the net pension liability is as follows:

Proportion - June 30, 2016	0.35752%
Proportion - June 30, 2017	0.36951%
Change - Increase (Decrease)	0.01199%

As Metro Fire has withdrawn from SCERS, SCERS calculates Metro Fire’s net pension liability in a separate account as contractually agreed. Although a separate study is done to determine Metro Fire’s TPL and FNP, the study uses assumptions based on the combined experience of the risk pool as a whole (e.g. longevity, salary increases, etc.).

Pension Expenses and Deferred Outflows/Inflows of Resources: 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. For the year ended June 30, 2018, Metro Fire recognized pension expense as follows:

CalPERS Safety Plan	\$ 47,236,109
CalPERS Miscellaneous Plan	2,359,066
SCERS Plan	5,597,695
Total Pension Expense	<u>\$ 55,192,870</u>

NOTE 6 – RETIREMENT PLANS (Continued)

At June 30, 2018, Metro Fire reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows			
	CalPERS Safety	CalPERS Miscellaneous	SCERS	Total
Differences between actual and expected experience	\$ 5,365,262	\$ 20,706	\$ 1,628,198	\$ 7,014,166
Changes of assumptions	53,174,121	2,569,083	5,831,075	61,574,279
Net differences between projected and actual earnings on plan investments	9,308,983	581,021	620,366	10,510,370
Adjustments due to differences in proportions	-	262,239	-	262,239
Pension contributions subsequent to measurement date	27,136,074	1,400,265	3,300,000	31,836,339
Total	\$ 94,984,440	\$ 4,833,314	\$ 11,379,639	\$ 111,197,393

	Deferred Inflows			
	CalPERS Safety	CalPERS Miscellaneous	SCERS	Total
Differences between actual and expected experience	\$ 10,721,223	\$ 296,647	\$ 31,430	\$ 11,049,300
Changes of assumptions	7,128,197	195,895	-	7,324,092
Adjustments due to differences in proportions	-	1,358,032	-	1,358,032
Total	\$ 17,849,420	\$ 1,850,574	\$ 31,430	\$ 19,731,424

The \$31,836,339 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 ending June 30,	CalPERS Safety	CalPERS Miscellaneous	SCERS	Total
2019	\$ 6,343,107	\$ (20,913)	\$ 2,446,979	\$ 8,769,173
2020	18,560,814	1,226,493	2,769,113	22,556,420
2021	15,506,014	721,857	2,146,235	18,374,106
2022	4,671,708	(344,962)	685,882	5,012,628
2022	4,917,303	-	-	4,917,303
	\$ 49,998,946	\$ 1,582,475	\$ 8,048,209	\$ 59,629,630

NOTE 6 – RETIREMENT PLANS (Continued)

F. ACTUARIAL ASSUMPTIONS

The total pension liabilities were determined using the following actuarial methods and assumptions:

	CalPERS Plans	SCERS Plans
Actuarial Cost Method	Entry Age Normal Cost	Entry Age Actuarial Cost
Amortization Method	Level Percent of Payroll	Level Percent of Payroll
Asset Valuation Method	Market Value	Market Value
Actuarial Assumptions:		
Investment Rate of Return	7.15%	7.00%
Inflation	2.75%	3.00%
Payroll Growth	Varies by Entry Age and Service	Varies by Entry Age and Service
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.	Derived using Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table projected generationally with two-dimensional scale MP-2016 set back four years for males and females.

Discount Rate

In determining the long-term expected rate of return for the CalPERS Plans, both short-term and long-term market return expectations were taken into account as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the expected real rate of return by asset class used in the CalPERS Plans.

Asset Class	Target Allocation	Real Return Years 1 - 10	Real Return Years 11 - 60
Global Equity	47.00 %	4.90 %	5.38 %
Global Fixed Income	19.00	0.80	2.27
Inflation Sensitive	6.00	0.60	1.39
Private Equity	12.00	6.60	6.63
Real Estate	11.00	2.80	5.21
Infrastructure and Forestland	3.00	3.90	5.36
Liquidity	2.00	(0.40)	(0.90)

NOTE 6 – RETIREMENT PLANS (Continued)

To produce the long-term expected rate of return, SCERS weighted 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 and projected real rates of return for each major asset class are as follows:

Asset Class	Target Allocation	Real Return
U.S. Equity	21.00 %	5.75 %
International Equity	20.00	7.42
Fixed Income	24.00	1.61
Absolute Return	10.00	3.62
Private Equity	9.00	8.70
Real Assets	16.00	5.77

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents Metro Fire’s net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what Metro Fire’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:

Net Pension Liability	1% decrease	Current Discount Rate (7.15%/7.00%)	1% increase
CalPERS Safety (7.15%)	\$ 546,762,806	\$ 389,565,120	\$ 261,006,085
CalPERS Miscellaneous (7.15%)	23,034,843	14,566,410	7,552,701
SCERS Plan (7.00%)	56,349,315	45,045,597	35,797,390

G. PENSION PLAN FIDUCIARY NET POSITION

Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS and SCERS financial reports which can be found online at www.calpers.ca.gov/page/employers/actuarial-services/gasb and www.scers.org/financial-information.

H. DEFERRED COMPENSATION PLAN

Metro Fire employees may defer a portion of their compensation under a Metro Fire sponsored Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. Under this Plan, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death or in an emergency defined by the Plan. The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not Metro Fire’s assets and are not subject to its control, they have been excluded from these financial statements.

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS

A. PLAN DESCRIPTION

The Sacramento Metropolitan Fire District Retiree Healthcare Plan (“Plan”) is a single-employer defined benefit healthcare plan administered by Metro Fire. The Plan provides healthcare benefits to eligible retirees and their dependents through CalPERS under the Public Employees’ Medical and Hospital Care Act (PEMHCA). This coverage requires the employee to satisfy the requirements for retirement: (a) attainment of age 50 (age 52, for miscellaneous employees who are new to PERS on or after January 1, 2013) with 5 years of State or public agency service or (b) an approved disability retirement.

B. BENEFITS PROVIDED

Benefit provisions are established and may be amended through agreements and memorandums of understanding among Metro Fire, its non-represented employees, and the unions for represented Metro Fire employees. As a PEMHCA employer, Metro Fire is obligated to contribute toward the cost of retiree medical coverage for the retiree’s lifetime or until coverage is discontinued. Metro Fire has resolutions with CalPERS defining the level of contribution toward active and retiree medical plan premiums. Benefits fall into one of four categories:

1. For employees hired prior to December 1, 2011, the current resolutions provide that:
 - a. While covered by a Basic or Combination plan, Metro Fire will contribute 92% of the medical premium for the retiree and his or her dependents, but not more than 92% of the premium for the 3rd highest Basic or Combination plan rate in the Bay Area region corresponding to the retiree’s coverage level, and
 - b. When the retiree and all of his or her covered dependents are covered by Medicare plans, Metro Fire will contribute 100% of the medical premium, not to exceed 100% of the 3rd highest Supplemental plan rate in the Bay Area region corresponding to the retiree’s coverage level.
2. Employees hired on or after December 1, 2011 in general are covered by a “special” PEMHCA vesting resolution, which provides that Metro Fire will pay the benefit described in 1 above, multiplied by a vesting percentage with a minimum service of 5 years starting at 25% increasing by intervals of 5% with full vesting to those having 20 years of service.
3. Retirees who retain SCERS medical coverage receive a subsidy, increasing by 5% per year, based on the retiree’s years of service with Metro Fire. The benefit continues at 50% for surviving spouses of retirees.
4. Metro Fire also reimburses the monthly Medicare Part B premiums for former employees who retired from American River Fire District and their spouses.

All retirees eligible for coverage under the district-sponsored medical plans (except those in 3. above) who opt out of CalPERS medical insurance will receive instead up to \$300 per month toward the cost of outside coverage.

C. EMPLOYEES COVERED

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive or their beneficiaries currently receiving benefits	679
Inactive entitled to but not yet receiving benefits	20
Active	652
Total covered employees	<u>1,351</u>

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

D. CONTRIBUTIONS

The contribution requirements of the Plan participants and Metro Fire are established by and may be amended pursuant to agreements with its non-represented employees and the union for represented Metro Fire employees. Metro Fire prefunds its obligation by contributing to the California Employer’s Retiree Benefit Trust (CERBT) Fund, an irrevocable trust established to fund OPEB. CERBT is administrated by CalPERS, and is managed by an appointed board not under the control of Metro Fire. CalPERS issues a publicly available financial report for the Plan that can be obtained at www.calpers.ca.gov/page/employers/benefit-programs/cerbt.

In accordance with its annual budget, Metro Fire contributes to CERBT an amount that, together with the payment of retiree medical premiums, will fully fund the explicit portion of the actuarially determined contribution and will fund the implicit subsidy liability on a pay-as-you-go basis. An “implicit subsidy” exists when the premiums charged for retiree coverage are lower than the expected retiree claims for that coverage. Pre-Medicare retirees able to continue medical coverage at the same premium rates as are charged for active employees creates this implicit benefit. Employees are not required to contribute to the Plan. For the fiscal year ended June 30, 2018, Metro Fire’s contributions were as follows:

Employer Cash Contributions to the trust	\$ 5,349,963
Employer Contributions in the form of	
Direct Benefit Payments (not reimbursed by the Trust)	9,262,907
Estimated Implicit Subsidy	3,503,500
Total contributions	<u>\$ 18,116,370</u>

E. OPEB LIABILITY, OPEB EXPENSE, AND DEFERRED OUTFLOW/INFLOWS OF RESOURCES RELATED TO OPEB

Net OPEB Liability: Metro Fire’s net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. Metro Fire’s net OPEB liability is measured as the Plan’s total OPEB liability, less the Plan’s fiduciary net position. The changes in the Net OPEB liability are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances at June 30, 2016	\$ 315,566,520	\$ 19,611,913	\$ 295,954,607
Changes Recognized for the Measurement Period			
Service Cost	12,634,019		12,634,019
Interest Cost	13,077,526		13,077,526
Expected Investment Income		1,615,240	(1,615,240)
Employer Contributions		17,534,354	(17,534,354)
Administrative Expenses		(11,856)	11,856
Benefit Payments	(12,187,992)	(12,187,992)	-
Assumption Changes	(29,263,904)		(29,263,904)
Investment Experience		744,119	(744,119)
Net Changes	<u>(15,740,351)</u>	<u>7,693,865</u>	<u>(23,434,216)</u>
Balances at June 30, 2017	<u>\$ 299,826,169</u>	<u>\$ 27,305,778</u>	<u>\$ 272,520,391</u>

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

OPEB Expense and Deferred Outflows/Inflows of Resources: For the year ended June 30, 2018, Metro Fire recognized OPEB expense of \$11,030,122. At June 30, 2018, Metro Fire reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 25,188,151
Net differences between projected and actual earnings on OPEB plan investments	-	595,296
OPEB contributions subsequent to measurement date	18,116,370	-
Total	<u>\$ 18,116,370</u>	<u>\$ 25,783,447</u>

The \$18,116,370 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 ending June 30,	
2019	\$ (4,224,577)
2020	(4,224,577)
2021	(4,224,577)
2022	(4,224,577)
2023	(4,075,753)
Thereafter	(4,809,386)
	<u>\$ (25,783,447)</u>

F. ASSUMPTIONS

The total OPEB liabilities were determined using the following actuarial methods and assumptions, applied to all periods included in the measurement, unless otherwise specified:

Long-Term Return on Assets	7.25%, net of plan investments expenses and including inflation
Discount Rates	4.06% as of June 30, 2016 and 4.7% as of June 30, 2017
Municipal Bond Index Rates	2.92% as of June 30, 2016 and 3.56% as of June 30, 2017
Inflation	2.75%
Payroll Growth	3.25% per year; since benefits do not depend on pay, this is used only to allocate the cost of benefits between service years
Mortality	MacLeod Watts Scale 2017 applied generationally and developed by blending data and methodologies from the Society of Actuaries Mortality Improvement Scale MP-2016 and assumptions used in the 2016 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust funds.
Healthcare Trend	7.5% for 2019, decreasing 0.5% per year to an ultimate rate of 5.0% for 2024 and later years.

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which 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 for time periods 1-10 years and 11-60 years 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	Real Return Years 1 - 10	Real Return Years 11 - 60
Global Equity	57.00 %	7.75 %	8.71 %
Fixed Income	27.00	4.29	5.40
Global Real Estate (REITs)	8.00	5.75	10.88
Treasury Inflation Protected Securities	5.00	3.50	5.25
Commodities	3.00	2.84	7.95

The municipal bond rate was based on Fidelity's 20-Year AA General Obligation Municipal Bond Index.

Discount Rate: The discount rate used to measure the total OPEB liability was 4.7%. In determining the discount rate, the plan's fiduciary net position (assets) were projected taking into account the current plan assets as well as expected future contributions and expenses related to plan administration. The projection of cash flows used to determine the discount rate used the Metro Fire's five-year contribution history reflected as a percent of projected covered payroll. This is compared against projected future benefit payments to determine when plan assets and expected future contributions are no longer sufficient to pay expected future benefit payments. This date is used to determine the single equivalent discount rate which represents a blended interest rate based on a long term rate of return for those payments prior to the crossover date and a 20-year high grade municipal bond index for all remaining payments after such a crossover date.

The long-term expected rate of return of 7.25% was applied to projected benefit payments through June 30, 2046 while the municipal bond rate of 3.56% was applied through June 30, 2067.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents 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 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% decrease 3.70%	Current Discount Rate 4.70%	1% increase 5.70%
Net OPEB Liability	\$ 320,294,764	\$ 272,520,391	\$ 234,483,155

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate: The following presents 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 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	Current Trend -1.00%	Current Healthcare Cost Trend Rate	Current Trend 1.00%
Net OPEB Liability	\$ 229,936,077	\$ 272,520,391	\$ 330,974,009

NOTE 8 – RISK MANAGEMENT

Metro Fire is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omission, injuries to employees, and natural disasters. Metro Fire manages these risks through various full insurance policies and self-insurance combined with excess insurance policies. Metro Fire is self-insured for all losses from workers' compensation claims from 2003, when it terminated its excess liability insurance coverage until 2009. Beginning in 2010, Metro Fire obtained excess commercial coverage for losses in excess of \$3,000,000, for each claim up to the statutory limits. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

The liability for claims is based on historical cost and/or actuarial estimates of the amounts needed to pay prior and current year claims, and to allow the accrual of estimated incurred but not reported claims and incremental claims expense. Metro Fire's claims liabilities were comprised of the following:

	2018	2017
Claims Reserve	\$ 12,993,711	\$ 13,485,591
Incurred but not reported (IBNR)	10,007,369	9,353,958
Unallocated loss adjustment expenses (ULAE)	419,522	468,956
Total unpaid claims and claim adjustment expenses	\$ 23,420,602	\$ 23,308,505

Changes in Metro Fire's claims liabilities for the fiscal year ended June 30, 2018 and 2017 were as follows:

	2018	2017
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 23,308,505	\$ 22,834,890
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fiscal year	4,177,000	4,532,000
Decreases in provision for insured events of prior fiscal years	(1,415,434)	(575,817)
Total incurred claims and claim adjustment expenses	2,761,566	3,956,183
Payments:		
Claim and claim adjustment expenses attributable to insured events of the current fiscal year	334,991	510,034
Claim and claim adjustment expenses attributable to insured events of the prior fiscal years	2,314,478	2,972,534
Total payments	2,649,469	3,482,568
Total unpaid claims and claim adjustment expenses	\$ 23,420,602	\$ 23,308,505

Metro Fire is a member of the Special District Risk Management Authority (SDRMA). The SDRMA is a risk-pooling self-insurance authority, created under the provisions of the California Government Code Sections 6500 et. seq. Its purpose is to provide a full risk management program for California local governments. Metro Fire pays an annual premium to SDRMA for general and auto liability, errors and omissions, property, boiler and machinery and employee dishonesty insurance coverage. Metro Fire's annual premium is based on its pro-rata share of charges for the pooled risk, claims adjusting and legal costs, and administrative and other costs to operate the SDRMA. Aviation insurance continues to be covered through a commercial insurer.

NOTE 8 – RISK MANAGEMENT (Continued)

Metro Fire’s coverage and corresponding deductibles are as follows:

Coverage	Amount	Deductible
General liability	\$ 10,000,000	\$ 500
Auto liability	10,000,000	5,000
Property damage	1,000,000,000	1,000
Boiler and machinery	100,000,000	1,000 to 250,000
Errors and omissions	10,000,000	25,000
Employment practices liability	10,000,000	25,000
Employee dishonesty	1,000,000	-
Aviation	10,000,000	1,000 to 2% of insured value

Metro Fire did not have any claim settlements in excess of the insurance coverage in any of the three prior fiscal years.

NOTE 9 – NET POSITION AND FUND BALANCES

A. NET POSITION

The government-wide financial statements report net position. The following are the three categories:

Net investment in capital assets – This category groups all capital assets into one component of net position reduced by accumulated depreciation and the outstanding balances of debt, net of unspent proceeds, which are attributable to the acquisition, construction or improvement of these assets.

Restricted net position – This category presents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – This category represents net position of Metro Fire not restricted for any project or other purpose.

B. FUND BALANCES

In the fund financial statements, governmental funds report fund balances in the following categories:

Nonspendable Funds – Fund balance should be reported as nonspendable when the amounts cannot be spent because they are either not in spendable form, or are legally or contractually required to be maintained intact. Nonspendable balances are not expected to be converted to cash within the next operating cycle, which consist of inventory, pre-paid items and other assets.

NOTE 9 – NET POSITION AND FUND BALANCES (Continued)

Restricted Funds – Fund balance should be reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Capital acquisitions – represents developer and impact fees to mitigate the impact of providing additional fire stations and fire equipment.

Debt service – represents the amount held by bond trustees for payment of bonds.

Workers compensation claims – represents the amount maintained in the checking account for the payment of workers compensation claims.

Grant-approved expenditures - represents amounts restricted for purposes enumerated in the grant agreements.

Equipment purchases – represents proceeds from financing restricted for specifically approved equipment.

Committed Funds – Fund balance should be reported as committed when the amounts can only be used for specific purposes pursuant to constraints imposed by formal action (i.e. resolution) of Metro Fire’s highest level of decision-making authority, the Board of Directors. These amounts cannot be used for any other purpose unless the Board modifies or removes the fund balance commitment through another resolution.

Capital acquisitions – represents transfers from the general fund committed to the purchase of capital assets.

Workers compensation claims – represents the amount adopted by the Board for contingency reserves.

Pension bond retirement – represents the amounts set aside for the retirement of the pension bonds prior to their repricing at auction rates in 2018 and 2025.

Assigned Funds – Fund balance should be reported as assigned when the amounts are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the Board of Directors or the Fire Chief and may be changed at their discretion. Unlike commitments, assignments generally exist only temporarily.

Unassigned Funds – Unassigned fund balance is the residual classification of Metro Fire’s funds and includes all spendable amounts that have not been restricted, committed, or assigned to specific purposes. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

Although the Board has established a contingency reserve for unanticipated or extraordinary expenditures equal to a minimum of 1.8 months of the General Fund Operating Expenditures, this reserve does not meet the definition of a committed fund balance.

NOTE 9 – NET POSITION AND FUND BALANCES (Continued)

The following are components of fund balances as of June 30, 2018:

	General Fund	Nonmajor Funds	Total
Nonspendable:			
Inventory	\$ 2,759,500	\$ -	\$ 2,759,500
Prepaid items	69,994	952,842	1,022,836
Petty cash	500	-	500
Total nonspendable fund balance	<u>2,829,994</u>	<u>952,842</u>	<u>3,782,836</u>
Restricted for:			
Capital acquisition	-	4,140,532	4,140,532
Debt service reserve	-	680,852	680,852
Workers compensation claims	123,960	-	123,960
Grant-approved expenditures	-	659,765	659,765
Equipment purchases	-	784,373	784,373
Total restricted fund balance	<u>123,960</u>	<u>6,265,522</u>	<u>6,389,482</u>
Committed to:			
Capital acquisition	-	767,338	767,338
Workers compensation claims	4,000,000	-	4,000,000
Pension bond retirement	24,860,343	-	24,860,343
Total committed fund balance	<u>28,860,343</u>	<u>767,338</u>	<u>29,627,681</u>
Unassigned	<u>32,131,813</u>	-	<u>32,131,813</u>
Total fund balance	<u>\$ 63,946,110</u>	<u>\$ 7,985,702</u>	<u>\$ 71,931,812</u>

As of June 30, 2018, restricted cash and investments amounted to \$7,072,149 while the restricted fund balance is \$6,389,482. The difference of \$682,667 represents payables from restricted assets net of government-wide adjustments reported in the Statement of Net Position.

NOTE 10 – CHANGES IN ACCOUNTING PRINCIPLES

During the year ended June 30, 2018, Metro Fire adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement required Metro Fire to recognize in its financial statements the net OPEB liability, deferred outflows of resources and deferred inflows of resources for the District's OPEB plan. Due to implementation of this Statement, the OPEB liability increased by \$239,694,011, deferred outflows of resources increased by \$17,534,354 and net position decreased by \$222,159,657 as of July 1, 2017.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. COMMITMENTS

Metro Fire has an active project relating to installation of tenant improvements in the first floor of its Headquarters. At year-end, Metro Fire paid the contractors \$377,729 for the project and accrued an additional \$409,566 with a remaining commitment of \$560,117. As discussed in Note 1-C, the encumbrances and related appropriation lapse at the end of the year, but are re-appropriated and become part of the subsequent year's budget because performance under the executory contract is expected in the next year.

B. GRANTS

Metro Fire participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, Metro Fire's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although Metro Fire anticipates such amounts, if any, will be immaterial.

The California Governor's Office of Emergency Services (CalOES) has requested the return of \$750,000 of grant funds used in 2011 for the construction of an emergency response simulator. Metro Fire's management disputes the CalOES findings and believes that there is a substantial probability that the matter will be settled in Metro Fire's favor and no return of grant funds will occur; however, the ultimate resolution of the matter is not certain.

C. LITIGATION

Metro Fire is a defendant in a number of lawsuits, which have arisen in the normal course of business. While substantial damages are alleged in some of these actions, their outcome cannot be predicted with certainty. Except as discussed in Note 13, in the opinion of Management and legal counsel, these actions, when finally adjudicated will not have a material adverse effect on the financial position of Metro Fire.

NOTE 12 – BORROWINGS

Metro Fire has borrowings available from the County of Sacramento equal to 85% of estimated tax revenues for July 1 to December 10 and 42.50% of estimated revenues for December 10 to April 25. These borrowings are permitted until the last Monday of April each year. The amount available as of December 10, 2017 and April 25, 2018 were \$114,864,261 and \$57,432,131, respectively. The interest rate charged is the rate earned by the County investment pool. The schedule below details the changes in short-term borrowings during the year ended June 30, 2018:

<u>Beginning Balance</u>	<u>Draws</u>	<u>Repayments</u>	<u>Ending Balance</u>
\$ -	\$ 97,139,888	\$ (97,139,888)	\$ -

This short-term borrowing serves as a dry-period financing for Metro Fire's operations during the periods before property taxes are received in its accounts, generally in January and April of each year. These amounts are accounted for in the General Fund.

NOTE 13 – SUBSEQUENT EVENTS

Redemption of Pension Bonds

On November 15, 2018, Mero Fire redeemed in full \$25.5 million Series 2004C Convertible Auction Rate Securities. The bonds were initially issued for \$11,868,975 but had an accreted value of \$25.5 million at the redemption date. The funds used for the redemption were held by a trustee and committed by the District specifically for this purpose.

FLSA Settlement

Metro Fire is currently a defendant in a collective action lawsuit filed on behalf of Metro Fire employees alleging that Metro Fire violated the Fair Labor Standards Act (FLSA) when it excluded medical in-lieu pay and holiday leave pay in the calculation of the regular rate of pay upon which overtime was determined. On September 24, 2018, the parties to the lawsuit have agreed to settle the case for \$1,376,827 which is still pending the approval of the court. The settlement amount was accrued as a liability as of June 30, 2018.

ERP System

On August 14, 2018, Metro Fire entered into a professional service agreement to implement a district-wide Enterprise Resource Planning (ERP) system at a cost not to exceed \$2,190,800. In order to help defray the costs, Metro Fire obtained external financing on October 2, 2018 in the amount of \$1,900,000 payable over five years at an interest rate of 3.43%.



This page intentionally left blank

Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION

SACRAMENTO METROPOLITAN FIRE DISTRICT CALPERS SAFETY PLAN (AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN)

SCHEDULE OF CHANGES IN NET PENSION LIABILITY FOR THE MEASUREMENT PERIODS ENDED JUNE 30 - LAST TEN YEARS*

(UNAUDITED)

<u>Total Pension Liability</u>	2018	2017	2016	2015
Service Cost	\$ 18,488,530	\$ 16,072,085	\$ 15,837,720	\$ 17,164,358
Interest on total pension liability	76,681,729	74,892,269	71,337,251	68,648,516
Changes in assumptions	64,990,592	-	(17,820,492)	-
Differences between expected and actual experience	(10,900,231)	8,521,299	(4,507,130)	-
Benefit payments, including refunds of employee contributions	(54,404,805)	(51,145,410)	(47,539,831)	(43,704,931)
Net change in total pension liability	94,855,815	48,340,243	17,307,518	42,107,943
Total pension liability - beginning	1,036,339,530	987,999,287	970,691,769	928,583,826
Total pension liability - ending (1)	<u>\$ 1,131,195,345</u>	<u>\$ 1,036,339,530</u>	<u>\$ 987,999,287</u>	<u>\$ 970,691,769</u>
 <u>Plan fiduciary net position</u>				
Contributions from employer	\$ 24,771,710	\$ 18,891,148	\$ 15,870,191	\$ 14,207,176
Contributions from employee	7,261,402	12,024,009	12,603,971	13,104,801
Net investment income	77,241,891	3,609,980	15,773,470	106,764,514
Benefit payments, including refunds of employee contributions	(54,404,805)	(51,145,410)	(47,539,831)	(43,704,931)
Administrative expense	(1,015,454)	(429,554)	(797,878)	-
Plan to plan resource movement	-	391	33,463	-
Net change in plan fiduciary net position	53,854,744	(17,049,436)	(4,056,614)	90,371,560
Plan fiduciary net position - beginning	687,775,481	704,824,917	708,881,531	618,509,971
Plan fiduciary net position - ending (2)	<u>\$ 741,630,225</u>	<u>\$ 687,775,481</u>	<u>\$ 704,824,917</u>	<u>\$ 708,881,531</u>
Net pension liability - ending (1)-(2)	<u>\$ 389,565,120</u>	<u>\$ 348,564,049</u>	<u>\$ 283,174,370</u>	<u>\$ 261,810,238</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>65.56%</u>	<u>66.37%</u>	<u>71.34%</u>	<u>73.03%</u>
Covered payroll	<u>\$ 84,874,556</u>	<u>\$ 79,593,547</u>	<u>\$ 84,053,108</u>	<u>\$ 74,082,665</u>
Net pension liability as percentage of covered payroll	<u>458.99%</u>	<u>437.93%</u>	<u>336.90%</u>	<u>353.40%</u>
Measurement Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

* This is the fourth year of implementation, therefore only four years are shown. Additional years will be presented as they become available. Amounts presented above were determined as of June 30. See notes to schedule on page 65. In addition, during the first year, administrative expenses were netted against investment income while in the second year, it was shown separately.

REQUIRED SUPPLEMENTARY INFORMATION

**SACRAMENTO METROPOLITAN FIRE DISTRICT
CALPERS MISCELLANEOUS PLANS AND SCERS PLAN
(COST SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLANS)**

**SCHEDULE OF PLAN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AS OF MEASUREMENT DATE - LAST TEN YEARS***

(UNAUDITED)

	CalPERS Miscellaneous Plans			
	2018	2017	2016	2015
District's proportion of the net pension liability	0.36951%	0.35752%	0.33301%	0.31403%
District's proportionate share of the net pension liability	\$ 14,566,410	\$ 12,419,649	\$ 9,135,887	\$ 7,761,287
District's covered payroll	\$ 6,682,508	\$ 6,437,464	\$ 5,967,598	\$ 5,682,089
District's proportionate share of the net pension liability as a percentage of its covered payroll	217.98%	192.93%	153.09%	136.59%
District's proportionate share of the fiduciary net position as a Percentage of the District's total pension liability	76.34%	77.97%	82.95%	84.86%
Measurement Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
	SCERS Plan			
	2018	2017	2016	2015
District's proportion of the net pension liability	2.10315%	2.16878%	2.71553%	3.58479%
District's proportionate share of the net pension liability	\$ 45,045,597	\$ 38,910,909	\$ 32,096,516	\$ 28,663,664
District's covered payroll	(a)	(a)	(a)	(a)
District's proportionate share of the net pension liability as a percentage of its covered payroll	(a)	(a)	(a)	(a)
District's proportionate share of the fiduciary net position as a Percentage of the District's total pension liability	48.98%	53.23%	58.36%	62.29%
Measurement Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

* This is the fourth year of implementation, therefore only four years are shown. Additional years will be presented as they become available. Amounts presented above were determined as of June 30.

(a) Metro Fire withdrew from SCERS effective January 1, 1997. As part of its withdrawal from the SCERS Plan, Metro Fire contractually agreed to eliminate its accrued actuarial unfunded liability by July 1, 2022 or such other date as mutually agreed by SCERS and Metro Fire. As a withdrawn member, SCERS calculates Metro Fire's pension liabilities in an account separate from the rest of the active employers as contractually agreed. A separate study is done to determine Metro Fire's TPL and FNP, the study uses assumptions based on the combined experience of the risk pool as a whole. In July 2018, the District and SCERS agreed to a funding plan with required annual contributions through fiscal year 2036/37. As of the measurement date, there are no active employees contributing to the Plan.

REQUIRED SUPPLEMENTARY INFORMATION

**SACRAMENTO METROPOLITAN FIRE DISTRICT
CALPERS AND SCERS PLANS**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS TO THE PENSION PLAN
LAST TEN FISCAL YEARS***

(UNAUDITED)

	2018	2017	2016	2015
CalPERS Safety Plan				
Actuarially determined contribution ^(b)	\$ 27,136,074	\$ 24,771,710	\$ 18,891,148	\$ 15,870,191
Contributions in relation to the actuarially determined contributions	<u>27,136,074</u>	<u>24,771,710</u>	<u>18,891,148</u>	<u>15,870,191</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 89,614,453	\$ 84,874,556	\$ 79,593,547	\$ 84,053,108
Contributions as a percentage of covered payroll	30.28%	29.19%	23.73%	18.88%
CalPERS Miscellaneous Plan				
Actuarially determined contribution ^(b)	\$ 1,400,265	\$ 1,252,247	\$ 1,034,835	\$ 959,424
Contributions in relation to the actuarially determined contributions	<u>1,400,265</u>	<u>1,252,247</u>	<u>1,034,835</u>	<u>959,424</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 7,356,408	\$ 6,682,508	\$ 6,437,464	\$ 5,967,598
Contributions as a percentage of covered payroll	19.03%	18.74%	16.08%	16.08%
SCERS Plan				
Agreed upon contribution ^{(a)(b)}	\$ 3,300,000	\$ 2,000,000	\$ 1,136,000	\$ 1,136,000
Contributions in relation to the agreed upon contributions	<u>3,300,000</u>	<u>2,000,000</u>	<u>1,136,000</u>	<u>1,136,000</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	(a)	(a)	(a)	(a)
Contributions as a percentage of covered payroll	(a)	(a)	(a)	(a)
Valuation Date	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012

* Ten-year trend information required by GASB Statement 68 will be presented prospectively. Amounts presented above were determined as of June 30.

(a) See note (a) on previous page and notes to schedule on page 65.

(b) Based on employer's fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

**SACRAMENTO METROPOLITAN FIRE DISTRICT
OTHER POSTEMPLOYMENT BENEFITS PLAN
SCHEDULE OF CHANGES IN NET OPEB LIABILITY
FOR THE MEASUREMENT PERIODS ENDED JUNE 30 - LAST TEN YEARS*
(UNAUDITED)**

Measurement Period	2017
Total OPEB Liability	
Service Cost	\$ 12,634,019
Interest on total OPEB liability	13,077,526
Assumption Changes	(29,263,904)
Benefit payments	(12,187,992)
Net change in total OPEB liability	(15,740,351)
Total OPEB liability - beginning	315,566,520
Total OPEB liability - ending (1)	\$ 299,826,169
Plan fiduciary net position	
Contributions from employer	\$ 17,534,354
Net investment income	2,359,359
Benefit payments	(12,187,992)
Administrative expense	(11,856)
Net change in plan fiduciary net position	7,693,865
Plan fiduciary net position - beginning	19,611,913
Plan fiduciary net position - ending (2)	\$ 27,305,778
Net OPEB Liability - ending (1)-(2)	\$ 272,520,391
Plan fiduciary net position as a percentage of the total OPEB liability	9.11%
Covered-employee payroll	\$ 91,557,064
Net OPEB liability as percentage of covered-employee payroll	297.65%

*Omitted years: GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported. See Notes to Schedule on page 65. Refer to Note 7-A for plan description.

REQUIRED SUPPLEMENTARY INFORMATION

SACRAMENTO METROPOLITAN FIRE DISTRICT OTHER POSTEMPLOYMENT BENEFITS PLAN

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO THE OPEB PLAN LAST TEN FISCAL YEARS*

(UNAUDITED)

	2018
Actuarially determined contribution ^(a)	\$ 20,839,933
Contributions in relation to the actuarially determined contributions	18,116,370
Contribution deficiency (excess)	\$ 2,723,563
 District's Covered - employee payroll	\$ 96,970,861
Contributions as a percentage of covered-employee payroll	18.68%

*Omitted years: GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

(a) Actuarially determined contribution rate is calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. The amounts are based on the employer's fiscal year. See Notes to Schedule on page 65 for actuarial methods and assumptions.

REQUIRED SUPPLEMENTARY INFORMATION

NOTES TO PENSION PLANS

Schedule of Changes in Net Pension Liability

Changes in Assumptions: The discount rate was changed from 7.65% (net of administrative expense) to 7.15% in the June 30, 2016 valuation.

Notes to Schedule of Employer Contributions

Below are the methods and assumptions used to calculate the actuarially determined contributions:

	CalPERS Plans	SCERS Plans
Actuarial Cost Method	Entry Age Normal Cost	Entry Age Actuarial Cost
Amortization Method	Level Percent of Payroll	Level Percent of Payroll
Asset Valuation Method	Market Value	Market Value
Actuarial Assumptions:		
Investment Rate of Return	7.50%	7.00%
Inflation	2.75%	3.00%
Payroll Growth	Varies by Entry Age and Service	Varies by Entry Age and Service
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.	Derived using Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table projected generationally with two-dimensional scale MP-2016 set back four years for males and females.

NOTES TO OPEB PLANS

Schedule of Changes in Net OPEB Liability

Changes in Assumptions: In the prior valuation, the discount rates used were 7.25% and 4.0% for the explicit and implicit portion of the liability, respectively. The current discount rate being used is a 4.7% blended rate.

Notes to Schedule of Employer Contributions

Below are the methods and assumptions used to calculate the actuarially determined contributions:

Actuarial Cost Method	Entry Age Normal Cost, level percent of pay
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Long-Term Return on Assets	7.25%, net of plan investments expenses and including inflation
Discount Rate	4.7% as of June 30, 2017
Municipal Bond Index Rate	3.56%
Inflation	2.75%
Payroll Growth	3.25% per year; since benefits do not depend on pay, this is used only to allocate the cost of benefits between service years
Mortality	MacLeod Watts Scale 2017 applied generationally and developed by blending data and methodologies from the Society of Actuaries Mortality Improvement Scale MP-2016 and assumptions used in the 2016 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust funds.
Healthcare Trend	7.5% for 2019, decreasing 0.5% per year to an ultimate rate of 5.0% for 2024 and later years.



This page intentionally left blank

Other Supplementary Information

Nonmajor Governmental Funds

The *Grant Fund* is a special revenue fund used to account for the proceeds of federal and state grants that are legally restricted to expenditures for specific purposes.

The *Capital Facilities Fund* is a capital projects fund used to account for the acquisition and construction of Metro Fire's major capital facilities. It is primarily funded by capital lease financing and general fund operating transfers.

The *Impact Fee Fund* is a capital projects fund used to account for all resources received from development impact fees. It is used for the construction or acquisition of future fire stations and acquisition of apparatus to serve new developments.

**Sacramento Metropolitan Fire District
Combining Balance Sheets
Nonmajor Governmental Funds
June 30, 2018**

	Special	Capital Projects Fund		Total Nonmajor Funds
	Revenue Fund Grant Fund	Capital Facilities	Impact Fee Fund	
ASSETS				
Cash and investments	\$ -	\$ 657,458	\$ -	\$ 657,458
Receivables, net of allowance for uncollectibles:				
Other receivables	6,021	9,086	27,049	42,156
Due from other governments	449,724	-	-	449,724
Due from other funds	-	229,419	-	229,419
Prepaid costs and other assets	-	952,842	-	952,842
Restricted cash and investments	501,004	2,332,534	4,114,651	6,948,189
Total Assets	\$ 956,749	\$ 4,181,339	\$ 4,141,700	\$ 9,279,788
LIABILITIES				
Accounts payable and accrued expenditures	\$ 55,444	\$ 995,934	\$ 1,168	\$ 1,052,546
Salaries and benefits payable	29,717	-	-	29,717
Due to other funds	150,379	-	-	150,379
Total Liabilities	235,540	995,934	1,168	1,232,642
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	61,444	-	-	61,444
FUND BALANCES				
Nonspendable	-	952,842	-	952,842
Restricted	659,765	1,465,225	4,140,532	6,265,522
Committed	-	767,338	-	767,338
Total Fund Balances	659,765	3,185,405	4,140,532	7,985,702
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 956,749	\$ 4,181,339	\$ 4,141,700	\$ 9,279,788

Sacramento Metropolitan Fire District
Combining Statements of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue Fund	Capital Projects Fund		Total Nonmajor Funds
	Grant Funds	Capital Facilities	Impact Fee Fund	
REVENUES				
Intergovernmental	\$ 1,732,450	\$ -	\$ -	\$ 1,732,450
Development fees	-	-	1,231,621	1,231,621
Use of money and property	(1,408)	33,548	38,028	70,168
Total Revenues	<u>1,731,042</u>	<u>33,548</u>	<u>1,269,649</u>	<u>3,034,239</u>
EXPENDITURES				
Current:				
Public protection	1,713,763	7,759	64,201	1,785,723
Capital outlay	95,767	3,091,933	-	3,187,700
Debt service:				
Principal	-	3,396,181	-	3,396,181
Interest and financing costs	-	357,457	-	357,457
Total Expenditures	<u>1,809,530</u>	<u>6,853,330</u>	<u>64,201</u>	<u>8,727,061</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(78,488)</u>	<u>(6,819,782)</u>	<u>1,205,448</u>	<u>(5,692,822)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	15,912	3,826,353	-	3,842,265
Transfers out	(89)	-	-	(89)
Issuance of capital leases	-	2,925,101	-	2,925,101
Sale of capital assets	-	11,600	-	11,600
Total Other Financing Sources (Uses)	<u>15,823</u>	<u>6,763,054</u>	<u>-</u>	<u>6,778,877</u>
Net Change in Fund Balances	(62,665)	(56,728)	1,205,448	1,086,055
Fund Balance, Beginning of Year	<u>722,430</u>	<u>3,242,133</u>	<u>2,935,084</u>	<u>6,899,647</u>
Fund Balance, End of Year	<u>\$ 659,765</u>	<u>\$ 3,185,405</u>	<u>\$ 4,140,532</u>	<u>\$ 7,985,702</u>

**Sacramento Metropolitan Fire District
Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
Grant Fund
For the Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Intergovernmental	\$ 1,524,280	\$ 1,805,819	\$ 1,732,450	\$ (73,369)
Use of money and property	-	-	(1,408)	(1,408)
Total Revenues	<u>1,524,280</u>	<u>1,805,819</u>	<u>1,731,042</u>	<u>(74,777)</u>
EXPENDITURES				
Current:				
Public protection				
Salaries and benefits	1,315,595	1,493,181	1,483,141	10,040
Services and supplies	224,990	233,107	230,622	2,485
Capital outlay	-	95,836	95,767	69
Total Expenditures	<u>1,540,585</u>	<u>1,822,124</u>	<u>1,809,530</u>	<u>12,594</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(16,305)</u>	<u>(16,305)</u>	<u>(78,488)</u>	<u>(62,183)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	16,305	16,305	15,912	(393)
Transfers out	-	-	(89)	(89)
Total Other Financing Sources (Uses)	<u>16,305</u>	<u>16,305</u>	<u>15,823</u>	<u>(482)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (62,665)</u>	<u>\$ (62,665)</u>

**Sacramento Metropolitan Fire District
Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
Capital Facilities Fund
For the Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Use of money and property	\$ 1,000	\$ 1,000	\$ 33,548	\$ 32,548
Total Revenues	<u>1,000</u>	<u>1,000</u>	<u>33,548</u>	<u>32,548</u>
EXPENDITURES				
Public protection				
Services and supplies	39,000	129,000	7,759	121,241
Capital outlay	4,223,000	6,050,630	3,091,933	2,958,697
Debt service:				
Principal	3,783,808	3,396,181	3,396,181	-
Interest and financing costs	398,505	357,461	357,457	4
Total Expenditures	<u>8,444,313</u>	<u>9,933,272</u>	<u>6,853,330</u>	<u>3,079,942</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(8,443,313)</u>	<u>(9,932,272)</u>	<u>(6,819,782)</u>	<u>3,112,490</u>
OTHER FINANCING SOURCES (USES)				
Issuance of capital leases	4,055,400	3,769,780	2,925,101	(844,679)
Sale of capital assets	801,700	-	11,600	11,600
Transfers in	3,562,213	3,826,353	3,826,353	-
Total Other Financing Sources (Uses)	<u>8,419,313</u>	<u>7,596,133</u>	<u>6,763,054</u>	<u>(833,079)</u>
Net Change in Fund Balance	<u>\$ (24,000)</u>	<u>\$ (2,336,139)</u>	<u>\$ (56,728)</u>	<u>\$ 2,279,411</u>

**Sacramento Metropolitan Fire District
Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
Impact Fee Fund
For the Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Development Fees	\$ 1,300,000	\$ 1,500,000	\$ 1,231,621	\$ (268,379)
Use of money and property	-	-	38,028	38,028
Total Revenues	<u>1,300,000</u>	<u>1,500,000</u>	<u>1,269,649</u>	<u>(230,351)</u>
EXPENDITURES				
Current:				
Public protection				
Services and supplies	70,000	124,000	64,201	59,799
Total Expenditures	<u>70,000</u>	<u>124,000</u>	<u>64,201</u>	<u>59,799</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,230,000</u>	<u>1,376,000</u>	<u>1,205,448</u>	<u>(170,552)</u>
Net Change in Fund Balance	<u>\$ 1,230,000</u>	<u>\$ 1,376,000</u>	<u>\$ 1,205,448</u>	<u>\$ (170,552)</u>



This page intentionally left blank

Statistical Section

STATISTICAL SECTION

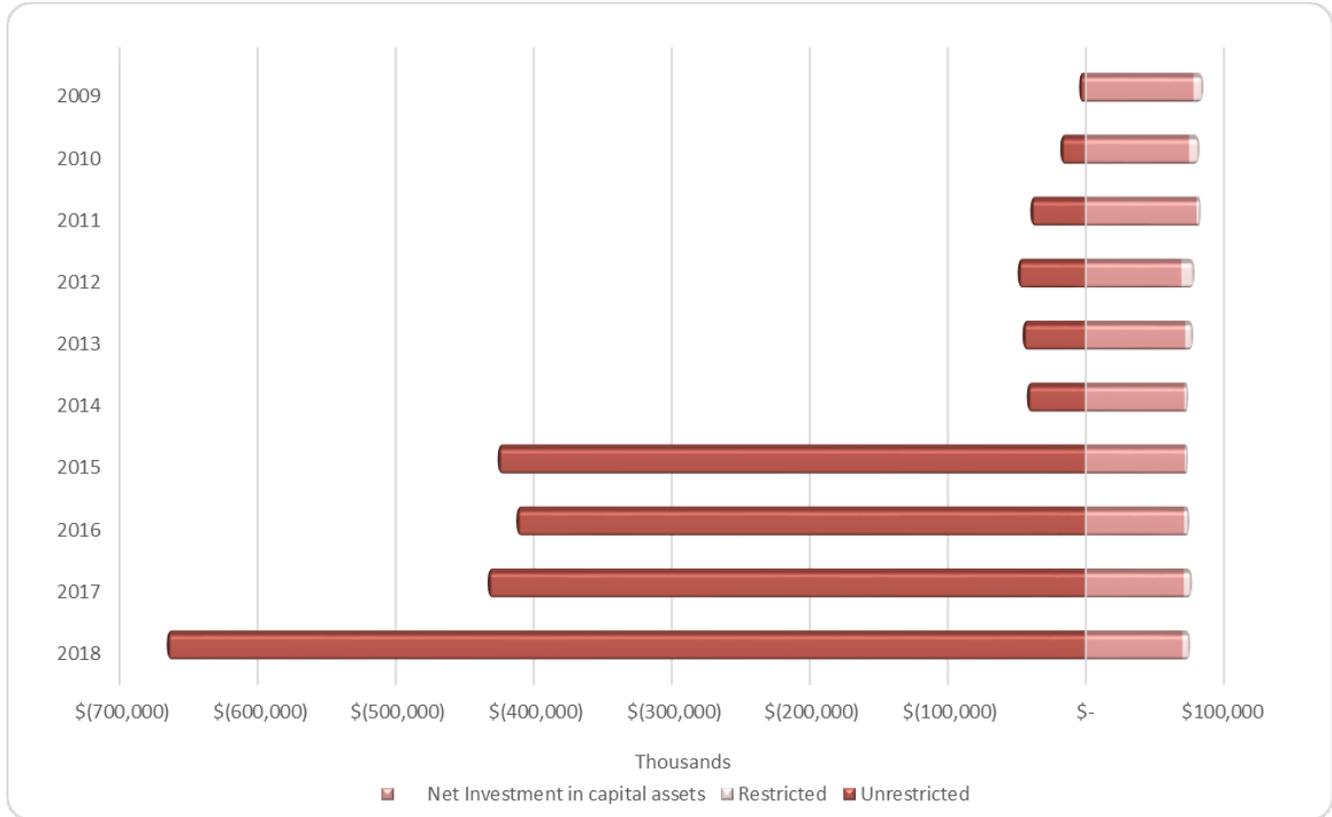


STATISTICAL SECTION

This part of Metro Fire’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about Metro Fire’s overall financial health.

<u>Contents</u>	<u>Pages</u>
FINANCIAL TRENDS	76-80
These schedules contain trend information to help the reader understand how Metro Fire’s financial performance and well-being have changed over time.	
<ol style="list-style-type: none">1. Net Position by Component2. Changes in Net Position3. Fund Balances of Governmental Funds4. Changes in Fund Balances of Governmental Funds5. Expenditures by Function	
REVENUE CAPACITY	81-86
These schedules contain information to help the reader assess Metro Fire’s most significant local revenue source, the property tax.	
<ol style="list-style-type: none">1. General Revenues by Source2. Assessed Value of Taxable Property3. Assessed and Estimated Actual Value of Taxable Property4. Property Tax Levies and Collections5. Direct and Overlapping Property Tax Rates6. Principal Property Taxpayers	
DEBT CAPACITY	87-90
These schedules present information to help the reader assess the affordability of Metro Fire’s current level of outstanding debt and its ability to issue additional debt in the future.	
<ol style="list-style-type: none">1. Ratio of Outstanding Debt by Type2. Ratio of General Bonded Debt Outstanding3. Computation of District and Overlapping Debt4. Computation of Legal Bonded Debt Margin	
DEMOGRAPHIC AND ECONOMIC INFORMATION	91-93
These schedules present information to help the reader understand the environment within which Metro Fire’s financial activities take place.	
<ol style="list-style-type: none">1. Demographic Statistics2. Demographic and Economic Statistics3. Private Sector Principal Employers	
OPERATING INFORMATION	94-101
These schedules contain service and infrastructure data to help the reader understand how the information in Metro Fire’s financial report relates to the services it provides and the activities it performs.	
<ol style="list-style-type: none">1. Summary of District Activities2. Total Responses3. Emergency Response Detail Analysis4. Emergency Response – Percent of Total Response by Type5. Service-connected Injury/Illness Report6. Staffing Summary7. Capital Asset Statistics by Function	

**SACRAMENTO METROPOLITAN FIRE DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**



(IN THOUSANDS)

	2009	2010	2011	2012	2013	2014	(a) 2015	2016	2017	(a) 2018
Governmental Activities										
Net Investment in										
capital assets	\$ 77,964	\$ 74,713	\$ 80,148	\$ 69,132	\$ 71,966	\$ 71,375	\$ 71,615	\$ 71,132	\$ 70,897	\$ 69,839
Restricted	7,061	7,609	2,901	9,507	5,698	2,523	2,099	3,673	5,974	5,667
Unrestricted	(4,740)	(18,476)	(40,160)	(49,310)	(45,775)	(42,691)	(426,074)	(412,546)	(433,299)	(665,709)
Total net position	\$80,285	\$63,846	\$42,890	\$29,328	\$31,889	\$31,207	\$(352,360)	\$(337,741)	\$(356,429)	\$(590,203)

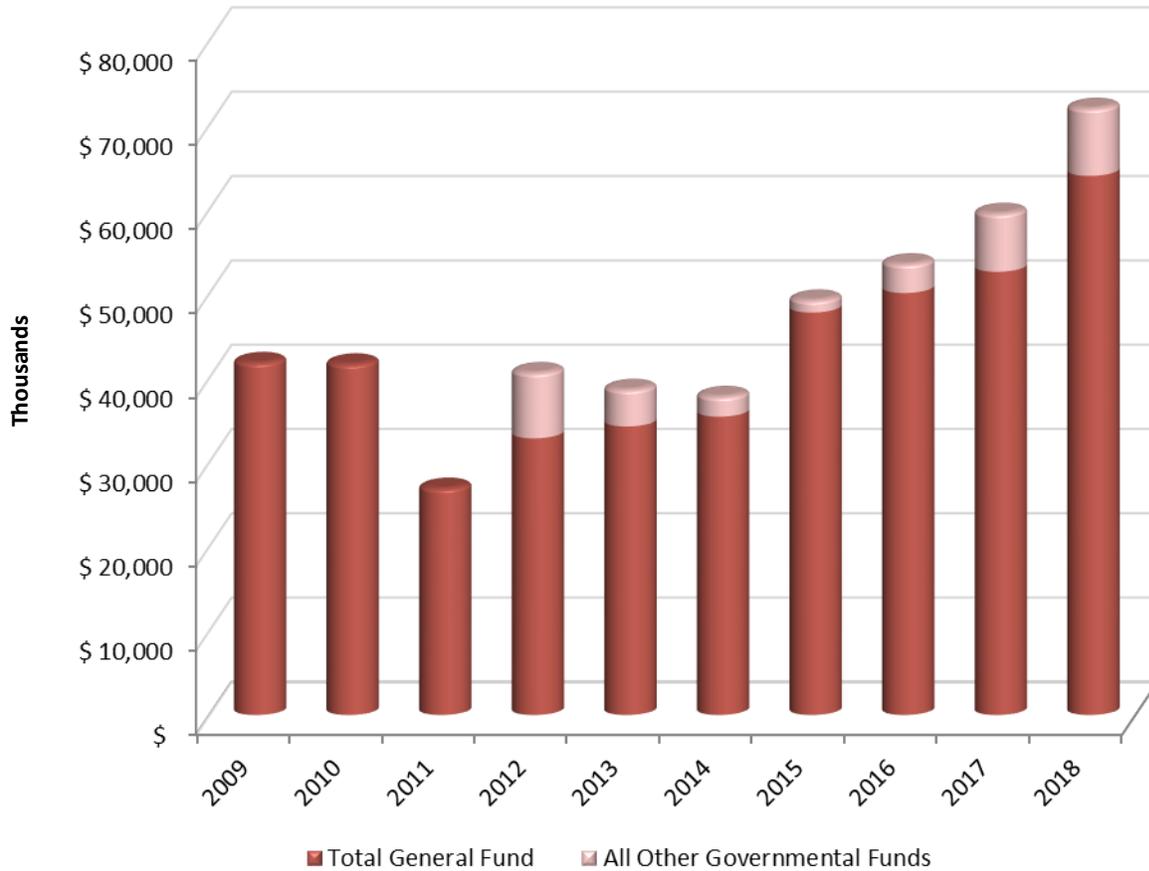
(a) In 2015, Metro Fire implemented GASB 68 which required the recognition of net pension liability and related deferrals in the Statement of Net Position instead of just providing a note disclosure. In 2018, GASB 75 was implemented which also required the recognition of the net OPEB liability and related deferrals. These two pronouncements required Metro Fire's net position to be restated which resulted to the large decreases in unrestricted net position in both years.

SACRAMENTO METROPOLITAN FIRE DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

(IN THOUSANDS)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
EXPENSES										
Governmental Activities:										
Public Protection	\$ 164,474	\$ 152,208	\$ 154,796	\$ 154,206	\$ 147,677	\$ 157,119	\$ 171,186	\$ 160,884	\$ 213,097	\$ 232,831
Interest on Long-Term Debt	4,305	3,872	4,139	4,580	4,484	4,412	4,383	4,338	4,271	4,198
Depreciation	3,968	3,841	3,864	3,507	4,461	4,612	3,930	4,070	4,721	4,628
Loss on disposal of assets	-	-	132	46	448	-	688	448	-	91
Total Government Activities	172,747	159,920	162,930	162,339	157,070	166,143	180,186	169,740	222,089	241,747
PROGRAM REVENUES										
Governmental Activities:										
Charges for Services	19,892	19,571	20,356	30,149	39,473	47,286	63,061	53,124	63,902	80,537
Operating Grants and Contributions	4,174	4,288	5,170	5,469	4,007	920	2,737	333	1,037	1,794
Capital Grants and Contributions	923	83	1,909	-	3,465	1,380	857	206	370	-
Donated equipment	-	-	-	-	475	-	-	-	-	-
Total Program Revenues	24,988	23,942	27,435	35,618	47,420	49,586	66,655	53,663	65,309	82,331
NET (EXPENSES)/REVENUE										
Total Net Expense	(147,759)	(135,978)	(135,495)	(126,721)	(109,650)	(116,557)	(113,532)	(116,076)	(156,779)	(159,416)
GENERAL REVENUES (EXPENSES)										
Governmental Activities:										
Property Taxes	126,816	114,845	111,182	108,310	105,260	111,089	119,475	125,343	131,875	141,519
Intergovernmental	5,954	4,171	3,366	3,972	5,545	2,698	3,532	3,554	4,107	4,234
Rent and others	1,157	327	101	718	1,012	985	1,048	1,353	951	425
Miscellaneous	461	197	(109)	158	394	1,103	137	446	1,158	1,624
Total General Revenues	134,388	119,539	114,539	113,159	112,211	115,874	124,192	130,695	138,092	147,802
CHANGE IN NET POSITION										
Governmental Activities	(13,371)	(16,439)	(20,956)	(13,561)	2,560	(682)	10,660	14,619	(18,688)	(11,615)
Net Position	93,656	80,285	63,846	42,890	29,328	31,889	31,207	(352,360)	(337,741)	(356,429)
Prior period Adjustment	-	-	-	-	-	-	(394,227)	-	-	(222,160)
Net Position, Beginning of year- as restated	93,656	80,285	63,846	42,890	29,328	31,889	(363,020)	(352,360)	(337,741)	(578,588)
Net Position, End of year	\$ 80,285	\$ 63,846	\$ 42,890	\$ 29,328	\$ 31,889	\$ 31,207	(352,360)	(337,741)	(356,429)	(590,203)

**SACRAMENTO METROPOLITAN FIRE DISTRICT
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**



(IN THOUSANDS)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GENERAL FUND										
Reserved	\$ 9,513	\$ 9,980	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	32,259	31,620	-	-	-	-	-	-	-	-
Nonspendable	-	-	2,866	2,836	2,710	3,061	3,183	2,914	2,406	2,830
Restricted	-	-	2,901	1,726	468	113	369	311	171	124
Committed	-	-	13,622	17,050	15,882	19,129	21,031	23,977	26,248	28,860
Unassigned	-	-	7,470	11,207	15,161	13,084	23,156	22,854	23,744	32,132
Total General Fund	\$ 41,772	\$ 41,600	\$ 26,858	\$ 32,819	\$ 34,220	\$ 35,387	\$ 47,739	\$ 50,056	\$ 52,569	\$ 63,946
ALL OTHER GOVERNMENTAL										
Nonspendable				\$ 3	\$ 671	\$ -	\$ -	\$ 17	\$ -	953
Restricted				7,781	3,920	2,363	1,680	3,409	6,900	7,033
Unassigned				(22)	(225)	-	(238)	-	-	-
Total all other Governmental funds				\$ 7,761	\$ 4,366	\$ 2,363	\$ 1,442	\$ 3,426	\$ 6,900	\$ 7,986

(a) In fiscal year 2010-2011, Metro Fire adopted GASB 54.

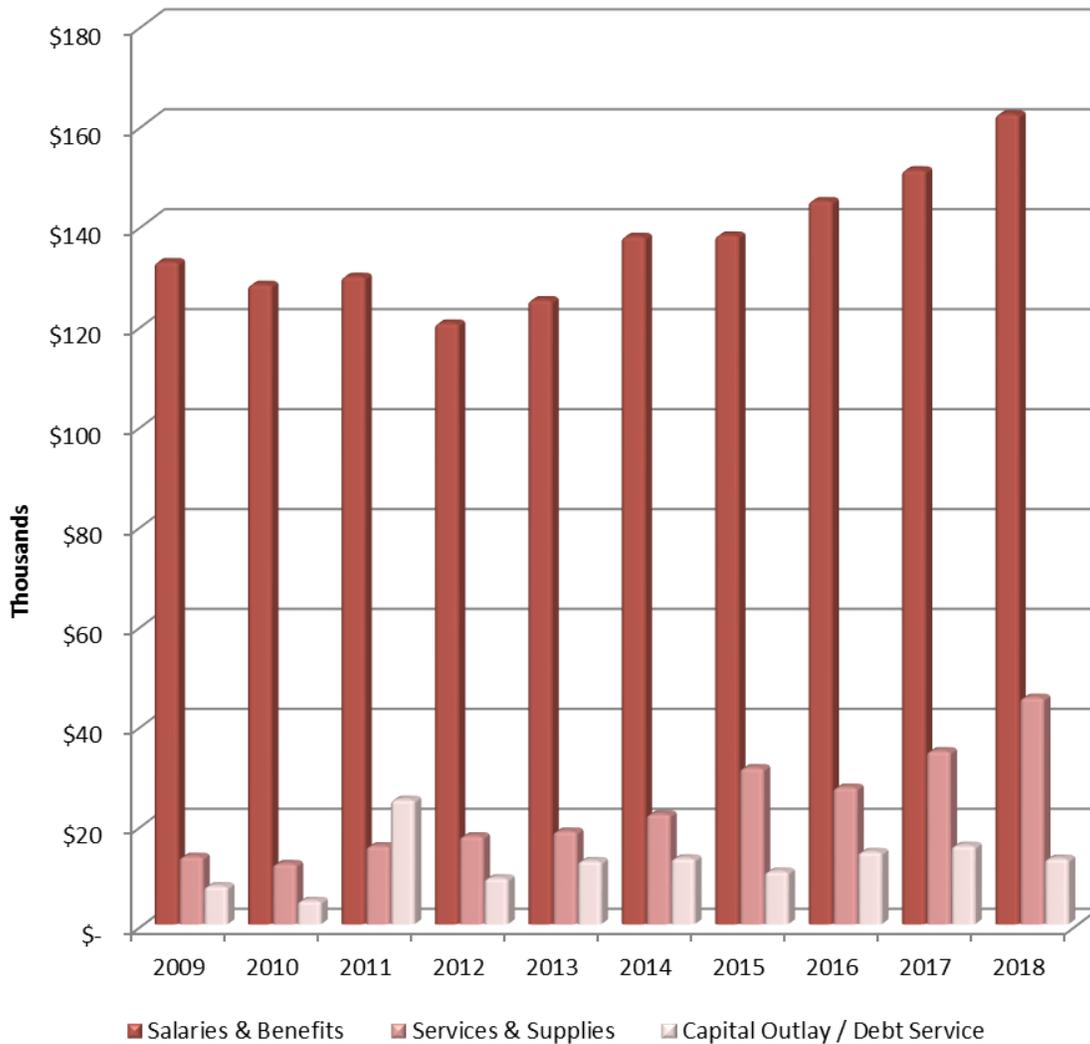
(b) Metro Fire did not start segregating special revenue funds in the fund financial statements until 2012; 2011 and prior amounts for the General Fund include these other funds.

SACRAMENTO METROPOLITAN FIRE DISTRICT
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

(IN THOUSANDS)

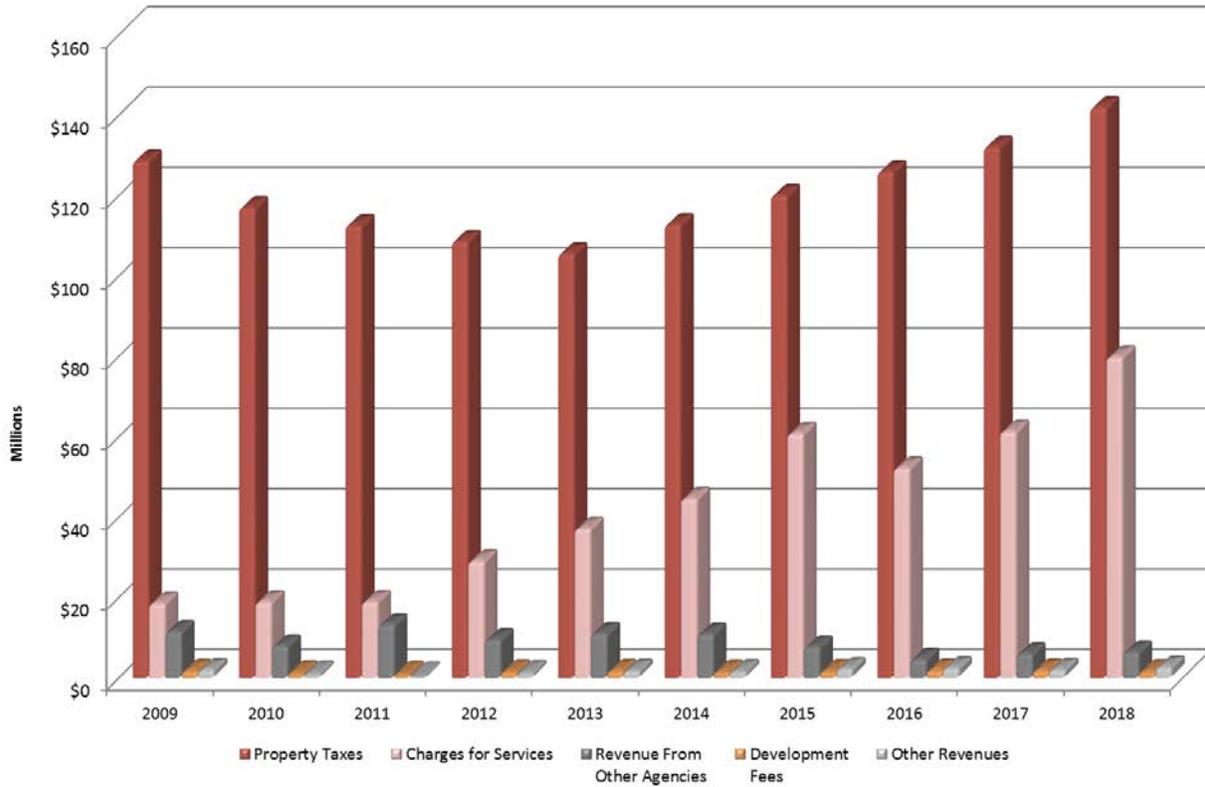
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
REVENUES										
Property taxes	\$ 128,170	\$ 116,509	\$ 112,080	\$ 108,149	\$ 105,058	\$ 112,297	\$ 119,575	\$ 125,443	\$ 131,575	\$ 141,419
Intergovernmental revenues	11,083	7,503	12,730	9,019	10,562	10,415	7,199	4,141	5,520	5,966
Charges for services	18,104	18,464	18,521	28,646	36,711	44,208	60,343	51,788	60,911	79,380
Development Fees	1,369	893	671	1,153	1,326	1,092	1,257	1,528	1,506	1,232
Use of money and property	1,157	327	101	522	1,015	1,019	1,084	1,433	994	425
Miscellaneous	481	454	159	452	401	234	777	632	724	1,861
Total Revenues	160,363	144,150	144,262	147,940	155,072	169,265	190,235	184,965	201,230	230,283
EXPENDITURES										
Current:										
Public protection	146,191	140,182	145,363	137,989	143,613	159,725	169,216	172,225	185,675	207,553
Capital outlay	3,352	740	20,790	2,735	5,665	5,912	2,593	5,793	7,250	3,188
Debt service:										
Principal repayment	874	1,045	1,236	2,965	3,556	3,964	4,732	5,587	5,513	7,078
Interest and fiscal charges	3,465	2,988	2,974	3,587	3,516	3,380	3,297	3,155	3,027	2,938
Total Expenditures	153,883	144,954	170,362	147,276	156,349	172,982	179,837	186,760	201,465	220,756
Excess (deficiency) of revenues over (under) expenditures	6,480	(804)	(26,100)	664	(1,277)	(3,716)	10,398	(1,794)	(235)	9,527
OTHER FINANCING SOURCES (USES)										
Proceeds from debt	-	-	-	13,046	-	-	-	-	-	-
Issuance of capital leases	-	-	11,226	-	-	2,880	849	6,005	6,207	2,925
Sale of capital assets	512	631	133	13	46	-	184	91	13	12
Transfers in	-	-	-	-	86	504	538	3,266	5,022	3,842
Transfers out	-	-	-	-	(86)	(504)	(538)	(3,266)	(5,022)	(3,842)
Total other financing sources (uses)	512	631	11,359	13,059	46	2,880	1,033	6,096	6,220	2,937
Net Change in fund balances	\$ 6,992	\$ (173)	\$ (14,741)	\$ 13,722	\$ (1,230)	\$ (836)	\$ 11,431	\$ 4,302	\$ 5,985	\$ 12,464
Debt service as a percentage of noncapital expenditures	2.9%	2.8%	2.8%	4.5%	4.7%	4.4%	4.5%	4.8%	4.4%	4.6%

**SACRAMENTO METROPOLITAN FIRE DISTRICT
EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**



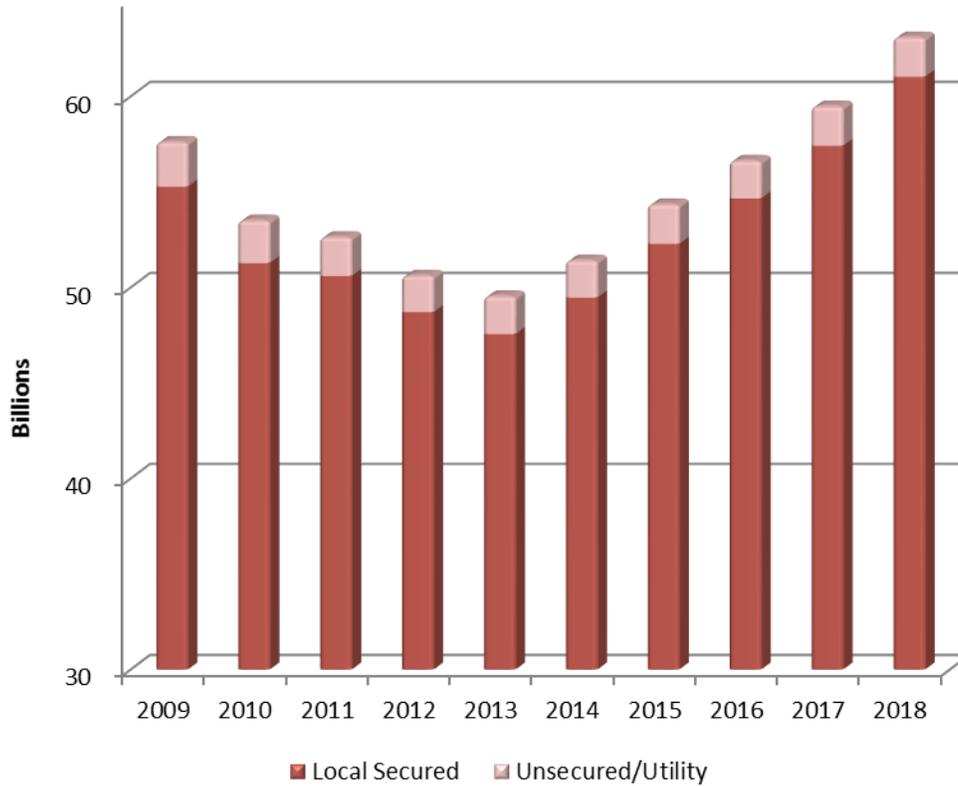
Fiscal Year	Salaries & Benefits	Services & Supplies	Capital Outlay / Debt Service	Total
2009	\$ 132,604,682	\$ 13,586,427	\$ 7,691,800	\$ 153,882,909
2010	128,045,471	12,136,337	4,772,250	144,954,058
2011	129,650,797	15,711,906	24,999,569	170,362,272
2012	120,307,666	17,681,749	9,286,859	147,276,274
2013	124,975,145	18,637,441	12,736,479	156,349,065
2014	137,655,149	22,070,292	13,256,316	172,981,757
2015	137,900,260	31,315,336	10,621,731	179,837,327
2016	144,787,467	27,437,632	14,534,802	186,759,901
2017	150,963,327	34,712,039	15,789,537	201,464,903
2018	162,144,725	45,407,883	13,203,330	220,755,938

**SACRAMENTO METROPOLITAN FIRE DISTRICT
GENERAL REVENUES BY SOURCE
ALL GOVERNMENTAL FUND TYPES
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**



Fiscal Year	Property Taxes	Charges for Services	Revenue From Other Agencies	Development Fees	Other Revenues	Total
2009	\$ 128,169,834	\$ 18,103,703	\$ 11,083,485	\$ 1,368,581	\$ 1,637,805	\$ 160,363,408
2010	116,508,904	18,464,189	7,503,415	893,121	780,699	144,150,328
2011	112,080,077	18,521,065	12,730,378	670,997	259,364	144,261,881
2012	108,148,609	28,645,724	9,019,099	1,152,633	973,898	147,939,963
2013	105,058,038	36,710,780	10,561,785	1,326,406	1,415,487	155,072,496
2014	112,297,471	44,207,768	10,415,420	1,092,120	1,252,528	169,265,307
2015	119,575,421	60,343,284	7,198,784	1,257,063	1,860,770	190,235,322
2016	125,442,598	51,788,463	4,141,009	1,528,101	2,065,316	184,965,487
2017	131,575,144	60,910,756	5,519,514	1,506,440	1,718,002	201,229,856
2018	141,419,059	79,380,313	5,966,037	1,231,621	2,285,744	230,282,774

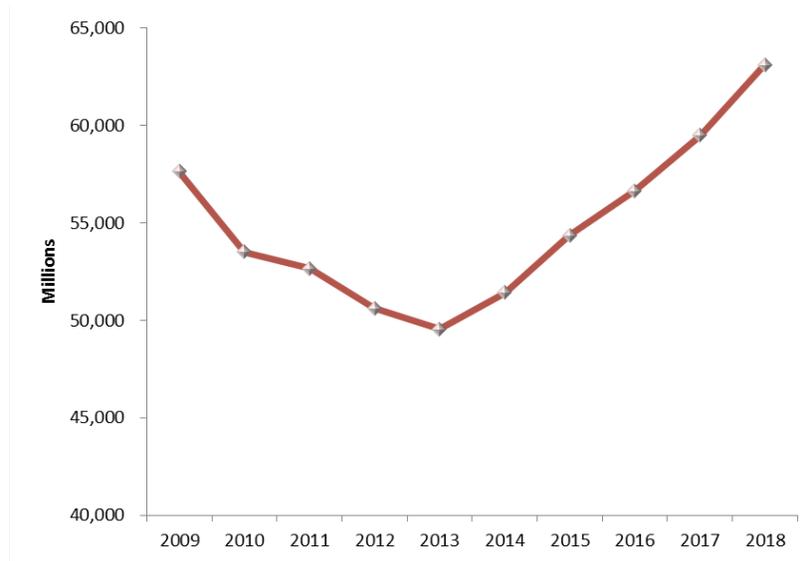
**SACRAMENTO METROPOLITAN FIRE DISTRICT
ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**



Fiscal Year	Local Secured	Unsecured	Utility	Total Assessed Value
2009	\$ 55,285,269,256	\$ 2,337,740,343	\$ 2,935,847	\$ 57,625,945,446
2010	51,286,454,165	2,222,237,544	2,935,847	53,511,627,556
2011	50,609,340,722	2,004,513,815	27,666,847	52,641,521,384
2012	48,712,749,798	1,901,522,231	10,268,185	50,624,540,214
2013	47,566,618,901	1,966,760,711	12,397,271	49,545,776,883
2014	49,477,107,848	1,929,129,291	12,293,600	51,418,530,739
2015	52,288,258,939	2,056,903,763	12,374,963	54,357,537,665
2016	54,665,273,502	1,958,102,943	14,281,090	56,637,657,535
2017	57,422,958,579	1,975,992,652	14,666,412	59,413,617,643
2018	61,032,287,650	2,046,388,502	15,203,547	63,093,879,699

Source: Sacramento County Assessor Tax Rolls

**SACRAMENTO METROPOLITAN FIRE DISTRICT
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**



Real Secured Property

Fiscal Year	Real Secured Property				Total
	Residential Property	Commercial Property	Industrial Property	Other	
2009	\$ 42,585,050,528	\$ 8,183,861,205	\$ 2,356,886,609	\$ 2,162,406,761	\$ 55,288,205,103
2010	38,267,668,930	8,644,902,951	2,485,846,802	1,890,971,329	51,289,390,012
2011	37,865,205,638	8,547,572,892	2,425,431,997	1,798,797,042	50,637,007,569
2012	36,810,616,937	7,964,084,210	2,437,897,478	1,510,419,358	48,723,017,983
2013	35,881,502,392	7,836,158,353	2,438,471,837	1,422,883,590	47,579,016,172
2014	38,324,932,712	7,457,564,962	2,322,976,102	1,383,927,672	49,489,401,448
2015	41,305,538,059	7,306,871,726	2,239,426,342	1,448,797,775	52,300,633,902
2016	43,266,191,121	7,542,297,469	2,302,158,204	1,568,907,798	54,679,554,592
2017	45,560,923,825	7,865,309,908	2,375,680,303	1,635,710,955	57,437,624,991
2018	48,540,703,558	8,268,423,631	2,505,362,207	1,733,001,801	61,047,491,197

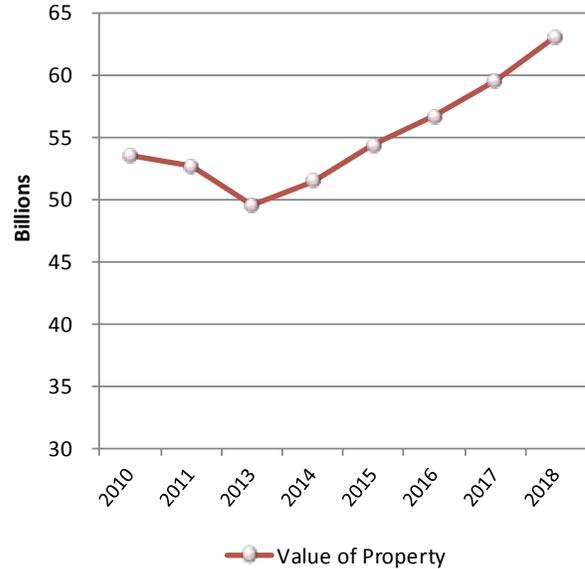
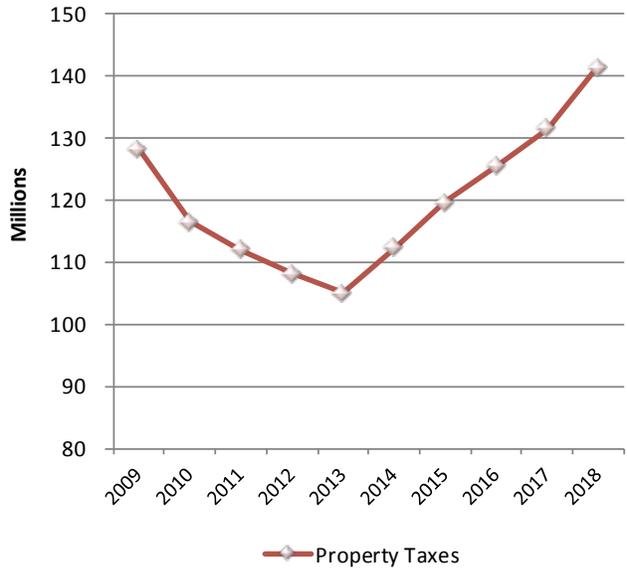
Total Assessed Values

Fiscal Year	Total Assessed Values		Total Assessed (a)	Estimated Full Market (a)	Total Direct Tax Rate (b)
	Total Real Secured Property	Unsecured Property			
2009	\$ 55,288,205,103	\$ 2,337,740,343	\$ 57,625,945,446	\$ 57,625,945,446	1%
2010	51,289,390,012	2,222,237,544	53,511,627,556	53,511,627,556	1%
2011	50,637,007,569	2,004,513,815	52,641,521,384	52,641,521,384	1%
2012	48,723,017,983	1,901,522,231	50,624,540,214	50,624,540,214	1%
2013	47,579,016,172	1,966,760,711	49,545,776,883	49,545,776,883	1%
2014	49,489,401,448	1,929,129,291	51,418,530,739	51,418,530,739	1%
2015	52,300,633,902	2,056,903,763	54,357,537,665	54,357,537,665	1%
2016	54,679,554,592	1,958,102,943	56,637,657,535	56,637,657,535	1%
2017	57,437,624,991	1,975,992,652	59,413,617,643	59,413,617,643	1%
2018	61,047,491,197	2,046,388,502	63,093,879,699	63,093,879,699	1%

Source: Sacramento County Assessor Tax Rolls

- (a) The State Constitution requires property to be assessed at one hundred percent of the most recent purchase price, plus an increment of no more than two percent annually, plus any local over-rides. These values are considered to be full market values.
- (b) California cities do not set their own direct tax rate. The State Constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area.

SACRAMENTO METROPOLITAN FIRE DISTRICT PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN FISCAL YEARS



<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Current Collections</u>	<u>Percentage of Levy Collected^(a)</u>	<u>Value of Property Subject to Local Tax Rate</u>
2009	\$ 128,169,834	\$ 128,169,834	100%	\$ 57,625,945,446
2010	116,508,904	116,508,904	100%	53,511,627,556
2011	112,080,077	112,080,077	100%	52,641,521,384
2012	108,148,609	108,148,609	100%	50,624,540,214
2013	105,058,038	105,058,038	100%	49,545,776,883
2014	112,297,471	112,297,471	100%	51,418,530,739
2015	119,575,421	119,575,421	100%	54,357,537,665
2016	125,442,598	125,442,598	100%	56,637,657,535
2017	131,575,144	131,575,144	100%	59,413,617,643
2018	141,419,059	141,419,059	100%	63,093,879,699

(a) Metro Fire participates in a Teeter Plan wherein it receives three distributions equal to the actual amount of property taxes collected. Any delinquencies at June 30 are purchased by the County and remitted to Metro Fire. As part of the plan, the County retains the penalties and interest on the delinquent taxes.

Source: Sacramento Metropolitan Fire District Financial Records

**SACRAMENTO METROPOLITAN FIRE DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST NINE FISCAL YEARS**

Fiscal Year	Basic County Wide Levy	Los Rios Community College District	San Juan Unified School District	Total
2010	1.0000 %	0.0124 %	0.0688 %	1.0812 %
2011	1.0000	0.0090	0.0813	1.0903
2012	1.0000	0.0192	0.0948	1.1140
2013	1.0000	0.0193	0.1003	1.1196
2014	1.0000	0.0181	0.1630	1.1811
2015	1.0000	0.0113	0.1509	1.1622
2016	1.0000	0.0091	0.1547	1.1638
2017	1.0000	0.0141	0.1522	1.1663
2018	1.0000	0.0130	0.2115	1.2245

Note: 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 within which the subject property resides. 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 Metro Fire. Not all overlapping rates apply to all Metro Fire property owners.

Information for fiscal years prior to 2010 is not available.

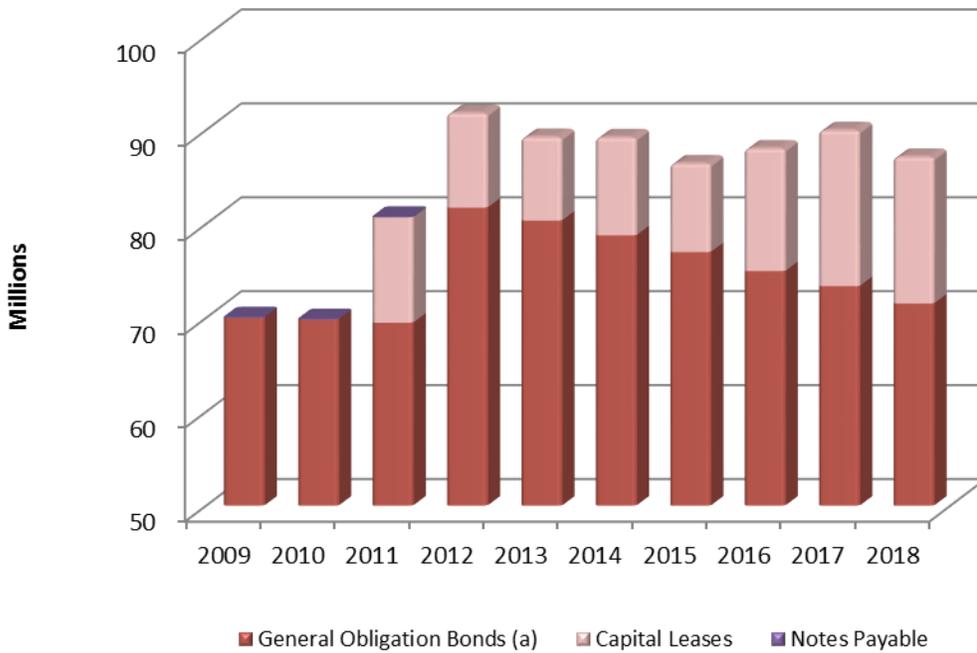
Source: California Municipal Statistics, Inc.

**SACRAMENTO METROPOLITAN FIRE DISTRICT
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO**

Taxpayer	2018			2009		
	Taxable Assessed Value	Rank	Percentage of Total Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Assessed Value
Mp Holdings LLC	\$ 238,084,947	1	0.38%	\$ 123,811,627	5	0.21%
Wal Mart Stores, Inc./Sam's	195,716,921	2	0.31%	127,713,451	4	0.22%
Aerojet Rocketdyne Inc	183,760,031	3	0.29%	152,505,519	3	0.26%
Ethan Conrad	183,261,605	4	0.29%			
California-American Water Company	131,446,396	5	0.21%			
Comcast	121,284,628	6	0.19%	123,525,383	6	0.21%
Donahue Schriber Realty Group	110,091,842	7	0.17%	161,574,395	2	0.28%
Oakmont Props	101,723,511	8	0.16%			
Ampac Fine Chemicals LLC	97,186,445	9	0.15%	185,092,347	1	0.32%
A Teichert And Son Inc.	94,334,452	10	0.15%	112,310,482	9	0.19%
Xojet Inc				123,279,667	7	0.21%
Steadfast Sunrise LLC				114,174,050	8	0.20%
PGOCC LLC				109,203,464	10	0.19%
	<u>\$ 1,456,890,778</u>		<u>2.31%</u>	<u>\$ 1,333,190,385</u>		<u>2.31%</u>

Source: Sacramento County Assessor 2008/09 and 2017/18 Tax Rolls

**SACRAMENTO METROPOLITAN FIRE DISTRICT
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**



Fiscal Year	General Obligation Bonds ^(a)	Capital Leases	Notes Payable	Total Primary Government	Percentage of Personal Income ^(b)	Debt per Capita ^(b)
2009	\$ 69,995,340	\$ -	\$ 95,000	\$ 70,090,340	0.26%	\$ 98
2010	69,810,255	-	85,000	69,895,255	0.26%	97
2011	69,482,600	11,226,000	75,000	80,783,600	0.30%	114
2012	81,734,401	10,076,000	-	91,810,401	0.32%	129
2013	80,356,845	8,895,000	-	89,251,845	0.30%	125
2014	78,790,389	10,430,752	-	89,221,141	0.28%	124
2015	77,002,581	9,447,809	-	86,450,390	0.27%	119
2016	74,982,507	13,061,097	-	88,043,604	0.26%	119
2017	73,372,966	16,605,506	-	89,978,472	0.25%	121
2018	71,527,785	15,607,580	-	87,135,365	0.23%	116

(a) Comprised of Pension Obligation Bonds and Lease Revenue Bonds, net of unamortized premiums/discounts.

(b) See page 91 (Demographic Statistics) for population data and page 92 for personal income.

Sources: Sacramento Metropolitan Fire District Financial Records and the State of California, Department of Finance.

**SACRAMENTO METROPOLITAN FIRE DISTRICT
RATIO OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

Fiscal Year	General Obligation Bonds^(a)	Less: Amounts Restricted for Debt Service^(b)	Net General Bonded Debt	Ratio of Net General Bonded Debt to Estimated Actual Taxable Value of Property^(c)	Per Capita^(d)
2009	\$ 69,995,340	\$ -	\$ 69,995,340	0.12%	\$ 98
2010	69,810,255	-	69,810,255	0.13%	97
2011	69,482,600	-	69,482,600	0.13%	98
2012	81,734,401	965,066	80,769,336	0.16%	114
2013	80,356,845	954,661	79,402,184	0.16%	111
2014	78,790,389	929,708	77,860,681	0.15%	108
2015	77,002,581	903,043	76,099,538	0.14%	105
2016	74,982,507	874,138	74,108,369	0.13%	100
2017	73,372,966	677,824	72,695,142	0.12%	97
2018	71,527,785	680,852	70,846,933	0.11%	94

(a) Comprised of Pension Obligation Bonds and Lease Revenue Bonds, net of unamortized premiums/discounts.

(b) This is the amount restricted as debt service reserves.

(c) See the Assessed Value and the Estimated Actual Value of Taxable Property for property value data.

(d) Population data can be found in the Schedule of Demographic and Economic Statistics.

SACRAMENTO METROPOLITAN FIRE DISTRICT
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2018

<u>2017-18 Assessed Valuation:</u> \$62,865,487,563	Total Debt		Amount Applicable
	Outstanding	% Applicable ⁽¹⁾	to Metro Fire
OVERLAPPING TAX AND ASSESSMENT DEBT			
Los Rios Community College District	\$ 413,020,000	32.344%	\$ 133,587,189
Center Joint Unified School District	37,705,956	89.362%	33,694,796
Folsom Cordova USD School Facilities Improvement District Nos. 1, 2, 3 and 4	384,343,695	0.010-100.000%	175,343,664
Sacramento Unified School District	502,412,966	10.982%	55,174,992
San Juan Unified School District	441,659,706	96.447%	425,967,537
Twin Rivers Unified School District (former Grant Joint Union High School District Bonds)	216,056,274	43.382%	93,729,533
Twin Rivers Unified School District (former Elementary School District Bonds)	65,810,000	51.115%	33,638,782
Other School Districts	382,205,264	Various	21,345,005
Elk Grove Unified School District	82,100,000	29.299%	24,054,479
Dry Creek Joint School District Community Facilities District No. 1	7,471,743	100.000%	7,471,743
Elk Grove Unified School District Community Facilities District No. 1	201,614,259	29.299%	59,070,962
City of Rancho Cordova Community Facilities District No. 2003-1 and 2004-1	99,390,000	100.000%	99,390,000
Other Community Facilities Districts	72,510,000	100.000%	72,510,000
1915 Act and Benefit Assessment Bonds	317,209,705	Various	78,664,466
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 1,313,643,147
DIRECT AND OVERLAPPING GENERAL FUND DEBT			
Sacramento County General Fund Obligations	\$ 213,680,900	41.693%	\$ 89,089,978
Sacramento County Pension Obligation Bonds	925,700,052	41.693%	385,952,123
Sacramento County Board of Education Certificates of Participation	4,840,000	41.693%	2,017,941
Folsom-Cordova Unified School District Certificates of Participation	9,450,000	35.775%	3,380,738
Sacramento USD Certificates of Participation and Pension Obligation Bonds	65,565,000	10.982%	7,200,348
Arcade Creek Recreation and Park District Certificates of Participation	290,800	98.787%	287,273
Twin Rivers Unified School District Certificates of Participation	65,440,000	43.382%	28,389,181
Other School District Certificates of Participation	6,055,565	Various	1,096,444
City of Folsom General Fund Obligations	2,221,445	0.712%	15,817
City of Rancho Cordova Certificates of Participation	15,715,000	100.000%	15,715,000
City of Sacramento Certificates of Participation	739,655,000	0.0004%	2,959
Sacramento Metropolitan Fire District Pension Obligation Bonds	62,371,090	100.000%	62,371,090
Sacramento Metropolitan Fire District General Fund Obligations	9,156,695	100.000%	9,156,695
Cordova Recreation and Park District Certificates of Participation	7,798,043	100.000%	7,798,043
Sunrise Recreation and Park District Certificates of Participation	5,875,000	100.000%	5,875,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			618,348,628
Less: City of Sacramento supported obligations			(7,500,946)
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 610,847,682
OVERLAPPING TAX INCREMENT DEBT			
Successor Agency	\$ 67,215,000	100.00%	\$ 67,215,000
TOTAL DIRECT DEBT			\$ 71,527,785
TOTAL GROSS OVERLAPPING DEBT			\$ 1,927,678,990 ⁽²⁾
TOTAL NET OVERLAPPING DEBT			\$ 1,920,178,044
GROSS COMBINED TOTAL DEBT			\$ 1,999,206,775
NET COMBINED TOTAL DEBT			\$ 1,991,705,829

(1) The percentage of overlapping debt applicable to Metro Fire is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the Metro Fire divided by the overlapping district's total taxable assessed value.

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

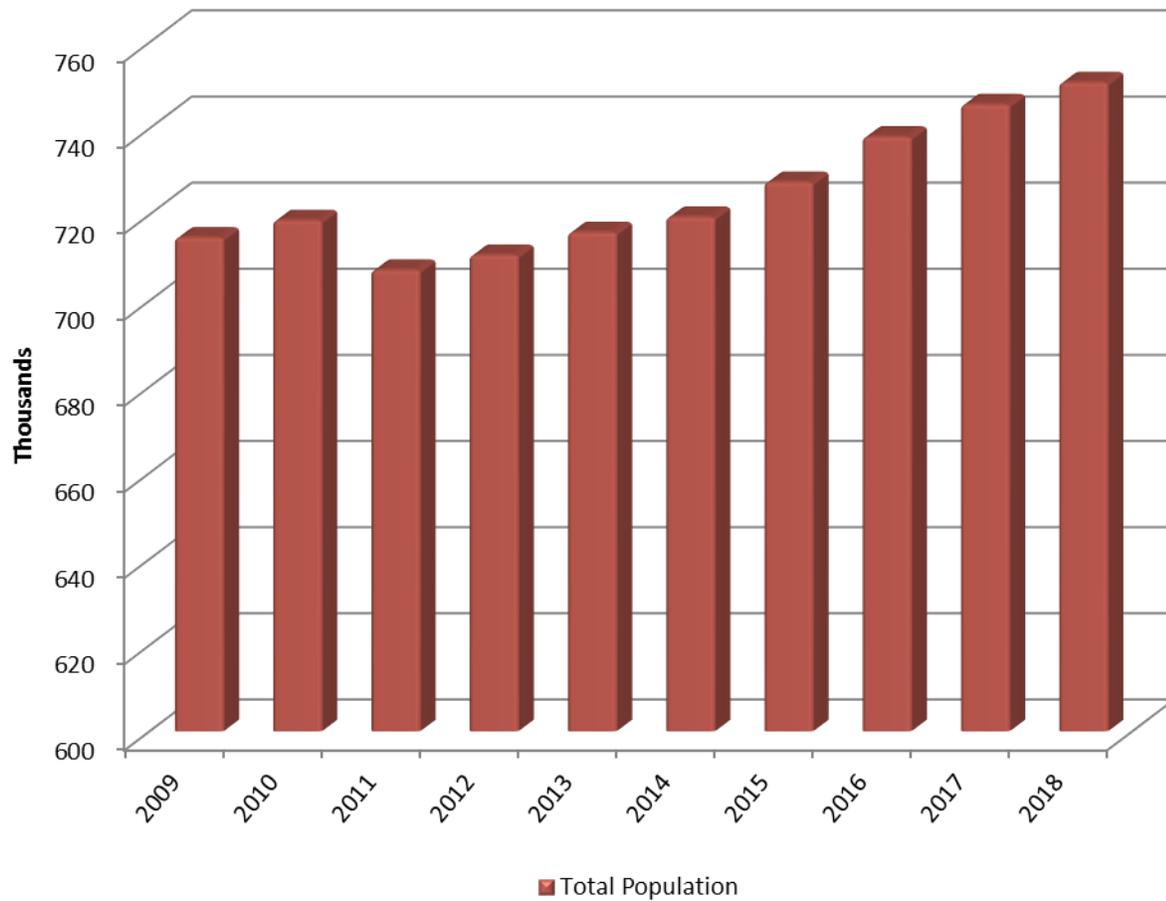
**SACRAMENTO METROPOLITAN FIRE DISTRICT
COMPUTATION OF LEGAL BONDED DEBT MARGIN
JUNE 30, 2018**

Assessed Valuation		\$ 63,093,879,699
Debt Margin Ratio ^(a)		2.50%
Bonded Debt Limit		1,577,346,992
Outstanding Debt		
Total Bonded Debt	\$ 71,527,785	
Less Amounts in Sinking Fund	(25,541,195)	
Total Applicable Debt		45,986,590
Legal Debt Margin		\$ 1,531,360,402

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Percentage of Legal Debt Margin Available
2009	\$ 1,440,648,636	\$ 63,928,301	\$ 1,376,720,335	95.56%
2010	1,337,790,689	62,043,174	1,275,747,514	95.36%
2011	1,316,038,035	61,715,718	1,254,322,317	95.31%
2012	1,265,613,505	71,250,940	1,194,362,566	94.37%
2013	1,238,644,422	67,520,602	1,171,123,820	94.55%
2014	1,285,463,268	62,731,619	1,222,731,649	95.12%
2015	1,358,938,442	59,068,787	1,299,869,655	95.65%
2016	1,415,941,438	54,130,874	1,361,810,564	96.18%
2017	1,485,340,441	50,446,930	1,434,893,511	96.60%
2018	1,577,346,992	45,986,590	1,531,360,402	97.08%

(a) California Health and Safety Code, Section 13937 sets the debt limit at 10%. The Code section was enacted when assessed valuations were based on 25% of full market value. This has since changed to 100% of full market value. Thus, the limit shown is 2.50% (one-fourth the limit of 10%) to account for the adjustment of showing assessed valuation at full market value.

**SACRAMENTO METROPOLITAN FIRE DISTRICT
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS**

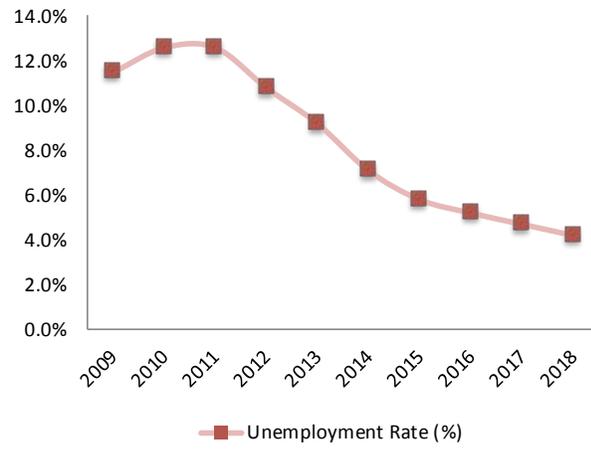
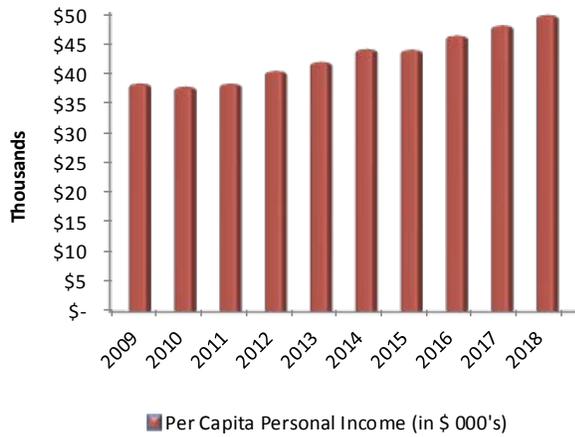
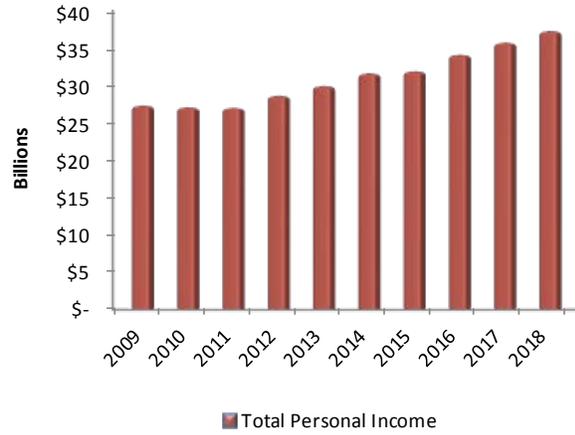
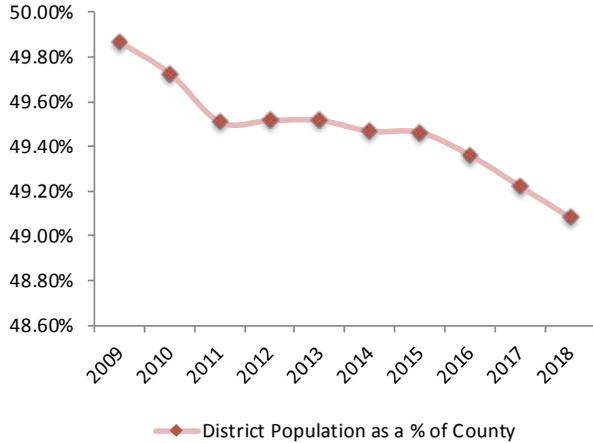


Fiscal Year	Citrus Heights	Rancho Cordova	Unincorporated Population (a)	Total Population	% Increase
2009	87,565	61,817	565,309	714,691	0.40%
2010	88,115	62,899	567,700	718,714	0.56%
2011	83,618	65,502	558,061	707,181	-1.60%
2012	83,881	66,093	560,675	710,649	0.49%
2013	84,345	66,927	564,657	715,929	0.74%
2014	84,544	67,839	567,095	719,478	0.50%
2015	85,147	69,112	573,313	727,572	1.12%
2016	86,291	72,203	579,613	738,107	1.45%
2017	87,013	73,872	584,729	745,614	1.02%
2018	87,731	74,210	588,798	750,739	0.69%

Source: State of California, Department of Finance.

(a) Data is reported for the entire unincorporated area of Sacramento County, whereas portions of the unincorporated County are outside of Metro Fire’s boundaries.

SACRAMENTO METROPOLITAN FIRE DISTRICT DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN FISCAL YEARS



Fiscal Year	District Population	Total Personal Income (in \$ 000's)	Per Capita Personal Income (in \$ 000's)	Unemployment Rate (%)	County Population	District Population as a % of County
2009	714,691	\$ 27,323,352	\$ 38	11.5%	1,433,187	49.87%
2010	718,714	27,095,518	38	12.6%	1,445,327	49.73%
2011	707,181	27,015,729	38	12.6%	1,428,355	49.51%
2012	710,649	28,646,794	40	10.8%	1,435,153	49.52%
2013	715,929	29,947,643	42	9.2%	1,445,806	49.52%
2014	719,478	31,637,020	44	7.1%	1,454,406	49.47%
2015	727,572	31,919,347	44	5.8%	1,470,912	49.46%
2016	738,107	34,120,417	46	5.2%	1,495,297	49.36%
2017	745,614	35,739,291	48	4.7%	1,514,770	49.22%
2018	750,739	37,305,594	50	4.2%	1,529,501	49.08%

Note: All data for Sacramento County except District population.

Source: State of California, Employment Development Department.

**SACRAMENTO METROPOLITAN FIRE DISTRICT
PRIVATE SECTOR PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

Employer	2018			2009		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Sutter Health	16,275	1	3.33%	8,220	2	1.28%
Kaiser Permanente	16,244	2	3.33%	9,608	1	1.50%
Dignity Health	8,039	3	1.65%	6,328	3	0.99%
Intel Corporation	6,000	4	1.23%	6,300	4	0.98%
Raley's Inc.	5,244	5	1.07%	3,335	8	0.52%
Apple Inc.	5,000	6	1.02%			
Safeway Inc.	3,573	7	0.73%			
Health Net of California	3,000	8	0.61%	2,720	9	0.42%
VSP Global	2,927	9	0.60%			
Pacific Gas and Electric Co	2,747	10	0.56%			
Wells Fargo & Co.				6,272	5	0.98%
Hewlett-Packard				3,600	7	0.56%
AT&T California				5,389	6	0.84%
Pride Industries				2,504	10	0.39%
Total	69,049		14.14%	54,276		8.46%

Note: Information presented is for the Sacramento region's major county employers since separate data is not available for Metro Fire.

Sources: Sacramento Business Journal Annual Book of Lists
Sacramento County Comprehensive Annual Financial Report

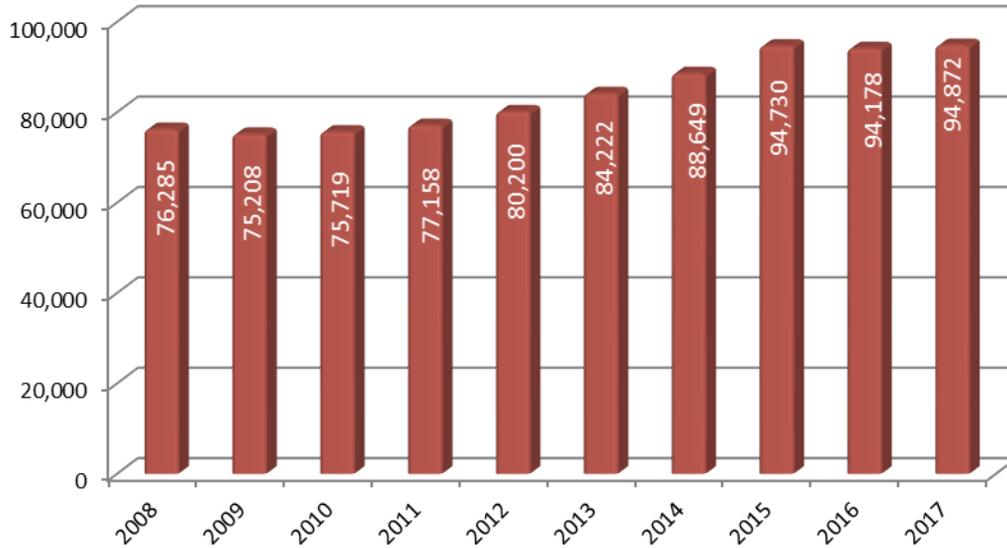
**SACRAMENTO METROPOLITAN FIRE DISTRICT
SUMMARY OF DISTRICT ACTIVITIES
FISCAL YEAR 2017-2018**

CATEGORY	TOTAL	% CHANGE
POPULATION	750,739	0.7%
OPERATIONAL FIRE STATIONS	41	0.0%
INCIDENT RESPONSES	97,252	-4.0%
TOTAL ACTUAL FULL-TIME EMPLOYEES	661	0.3%
WORKERS' COMPENSATION CLAIMS		
Premium and Claims Expenditures	\$ 2,649,916	-24.0%
LEAVE HOURS (All Personnel)		
Sick Leave Used	44,944	-10.5%
Service Connected Disability Leave	18,771	-17.6%
Vacation Time Used	129,927	-4.3%
TRAINING FOR SUPPRESSION PERSONNEL		
Total Training Hours	146,324	11.5%

Note: % change is the measurement against prior year actuals

Source: Sacramento Metropolitan Fire District Records

**SACRAMENTO METROPOLITAN FIRE DISTRICT
TOTAL RESPONSES
LAST TEN CALENDAR YEARS**



Note: Total incident responses have historically been tracked on a calendar year basis.

Source: Sacramento Metropolitan Fire District Operations Division Records

SACRAMENTO METROPOLITAN FIRE DISTRICT
EMERGENCY RESPONSE DETAIL ANALYSIS
FISCAL YEAR 2017-18
TOTAL RESPONSES: 97,252

INCIDENT REPORT SYSTEM CODE	CATEGORY DESCRIPTION	NUMBER OF INCIDENTS
FIRE INCIDENTS		
100,110	Fire, Other	246
111, 123	Building Fires	314
112	Fire in a structure other than a building	21
113	Cooking Fires	114
114, 115, 116, 117, 118, 120	Fires other than building or transportation	49
121	Mobile home used as a fixed residence	12
131	Passenger vehicle fire	257
122, 130, 132, 133, 134, 135, 136, 137, 138	Transportation fires other than passenger vehicles	93
140, 141, 142, 143	All vegetation fires	577
150, 151, 152, 153, 154, 155	Rubbish and dumpster/trash fires	856
160, 161, 162, 163, 164, 170, 171, 172, 173	Other outside fires	115
TOTAL FIRE INCIDENTS		2,654
OVERPRESSURE RUPTURE & EXPLOSION INCIDENTS		
200, 210, 211, 213, 220, 221, 223, 231	Steam, Air, Gas, or Chemical Rupture	21
240, 241, 242, 243	Fireworks or Bomb Explosion (no fire)	4
251	Excessive heat, scorch burns with no ignition	30
TOTAL OVERPRESSURE & RUPTURE & EXPLOSION		55
EMS & RESCUE INCIDENTS		
300,311,320	Rescue, EMS incident, other	2,501
321	EMS call, excluding vehicle accident with injury	58,833
322, 323, 324	Motor vehicle accidents	3,947
331, 340, 341, 342,343	Searches	18
350, 351, 352, 353, 354, 355, 356, 357	Extrications of various types	38
360, 361, 363, 365	Water Rescues	37
370, 371	Electrical Rescue / Electrocution	1
381	EMS Standby	24
TOTAL EMS & RESCUE INCIDENTS		65,399
HAZARDOUS CONDITIONS (No Fire)		
400	Other	147
410, 411, 412, 413	Flammable liquids and gas spills	333
420, 421, 422, 423	Toxics and chemical spills	17
424	Carbon monoxide incidents	31
440, 441, 442, 443, 444, 445	Electrical hazards	305
430, 451	Biological hazards	1
460, 461, 462, 463, 471, 480, 481, 482	Building/vehicle and other hazards	71
TOTAL HAZARDOUS CONDITIONS		905

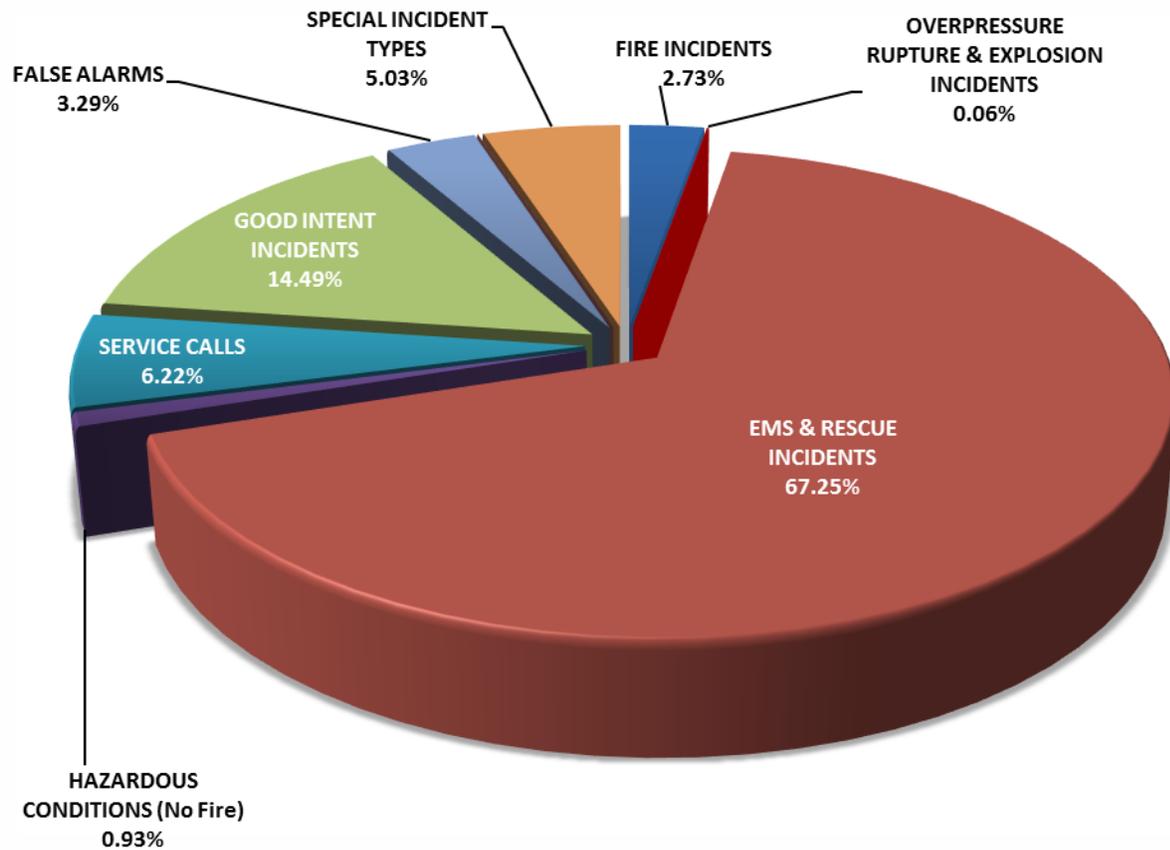
SACRAMENTO METROPOLITAN FIRE DISTRICT
EMERGENCY RESPONSE DETAIL ANALYSIS
FISCAL YEAR 2017-18
TOTAL RESPONSES: 97,252
(CONT.)

FIRE INCIDENT REPORT SYSTEM CODE	CATEGORY DESCRIPTION	NUMBER OF INCIDENTS
SERVICE CALLS		
500	Service calls	973
510, 511, 512	Distress, lock-outs, jewelry removal	630
520, 521, 522	Water incidents	230
531	Smoke removal	196
540, 541, 542	Animal problems	244
550, 553, 554	Public assists	3,218
551, 552	Law assists	361
555, 561, 571	Elevator, unauthorized burning, stand by	194
TOTAL SERVICE CALLS		6,046
GOOD INTENT INCIDENTS		
600	Other	2,573
611, 621, 622	Canceled en route, wrong location	11,259
631, 632, 641, 650, 651, 652, 653	Fire, smoke, or odor	217
661	EMS (PT self-transported)	27
671, 672	Haz-Mat, biological investigations	19
TOTAL GOOD INTENT INCIDENTS		14,095
FALSE ALARMS		
700	Other	819
7001, 7002, 7003, 7401	False alarm residential/school/auto aid	898
710, 711, 712, 713, 714, 715	Malicious, mischievous	116
721	Bomb scare	1
730, 731, 732, 733, 734, 735, 736, 740, 743, 744, 745, 746	System/device malfunction	1,343
741, 742, 751	Sprinkler/extinguishing system activation	24
TOTAL FALSE ALARMS		3,201
SEVERE WEATHER		
800	Other	2
812	Flood assessment	3
813, 814	Wind assessment	2
TOTAL SEVERE WEATHER		7
SPECIAL INCIDENT TYPES		
900	Special type of incident, Other, No code	114
9001	Released from call	4
9002	No Metro units responded	4,018
9003	Out of district	746
911	Citizen complaint	8
SPECIAL INCIDENT TYPES		4,890

Note: Total incident responses have been tracked on a calendar year basis in the past years. Data for the current year is being presented on a fiscal year basis.

Source: Sacramento Metropolitan Fire District Operations Division Records

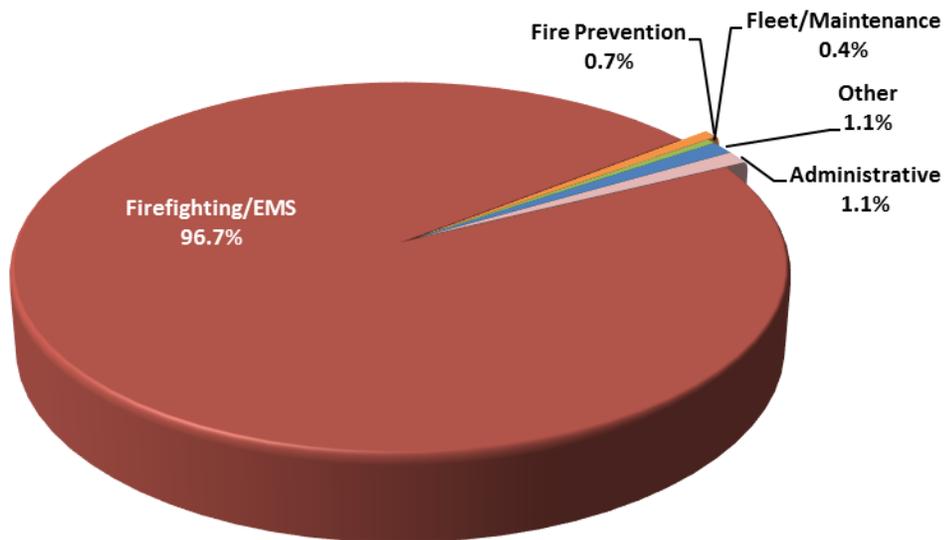
**SACRAMENTO METROPOLITAN FIRE DISTRICT
EMERGENCY RESPONSE - PERCENT OF TOTAL RESPONSE BY TYPE
FISCAL YEAR 2017-18**



Source: Sacramento Metropolitan Fire District Operations Division Records

**SACRAMENTO METROPOLITAN FIRE DISTRICT
SERVICE-CONNECTED INJURY/ILLNESS REPORT
FISCAL YEAR 2017-18**

INCIDENT ACTIVITY	NUMBER	%
Administrative	3	1.1%
Firefighting/EMS	264	96.7%
Fire Prevention	2	0.7%
Fleet/Maintenance	1	0.4%
Other	3	1.1%
TOTAL NUMBER OF MEDICAL INJURIES	273	



Source: Sacramento Metropolitan Fire District Human Resources Division Records

**SACRAMENTO METROPOLITAN FIRE DISTRICT
STAFFING SUMMARY
LAST TEN FISCAL YEARS**

DIVISION	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Office of the Fire Chief	4	7	7	7	9	8	9	10	11	11
Administration	5	4	3	2	2	2	2	2	1	1
Human Resources	9	4	4	3	4	4	5	6	6	6
Finance	16	12	11	10	12	12	13	13	13	13
Information Technology	10	7	8	9	7	7	7	8	8	8
Operations	8	7	7	8	8	8	8	8	8	12
Fire Suppression	605	533	520	525	522	522	522	522	522	522
Single Role Paramedic Program						65	61	61	61	61
EMS	8	5	7	7	6	6	8	8	8	8
Training, Safety, Health & Fitness	15	6	7	7	7	7	7	8	8	9
Communications					2	2	2	4	4	4
Support Services	2	2	1	1	1	1	1	1	1	1
Logistics	13	10	10	10	10	10	10	10	11	11
Facilities	6	3	3	4	4	4	4	4	4	5
Fleet	19	14	13	13	13	13	13	13	15	15
Community Risk Reduction	42	18	17	17	20	20	20	31	28	27
Community Services/Development	9	4	2	2	2	2	2	3	3	2
TOTAL	771	636	620	625	629	693	694	712	712	716

Note: Data above represents authorized positions.

Source: Sacramento Metropolitan Fire District Human Resources Division Records

**SACRAMENTO METROPOLITAN FIRE DISTRICT
CAPITAL ASSET STATISTICS BY FUNCTION
LAST SIX FISCAL YEARS**

Function	2013	2014	2015	2016	2017	2018
Public Safety:						
Number of Operational Stations	40	40	40	41	41	41
Number of Support Buildings	10	10	10	9	9	9
Equipment:						
Engine	53	53	53	53	55	57
Wildland Engine	36	40	40	40	40	39
Pumper/Foam	1	1	1	1	0	0
Ladder Truck	10	10	10	8	9	9
Hazmat Truck	1	1	1	1	2	2
Rescue Truck	2	2	2	2	2	2
Water Tender	6	6	6	6	5	6
Aircraft Rescue Firefighting Unit	4	4	4	4	3	3
Ambulance	51	54	45	50	60	43
Decontamination Unit	1	1	1	1	1	1
Dozer	1	2	2	2	2	2
Rescue Boat	2	2	3	4	4	3
Helicopter	1	2	2	2	2	2
Support/Other Vehicles	133	142	175	182	142	168

Complete information for fiscal years prior to 2013 is not available.

Source: Sacramento Metropolitan Fire District Fleet Division Records



This page intentionally left blank