SACRAMENTO METROPOLITAN FIRE DISTRICT

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2013

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SACRAMENTO METROPOLITAN FIRE DISTRICT

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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 (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District'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 opinion.

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 the District as of June 30, 2013 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Report on Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 to 16 and 21 to 23 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations 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 the District's internal control over financial reporting and compliance.

Richardson & Company

December 31, 2013

SACRAMENTO METROPOLITAN FIRE DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

The discussion and analysis of Sacramento Metropolitan Fire District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2013. Please read it in conjunction with the District's financial statements.

DISTRICT OVERVIEW

The Sacramento Metropolitan Fire District (District) is an independent special district created more than 11 years ago as a consolidation of 16 predecessor fire agencies, some founded as early as the 1920s. Upon the establishment of the District, it became the largest fire district in the County of Sacramento (County) and the seventh largest in the State of California (State). The District's service area contains both incorporated cities and unincorporated areas of the County, with only the cities of Sacramento, Folsom, and Elk Grove still providing their own fire protection services. Its service area covers 411 square miles, including Mather and McClellan Fields, former United States Air Force bases, now converted into commercial/business uses.

Fire protection and life safety services are provided to more than 655,000 residents. These services include: fire suppression, fire prevention (inspections, investigations, and building plan review), public education services, emergency medical advanced life support services (EMS), rescue services, and hazardous material response. The District responds to approximately 80,000 emergency calls annually. Because the majority of emergency calls are medical in nature, all firefighters are also certified as paramedics or emergency medical technicians (EMT).

Currently, the District has 629 authorized employees, which is 165 employees fewer than pre-recession staffing levels.

All of these resources are in place to carry out the District's mission of providing professional and compassionate protection, education and service to the community.

GOVERNANCE

A nine-member board of directors (Board) governs the District. The Board is responsible for establishing District policies, adopting the annual budget, and for appointing the fire chief. Board members are elected to four-year staggered terms, by resident voters within nine geographical divisions. In April 2011, the Board promoted Kurt P. Henke to the position of Fire Chief. Chief Henke uses more than 30 years of fire service experience to oversee all aspects of the District's fire protection and life safety services.

USING THIS ANNUAL REPORT

This annual report consists of a series of basic financial statements. The government-wide financial statements are comprised of the Statement of Net Position and the Statement of Activities which provide broad financial information and present a longer-term view of the District's finances. These statements are reported using the *accrual basis of accounting* which is similar to the accounting used by most private sector companies. All of the District's assets and liabilities are included in these statements, with the difference between the two reported as net position. Revenues and expenses are recognized as soon as the underlying event occurs, regardless of the timing of related cash flows. These two statements report the District's net position and changes in them. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial health of the District is improving or deteriorating.

The governmental fund financial statements are comprised of the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances which focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. These statements present a detailed short-term view of the District's operations and services. 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 the District's programs.

The District adopts an appropriated budget for its governmental fund and actual to budget comparisons are shown in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual. This required supplementary information demonstrates budget compliance.

Financial statement notes are an important part of the basic financial statements. They provide the readers additional information required by Generally Accepted Accounting Principles.

FINANCIAL HIGHLIGHTS

- During the year, the District generated $159.2 million in tax and other revenues from governmental programs, $2.6 million more than expenses.
- Labor cost reductions of about $10 million came from employee concessions primarily retirement benefit contributions of 12% of pay.
- The District was awarded three major grants: Staffing for Adequate Fire and Emergency Response (SAFER) Grant of $5.6 million, which funds 24 firefighters to staff two fire trucks; the Fire Prevention and Safety Grant for $1 million which will fund the development of a community wildland protection programs and raise public awareness within the community; and the Wellness and Fitness Program Grant for $463 thousand which will implement a mandatory wellness and fitness program for the District's firefighters.

❖ The District identified a new federal revenue source available to all governmental ground emergency medical transporters (GEMT) in California and partnered with the California Professional Firefighters to sponsor state legislation. A total of cost recovery of $3.7 million was accrued in the government-wide financial statements.

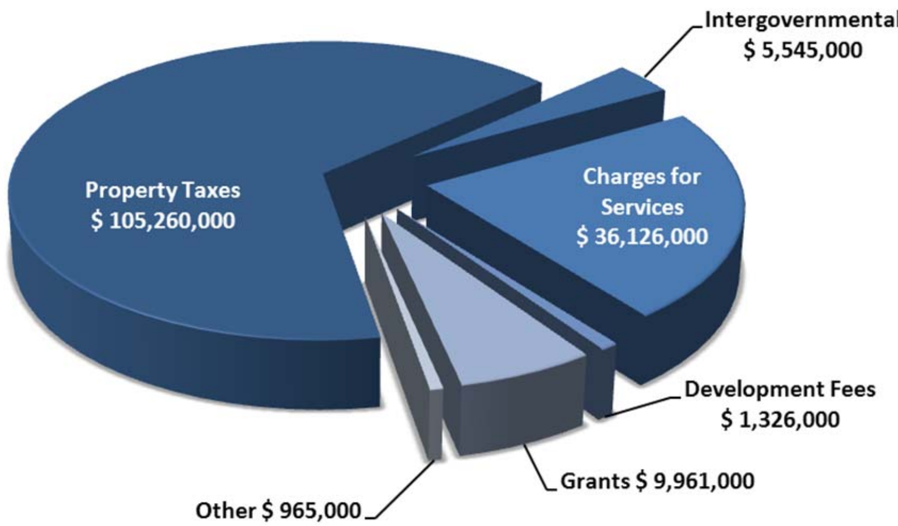
REVENUES

Funding for the services provided by the District primarily comes from property taxes which averaged 72% of total revenues for the last three years. This makes the District vulnerable to economic downturns affecting the real estate market. Other large revenue sources are charges for services and grant revenue. A summary of the District's Revenue Sources is presented below:

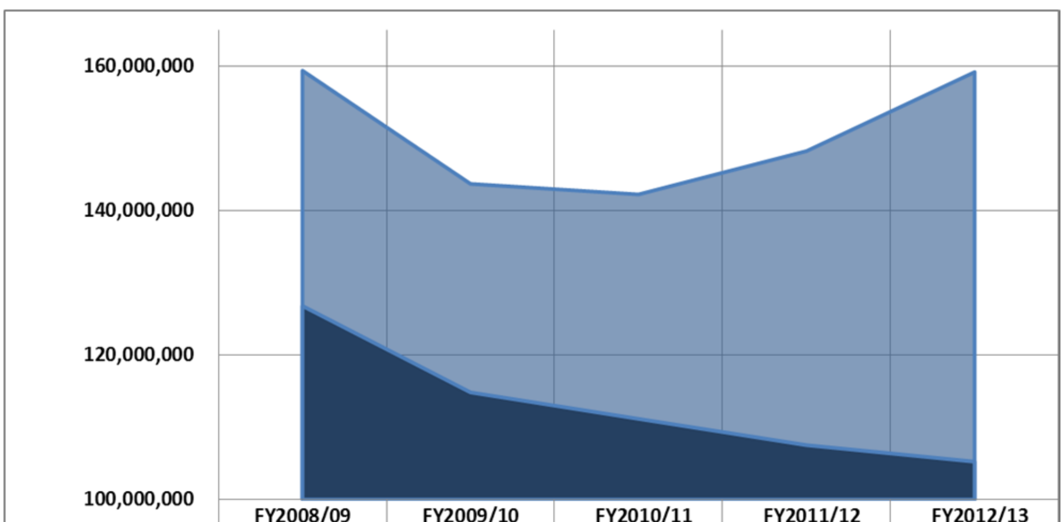
CONDENSED SCHEDULE OF REVENUES BY SOURCE
FOR FISCAL YEARS ENDED JUNE 30, 2013 AND 2012
(in thousands)

	2013	2012 Restated	Variance	% Variance
General revenues				
Property taxes & assessments	$ 105,260	$ 107,547	$ (2,287)	(2.1%)
Intergovernmental	5,545	3,972	1,573	39.6%
Use of money & property	1,012	718	294	40.9%
Miscellaneous	394	442	(48)	(10.9%)
Loss on disposal of assets	(448)	(45)	(403)	895.6%
Total general revenues	111,763	112,634	(871)	(0.8%)
Program revenues				
Charges for services	36,126	28,987	7,139	24.6%
Development fees	1,326	1,153	173	15.0%
Capital grants, operating grants, contributions	9,961	5,469	4,492	82.1%
Other	7	9	(2)	(22.2%)
Total program revenues	47,420	35,618	11,802	33.1%
Total revenues	$ 159,183	$ 148,252	$ 10,931	7.4%

REVENUE SOURCES FY2012/13



Since 2008, property values in the District's service areas have declined, resulting in reduced property tax revenues and forcing the District to reduce historic service levels. The property tax revenue for fiscal year 2012/13 dropped by $2.3 million for a total annual property tax loss of $22 million since 2008. In response, steps were taken in fiscal year 2008 to 2013 to address the huge drop in revenues. Cost saving measures were implemented and new revenue sources were pursued.

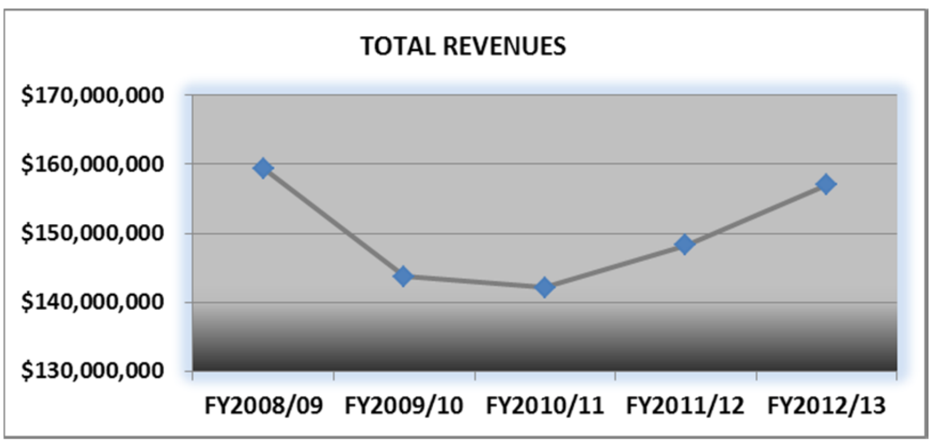


	FY2008/09	FY2009/10	FY2010/11	FY2011/12	FY2012/13
TOTAL REVENUE	159,376,514	143,706,445	142,246,616	148,252,165	159,182,663
PROPERTY TAXES	126,816,416	114,845,031	111,181,890	107,546,720	105,259,942

To mitigate property tax losses, revenue enhancements have been put into place by increasing emergency medical services provided directly by the District and cost-recovery fees. Charges for services were up $7.1 million in fiscal year 2012/13 as a result of implementing a Single Role Paramedic Program (SRPP) which ended a contract with an outside ambulance service and instead fielding ambulances staffed with District non-fire suppression EMT/Paramedic personnel. 61 paramedics were hired from two SRPP academies to staff this program. Fee adjustments were also put in place to better recover the cost of ambulance service.

Grants increased by $4.5 million mainly due to two reasons. The District's successful grant program continued to garner awards amounting to $7.1 million in fiscal year 2012/13. The majority of the awards came from a $5.6 million two-year SAFER federal grant awarded to the District in December 2012. This grant provides funding for 24 new firefighters to staff two fire trucks through March 2015. In addition, the District for the first time is receiving an additional $3.7 million in cost reimbursements provided by the GEMT program which is a new federal program to better reimburse the cost of GEMT services provided to Medi-Cal beneficiaries.

The District's total revenues in FY2012/13 increased by $10.9 million due primarily from EMS and grant revenues as noted above.

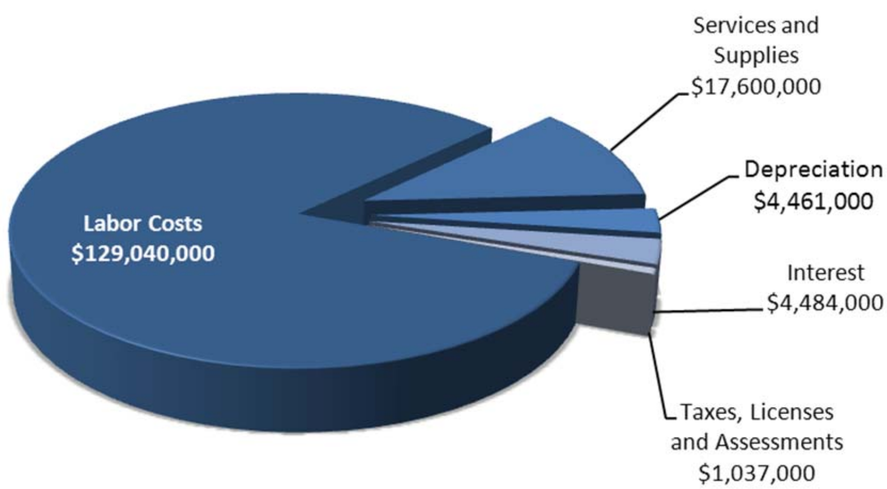


EXPENSES

As a community service provider, the majority of the District's expense is from labor costs which comprise about 82% of total expenses. A summary of the District's expenses is presented below:

CONDENSED SCHEDULE OF EXPENSES
FOR FISCAL YEARS ENDED JUNE 30, 2013 AND 2012
(in thousands)

	2013	2012	Variance	% Variance
Public protection				
Compensation	$ 116,353	$ 119,361	$ (3,008)	(2.5%)
Other Post Employment Benefits	12,687	16,579	(3,892)	(23.5%)
Services, supplies and materials	17,600	17,643	(43)	(0.2%)
Other	1,037	622	415	66.7%
Total public protection	147,677	154,205	(6,528)	4.2%
Interest	4,484	4,581	(97)	(2.1%)
Depreciation	4,461	3,507	954	27.2%
TOTAL EXPENSES	$ 156,622	$ 162,293	$ (5,671)	(3.5%)



In order to avoid incurring further deficits, over the last few years, the District has closed six engine companies and eliminated one Battalion Chief. Management is making every effort to minimize the impact to the citizens by putting in place a strategic service delivery model. The model works to shorten dispatch time by strategically changing ambulance locations, leveraging technology, decentralizing training, and implementing dynamic movement of emergency units for maximum coverage. Despite these measures, the District's response times to serious emergencies have eroded. In 2012, the District was able to meet its goal of four minutes travel time to only 56% of incidents, down from 64% in 2007.

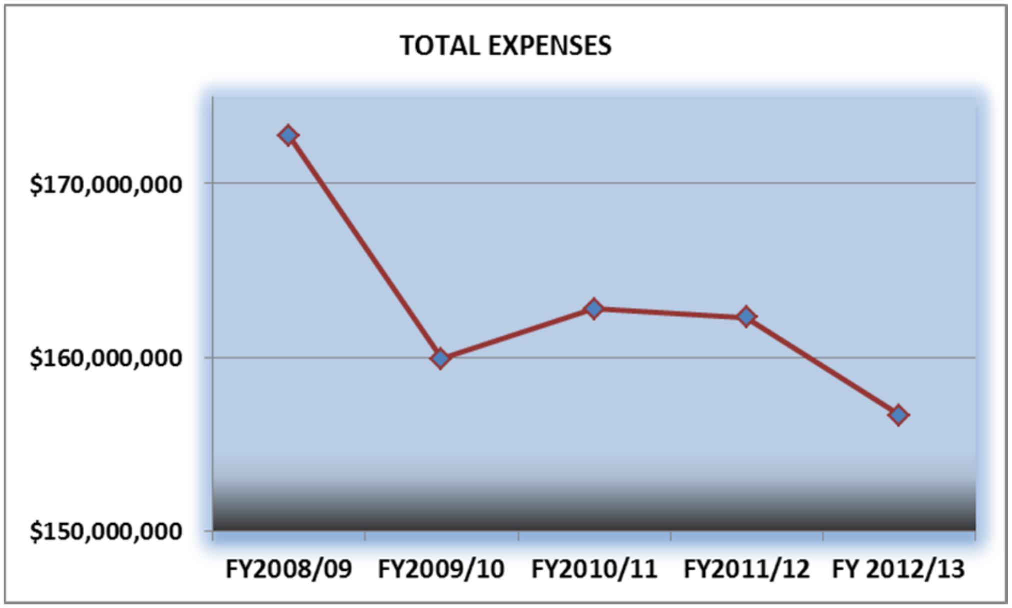
The most significant actions taken to balance the District's budget were reducing labor costs:

- Existing labor contracts were reopened in fiscal year 2010/11 and 2012/13 to seek employee concessions. Management and labor agreed to a package of concessions that generated $36 million in savings over the three-years ending June 30, 2013.
  - District employees agreed to provide 12% funding to retirement benefits, which results in a commensurate reduction in take-home pay. This change was fully phased in as of July 1, 2013. Concessions were also made to lower the rate of pay for overtime and callback pay.
  - Cost of living wage increases were eliminated in the current labor contracts and none have been given since fiscal year 2007/08.
  - Additionally, a second-tier of lower benefits for vesting in retiree medical has been instituted for new hires. This will lower the long-term other post-retirement benefits (OPEB) costs incurred by the District.
  - Employees and retirees agreed to contribute 8% towards their health insurance premiums beginning July 1, 2013. This resulted in lowering OPEB costs by $5.3 million in the current year.
  - In addition, management and labor have agreed to direct healthcare savings resulting from the fiscal 2012/13 labor concessions to prefund OPEB costs. The District set-up a trust that is being managed by CalPERS. As of June 30, 2013, the District had contributed $2 million for payment of future post-employment medical benefits. This effort to consistently contribute an amount greater than or equal to the Annual Required Contribution in a trust that is targeted to earn a 7.25% income results in lowering the ongoing annual OPEB costs.

- The pay package for the position of Fire Chief was reduced since fiscal year 2010/11, with the current contract representing a 21% reduction in total compensation compared to his predecessor's pay package, saving the District $89,000 annually.

- No safety positions were cut. In fact, to replace retiring firefighters and to put in federally funded safety positions, 36 firefighters were hired from one fire academy. By replacing retiring firefighters, the District lowers base pay and overtime expenses.

The cost reduction efforts noted above kept the cost of public protection services in check, which decreased $6.5 million (or 4.3%).



Economic analyses show the Sacramento region still faces serious economic woes. While recent improvement in the real estate market is encouraging, any property tax revenue recovery will happen very gradually.

In the meantime, the District is making tough decisions in challenging economic times. Management is working with employees to reduce costs and replace lost revenue by using fees to recover costs, where appropriate. The current results show financial progress in the short-term, while long-term projections are showing serious financial issues. To address those issues and their impacts on public safety services, the District recently formed a Citizens Advisory Committee consisting of leaders from throughout the community to advise the Fire Chief and his management team on strategies toward financial sustainability. In addition, the Board of Directors, Management, Labor and employees are working collaboratively on this issue as well, all in an effort to continue serving the public's interests.

NET POSITION

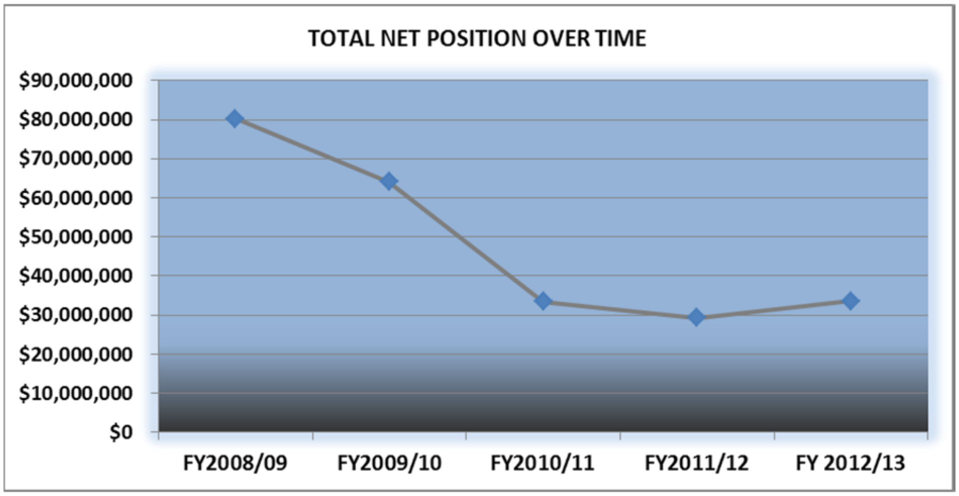
The condensed Statement of Net Position below show that the District is stemming the tide caused by financial challenges as indicated by improving net position levels in the past two fiscal years.

	2013	2012	Variance	% Variance
Assets:				
Current and other	$ 61,949	$ 59,198	$ 2,751	4.6%
Pension asset	74,480	72,712	1,768	2.4%
Capital assets	91,598	90,152	1,446	1.6%
Total Assets	228,027	222,062	5,965	2.7%
Liabilities:				
Current	40,283	33,955	6,328	18.6%
Long-Term	155,855	158,779	(2,924)	(1.8%)
Total Liabilities	196,138	192,734	3,404	1.8%
Net Position:				
Net investment in capital assets	71,966	69,132	2,834	4.1%
Restricted	5,698	9,507	(3,809)	(40.1%)
Unrestricted	(45,775)	(49,311)	3,536	(7.2%)
TOTAL NET POSITION	$ 31,889	$ 29,328	$ 2,561	8.7%

Unrestricted net position, which can be used to finance day-to-day operations without constraints, increased $3.5 million lowering the deficit to $45.8 million. This deficit is caused by the inclusion of post-retirement medical costs in the operating expenses. Restricted net position, on the other hand, decreased by $3.8 million resulting in a balance of $5.7 million, the bulk of which can only be used for capital outlay expenses and debt service.

SCHEDULE OF CHANGES IN NET POSITION
FOR FISCAL YEARS ENDED JUNE 30, 2013 AND 2012
(in thousands)

	2013	2012
Total revenues	$ 159,183	$ 148,252
Total expenses	(156,622)	(162,293)
Excess (Deficiency)	2,561	(14,041)
Beginning net position	29,328	43,369
Ending Net Position	$ 31,889	$ 29,328



The graph above shows that the District's net position has been reduced over time. However, in fiscal year 2012/13, the District's total net position as a whole increased by $382 thousand which indicates an improvement of the District's overall financial condition.

ASSETS

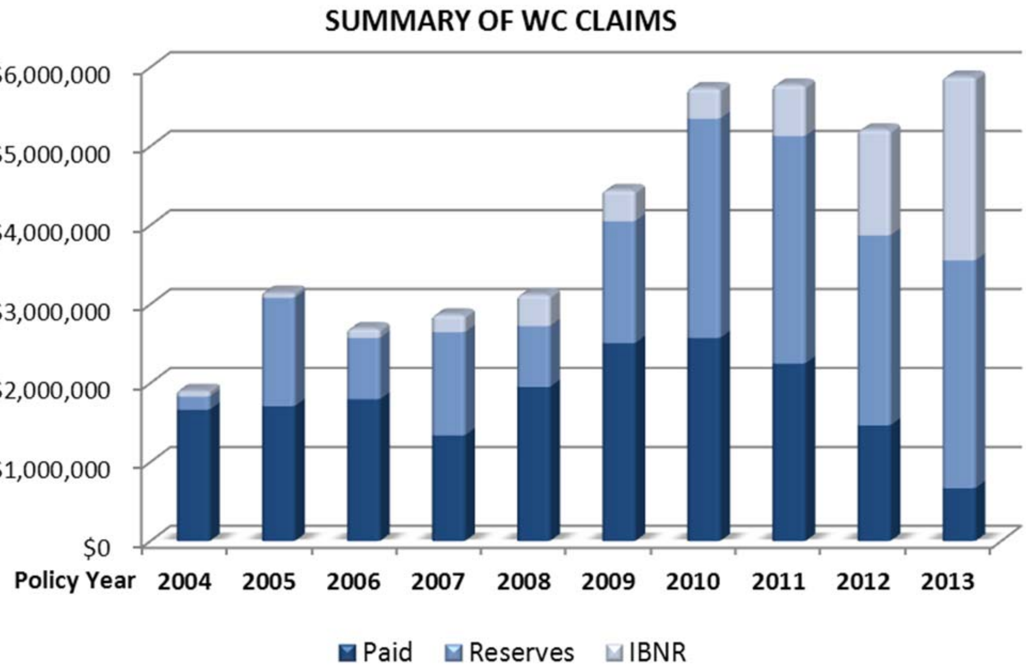
Current and Other Assets increased by $2.7 million in fiscal year 2012/13 mainly due to receivable for cost reimbursements from the GEMT program previously discussed. Pension and capital assets also increased in total by $3.2 million. Capital assets are more thoroughly discussed in a later section.

LIABILITIES

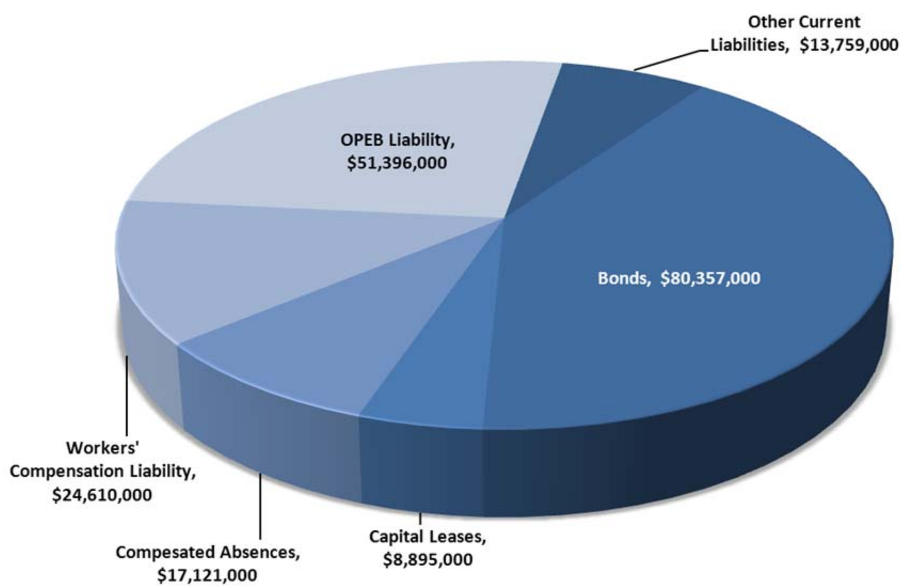
Current liabilities include amounts for trade payables, labor costs payable, unearned revenue, accrued interest payable and debt principal due within one year. Those amounts remained virtually the same. Long-term liabilities include the capital leases, bonds, compensated absences, OPEB liability and workers' compensation liability. Capital leases and bonds are discussed on page 16. The District has partially funded retiree benefits in fiscal year 2012/13; $6.9 million was spent on retiree benefits while about $2 million was contributed to an OPEB Trust. The difference between the annual required contribution (ARC) and the partial funding payments of $3.8 million was added to the OPEB liability which is at $51.4 million as of June 30, 2013. The District has made a commitment to fully fund the ARC in the upcoming fiscal years. As shown in the most current OPEB actuarial valuation, the current actuarial accrued liability dropped more than $92 million from changing the OPEB from pay-as-you-go to prefunding costs and also obtaining medical premium cost sharing with retirees and employees.

The District is self-insured for workers' compensation claims and its 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, 2013 was $24.6 million. Due to the nature of workers' compensation claims, which can take years to develop, the liability arose from claims in various policy years.

Below is a graphical presentation of the District's claim losses by policy year since 2004, which reflects how much remains outstanding for each year.



The breakdown of the District's liabilities is as follows:



GOVERNMENTAL FUND BALANCE AND BUDGETARY HIGHLIGHTS

The District's budget is prepared using *modified accrual basis* used in governmental fund accounting which focuses on near-term inflows and outflows of spendable resources. As such, the budget to actual is significantly more favorable than the *full accrual* government-wide financial statements discussed earlier in the Management's Discussion and Analysis. For example, the governmental fund reflects only post-retirement medical costs paid out during the fiscal year, which is $3.8 million less than costs in the *full accrual basis* financial statements.

Budgetary fund variances are monitored by the Board of Directors during the Finance Committee meetings. As necessary, the District Board revises its budget when new information is available. The District governmental fund final budget forecasted for an $8.6 million deficit funded by reserves. This budgeted deficit was comprised of $1.8 million in General Fund reserves to startup the new Single Role Paramedic Program and the remaining $6.8 million is from the use of restricted reserves from grants, debt proceeds, and development fees. Actual results had a more favorable $1.2 million deficit all from the use of the restricted reserves. A comparison of the District's original and final budget as well as the actual governmental fund results for the various funds appears on pages 21 to 23 of this report. Below is summary of final budget and actual results for all funds:

CONDENSED SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET TO ACTUAL - ALL GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(in thousands)

	Final Budget	Actual	Variance
Total Revenues	$ 165,337	$ 155,073	$ (10,264)
Total Expenditures	(173,944)	(156,349)	17,595
Financing Sources	47	46	(1)
Net Change in Fund Balance	$ (8,560)	$ (1,230)	$ 7,330

Total actual revenues were $10.2 million lower than budgeted mainly due to grant revenues that were budgeted in FY 2012/13 but were not received within the availability period as projected and not included as revenues in the governmental fund financial statements prepared under the modified accrual basis. Total actual expenditures were $17.6 million lower than budgeted mainly due to the following:

- labor cost savings in the General fund of about $4.9M or 3.8% as a result of replacing retiring firefighters with new recruits with lower base pay, lower payout of accruals, etc.;
- successful implementation of various cost cutting programs kept services and supplies expenditures saved $3 million; an additional $1.5 million was due to timing differences in services incurred after the fiscal year-end;
- capital outlay expenditures of about $5.7 million remained unspent and carried over to next budget year;
- about $2.4 million were budgeted for early payoff of the pension bonds as required by the County of Sacramento, but were recorded as assets in the governmental fund balance sheet to comply with Generally Accepted Accounting Principles.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of fiscal year 2012/13, the District had $91.6 million invested in a broad range of capital assets, including buildings, fire stations, and various pieces of equipment. This amount represents an increase of about $1.4 million, or 1.6%, from last year.

CAPITAL ASSETS AT YEAR-END
NET OF DEPRECIATION
(in thousands)

	2013	2012
Land	$ 23,131	$ 23,131
Construction in progress	3,945	2,797
Building and improvements	38,473	39,272
Equipment	26,049	24,952
Totals	$ 91,598	$ 90,152

The District owns 42 fire stations: 37 fire stations for fire suppression/EMS responses, one station for air operations, and four stations closed for cost savings. The District also owns its headquarters building, a fire prevention/supply warehouse building, a training facility, a fleet maintenance shop, and two surplus office buildings. District resources include more than 330 vehicles and units of equipment consisting of fire engines, fire trucks, ambulances, a hazardous materials truck, aerial ladder trucks, two aerial platform truck, rescue boats, one heavy rescue unit, two firefighting rescue helicopters, a bulldozer, a decontamination unit and multiple support staff vehicles.

Funding for infrastructure historically has come from development fees. With the virtual halt of construction in the area, the District was unable to fund infrastructure improvements and replacements in its usual way. To begin funding the District's aging infrastructure and fire service apparatus needs, $11.2 million in debt was incurred in fiscal year 2010/11, and another $13 million was incurred in fiscal year 2011/12. A large portion of the fiscal year 2011/12 debt proceeds repaid the District's reserves which had been advanced to purchase the headquarters building. Offsetting the debt service payments is lease revenue from the District's new tenant sharing space in the District's headquarters building located on the former Mather Air Force Base in Rancho Cordova.

District operations were relocated to the headquarters building at the end of calendar year 2011. The move allowed a consolidation of all Administrative Staff to one location for maximum efficiency and staff coordination. When fully executed, the leasing of the two office buildings formerly occupied by the District will generate positive cash flow for further reinvestment in infrastructure replacement. Despite these efforts, the District is still unable to fully meet its infrastructure needs and is continuing to defer other needed facilities projects and equipment replacement. Additional detail regarding capital assets is located in Note C of the financial statements.

DEBT ADMINISTRATION

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

OUTSTANDING DEBT AT YEAR-END
(in thousands)

	2013	2012
Pension bonds payable	$ 68,376	$ 69,010
Lease revenue bonds payable	11,981	12,724
Capital leases	8,895	10,076
Totals	$ 89,252	$ 91,810

New debt resulted mainly from issuing lease revenue bonds for covering the costs of the District's new headquarters, as well as the purchase of various pieces of equipment. In conjunction with the December 2011 debt issuance, Moody's Investor Service rated the District's credit as a favorable A1. For the fiscal year ended June 30, 2013, the District has drawn down $460 thousand in bond proceeds and has remaining $1.2M in unspent proceeds.

The District budget includes bi-annual principal and interest payments. In addition, the District 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 2018 and 2025, respectively. Additional detail regarding long-term debt is located in Note F of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The upcoming fiscal year budget is balanced and uses no unassigned reserves. Over the last few years, steep declines in property tax funding caused curtailment of critical community health and safety services, most especially fire suppression capabilities. Fiscal year 2013/14's budget does not reduce services any further. Unfortunately, however, resources continue to be very tight and no funding was available to restore any services provided by the six closed engine companies. This is the case even with proactive steps taken by the District to obtain labor concessions, reduce its labor force, and more effectively recover costs through fees where appropriate. Resources available are focused on providing mission critical health and safety services to the community.

OBTAINING ADDITIONAL INFORMATION

These financial reports are intended to provide the District's elected officials, citizens, investors, and creditors with a general overview of the District's financial condition and an accounting of the public's money. If you have questions about this report or need more financial information, contact the District's Chief Financial Officer at 10565 Armstrong Avenue, Mather, CA 95655. More information on the District's operations can also be found at www.metrofire.ca.gov.

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SACRAMENTO METROPOLITAN FIRE DISTRICT

STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET

June 30, 2013

	Major Funds		Non-major Fund	
	General Fund	Grant Funds	Capital Facilities	Total
ASSETS				
Cash and investments	$ 33,469,087			$ 33,469,087
Receivables, net of				
allowance for uncollectibles:				
Medic fees receivable	7,252,778			7,252,778
Interest receivable	24,298	$ 14	$ 6,297	30,609
Taxes receivable	4,495,308			4,495,308
Other receivables	1,093,993		20,749	1,114,742
Due from other governments	5,372,131	2,145,405	5,317	7,522,853
Due from other funds	513,918	417,717	3,675	935,310
Inventory	2,702,350			2,702,350
Prepaid costs and other assets	6,768		670,957	677,725
Restricted cash and investments	300,405		4,383,212	4,683,617
Pension asset				
Capital assets:				
Not being depreciated				
Being depreciated, net				
TOTAL ASSETS	$ 55,231,036	$ 2,563,136	$ 5,090,207	$ 62,884,379
LIABILITIES				
Accounts payable and accrued expenses	$ 4,084,592	$ 755,885	$ 467,706	$ 5,308,183
Salaries and benefits payable	7,289,388	452,605		7,741,993
Due to other funds	421,392	482,503	31,415	935,310
Accrued interest payable		1,160		1,160
Long-term liabilities:				
Due within one year	227,814			227,814
Due in more than one year				
TOTAL LIABILITIES	12,023,186	1,692,153	499,121	14,214,460
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	8,987,790	1,095,704		10,083,494
TOTAL DEFERRED INFLOWS OF RESOURCES	8,987,790	1,095,704		10,083,494
FUND BALANCES/NET POSITION				
Fund balance:				
Nonspendable	2,709,618		670,957	3,380,575
Restricted	467,839		3,920,129	4,387,968
Committed	15,881,581			15,881,581
Unassigned	15,161,022	(224,721)		14,936,301
Total fund balances	34,220,060	(224,721)	4,591,086	38,586,425
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 55,231,036	$ 2,563,136	$ 5,090,207	$ 62,884,379
Net position:				
Net investment in capital assets				
Restricted				
Unrestricted				
TOTAL NET POSITION				

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

Adjustments (Note N)	Statement of Net Position
	$ 33,469,087
	7,252,778
	30,609
	4,495,308
	1,114,742
	7,522,853
$ (935,310)	
	2,702,350
	677,725
	4,683,617
74,479,737	74,479,737
27,076,070	27,076,070
64,521,782	64,521,782
165,142,279	228,026,658
	5,308,183
	7,741,993
(935,310)	
707,810	708,970
26,296,204	26,524,018
155,854,663	155,854,663
181,923,367	196,137,827
(10,083,494)	
(10,083,494)	
(3,380,575)	
1,095,704	
(15,881,581)	
(14,936,301)	
(33,102,753)	
71,965,686	71,965,686
5,697,883	5,697,883
(45,815,686)	(45,815,686)
$ (1,254,870)	$ 31,847,883

SACRAMENTO METROPOLITAN FIRE DISTRICT

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 2013

	Major Funds		Non-major Fund	
	General Fund	Grant Funds	Capital Facilities	Total
PROGRAM REVENUES				
Charges for services	$ 36,710,780			$ 36,710,780
Development fees			$ 1,326,406	1,326,406
Operating grants and contributions		$ 3,518,496		3,518,496
Capital contribution:				
Capital grants		2,611,433		2,611,433
Donated equipment				
Fines, forfeitures, and penalties	6,624			6,624
TOTAL PROGRAM REVENUES	36,717,404	6,129,929	1,326,406	44,173,739
EXPENDITURES/EXPENSES				
Current:				
Public protection	139,449,349	3,807,196	356,041	143,612,586
Capital outlay	820,606	2,803,440	2,040,650	5,664,696
Debt service:				
Principal	1,892,520		1,663,626	3,556,146
Interest and financing costs	2,855,208		660,429	3,515,637
Depreciation				
TOTAL EXPENDITURES/EXPENSES	145,017,683	6,610,636	4,720,746	156,349,065
NET PROGRAM EXPENSE	(108,300,279)	(480,707)	(3,394,340)	(112,175,326)
GENERAL REVENUES				
Property taxes and assessments	105,058,038			105,058,038
Intergovernmental	4,252,044	10,548	169,264	4,431,856
Use of money and property	1,002,088	(7,380)	20,252	1,014,960
Miscellaneous	378,519	34	15,350	393,903
Loss on disposal of assets				
TOTAL GENERAL REVENUES	110,690,689	3,202	204,866	110,898,757
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,390,410	(477,505)	(3,189,474)	(1,276,569)
OTHER FINANCING SOURCES:				
Transfers in		86,010		86,010
Transfers out	(86,010)			(86,010)
Proceeds from sale of assets	46,200			46,200
SOURCES (USES)	(39,810)	86,010	-	46,200
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	2,350,600	(391,495)	(3,189,474)	(1,230,369)
Fund balance/net position, beginning of year - as previously reported	32,633,185	166,774	7,780,560	40,580,519
Restatement	(763,725)			(763,725)
Fund balance/net position, beginning of year - as restated	31,869,460	166,774	7,780,560	39,816,794
FUND BALANCE/NET POSITION END OF YEAR	$ 34,220,060	$ (224,721)	$ 4,591,086	$ 38,586,425

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

Adjustments (Note N)	Statement of Activities
$ (584,801)	$ 36,125,979
	1,326,406
2,502,663	6,021,159
853,331	3,464,764
475,000	475,000
	6,624
3,246,193	47,419,932
4,064,772	147,677,358
(5,664,696)	
(3,556,146)	
967,918	4,483,555
4,461,321	4,461,321
273,169	156,622,234
2,973,024	(109,202,302)
201,904	105,259,942
1,112,650	5,544,506
(2,715)	1,012,245
	393,903
(447,865)	(447,865)
863,974	111,762,731
3,836,998	2,560,429
(86,010)	
86,010	
(46,200)	
(46,200)	-
3,790,798	2,560,429
(10,488,392)	30,092,127
	(763,725)
(10,488,392)	29,328,402
$ (6,697,594)	$ 31,888,831

SACRAMENTO METROPOLITAN FIRE DISTRICT

STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes and assessments	$ 102,832,001	$ 105,212,201	$ 105,058,038	$ (154,163)
Intergovernmental	8,828,251	9,844,253	4,252,044	(5,592,209)
Charges for services	34,752,626	36,630,517	36,710,780	80,263
Use of money and property	1,052,429	930,704	1,002,088	71,384
Fines, forfeitures, and penalties	9,969	9,969	6,624	(3,345)
Miscellaneous	7,000	66,381	378,519	312,138
TOTAL REVENUES	147,482,276	152,694,025	147,408,093	(5,285,932)
EXPENDITURES				
Current:				
Public protection				
Salaries and personnel	122,659,737	126,832,034	121,946,066	4,885,968
Services and supplies	17,833,848	18,892,171	17,061,973	1,830,198
Other	331,000	345,928	441,310	(95,382)
Capital outlay	883,264	1,237,986	820,606	417,380
Debt service:				
Principal	6,899,387	4,255,620	1,892,520	2,363,100
Interest and financing costs	222,504	2,866,271	2,855,208	11,063
TOTAL EXPENDITURES	148,829,740	154,430,010	145,017,683	9,412,327
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	(1,347,464)	(1,735,985)	2,390,410	4,126,395
OTHER FINANCING SOURCES				
Transfers out	(39,725)	(87,905)	(86,010)	1,895
Proceeds from sale of assets		47,405	46,200	(1,205)
TOTAL OTHER FINANCING SOURCES	(39,725)	(40,500)	(39,810)	690
NET CHANGE IN FUND BALANCE	$ (1,387,189)	$ (1,776,485)	$ 2,350,600	$ 4,127,085

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

SACRAMENTO METROPOLITAN FIRE DISTRICT

STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GRANT FUND

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Intergovernmental	$ 7,871,996	$ 9,750,531	$ 6,140,477	$ (3,610,054)
Use of money and property	200	200	(7,380)	(7,580)
Fines, forfeitures, and penalties		37,114		(37,114)
Miscellaneous			34	34
TOTAL REVENUES	7,872,196	9,787,845	6,133,131	(3,654,714)
EXPENDITURES				
Current:				
Public protection				
Salaries and personnel	2,468,965	3,437,279	3,029,079	408,200
Services and supplies	2,862,400	2,976,188	241,170	2,735,018
Other			536,947	(536,947)
Capital outlay	4,074,889	4,164,890	2,803,440	1,361,450
TOTAL EXPENDITURES	9,406,254	10,578,357	6,610,636	3,967,721
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	(1,534,058)	(790,512)	(477,505)	313,007
OTHER FINANCING SOURCES				
Transfers in	39,725	87,905	86,010	(1,895)
TOTAL OTHER FINANCING SOURCES	39,725	87,905	86,010	(1,895)
NET CHANGE IN FUND BALANCE	$ (1,494,333)	$ (702,607)	$ (391,495)	$ 311,112

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
CAPITAL FACILITIES

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Intergovernmental	$ 469,131	$ 1,769,131	$ 169,264	$ (1,599,867)
Development fees	1,041,000	1,041,000	1,326,406	285,406
Use of money and property	30,000	30,000	20,252	(9,748)
Miscellaneous		15,000	15,350	350
TOTAL REVENUES	1,540,131	2,855,131	1,531,272	(1,323,859)
EXPENDITURES				
Current:				
Public protection				
Services and supplies	158,320	227,320	297,430	(70,110)
Other		400,000	58,611	341,389
Capital outlay	5,378,224	5,984,118	2,040,650	3,943,468
Debt service:				
Principal	1,670,398	1,670,398	1,663,626	6,772
Interest and financing costs	653,660	653,660	660,429	(6,769)
TOTAL EXPENDITURES	7,860,602	8,935,496	4,720,746	4,214,750
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	(6,320,471)	(6,080,365)	(3,189,474)	2,890,891
OTHER FINANCING SOURCES				
Transfers out	(89,261)			-
TOTAL OTHER FINANCING SOURCES	(89,261)	-	-	-
NET CHANGE IN FUND BALANCE	$ (6,409,732)	$ (6,080,365)	$ (3,189,474)	$ 2,890,891

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

NOTE A–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District 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. The District's significant accounting policies are described below.

Scope of Financial Reporting Entity

The District 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. The District's boundaries cover approximately 411 square miles that include Sacramento and Placer counties with a population exceeding 655,000 residents. The District provides fire protection services including fire suppression, fire prevention, inspection, plan checking, and public education programs. It also provides emergency medical services, advanced life support and rescue services, and ambulance services. It employs approximately 629 people and operates forty-two fire stations, an administration building, a fire prevention/supply warehouse building, a training facility, a fleet maintenance shop, and two surplus office buildings.

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether it exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters), the scope of public service, and a special financing relationship. The District has determined that no outside entity meets the above criteria, and therefore, no agency has been included as a component unit in the District's financial statements. In addition, the District is not aware of any entity that would exercise such oversight responsibility that would result in the District being considered a component unit of that entity.

Joint Powers Authorities or Jointly Governed Organizations

The District is a member of the California Fire and Rescue Training Authority (CFRTA) at Sacramento, the Sacramento Regional Fire/EMS Communications Center (SRFECC), the Special District Risk Management Authority (SDRMA), and the California Municipal Finance Authority (CMFA) for which the District participation does not involve an ongoing financial interest or responsibility. As a member of these organizations, the District receives the following services:

- CFRTA provides fire, rescue, EMS, and Haz-Mat training
- SRFECC serves as the District's fire and EMS dispatch center
- SDRMA provides insurance coverage for general and auto liability, errors and omissions, property, boiler and machinery and employee dishonesty
- CMFA facilitates the issuance of District bonds

NOTE A–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The amounts contributed to these jointly governed organizations in fiscal year 2012/13 consist of the following:

CFRTA	$ 45,000
SRFECC	2,795,952
SDRMA	466,733

During the year, the District paid CFRTA $230,214 for training costs. On December 19, 2011, the District entered into a ground lease agreement with CFRTA whereby the District leased 8.25 acres of land to CFRTA for 55 years at a minimum rental fee of $30,000 per year, to be increased by $10,000 per year upon additional agencies joining CFRTA. On March 14, 2013, the District entered into a reimbursement agreement with CFRTA for the construction and installation of Urban Search and Rescue props on the aforementioned land leased by CFRTA. The total reimbursement was set not to exceed $2,761,608. No amounts were expended under this agreement as of June 30, 2013.

Basis of presentation - Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the District. The effect of interfund activity has been removed from these statements. The District 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 of which they are levied. Grants and similar items are recognized as revenue when all eligibility requirements have been met.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE A–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - 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, the District 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. 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

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. Payable balances consist primarily of payables to vendors.

Fund Accounting

The accounts of the District 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. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent. The District's funds are as follows:

Major Funds

The General Fund is the general operating fund of the District. 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.

The Grant Fund is used to account for the proceeds of federal grants that are legally restricted to expenditures for specific purposes.

Nonmajor Funds

The Capital Facilities Fund is used to account for all resources received from developer impact fees as well as proceeds from the District's lease revenue bonds. It is used for the acquisition or construction of major capital facilities and equipment.

Fiduciary funds are used to account for assets held by the District in a trustee capacity. In the previous year, the District maintained a fiduciary fund for the benefit of a surviving spouse of a retiree. This fund was closed during the year when benefit payments for the sole beneficiary expired in December 2012.

NOTE A–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Principles

As required by the laws of the State of California, the District prepares and legally adopts a final balanced operating budget on or before October 1 of each fiscal year. Public hearings are conducted on the proposed final budget to review all appropriations, sources of financing, and to provide opportunities for public comment. The District's governing board satisfied these requirements.

Operating budgets are adopted for the General Fund on the modified accrual basis of accounting. Budgetary control and the legal level of control are at the fund level. Significant operating or capital spending changes are addressed by the District's Board of Directors in their Mid-Year Budget amendment or earlier if necessary. The final budget data contained in the financial statements reflects the effect of all approved budget amendments.

The Statements of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual is included as part of the basic financial statements. Reclassifications were made in the budgeted amounts to be consistent with the presentation of the actual balances. These reclassifications include transferring budgeted capital outlay to services and supplies for capital expenditures not meeting the District's capitalization threshold and eliminating intrafund transfers.

Medic Fees Receivable

Accounts receivable arises from billings to insurance companies and patients medic services. The District has a receivable balance of $7,252,778 which is net of allowance for doubtful accounts of $11,691,903 at June 30, 2013. The allowance includes an estimate for future uncollectible debt and insurance write-offs.

Inventory

Inventories are stated at the lower of average cost or market. Inventories consist of medical and other supplies, vehicle parts, helicopter parts, and fuel.

Prepaid Costs

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. Prepaid costs of governmental funds offset Nonspendable fund balance to indicate they do not constitute resources available for future appropriation.

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 the District 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 estimated fair market value at the date of donation. 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 extended assets lives are not capitalized.

NOTE A–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets are depreciated using the straight-line method over the following useful lives:

Asset Class	Years
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.

Restricted Assets

The District's restricted assets consist of fees collected to defray the cost of constructing facilities to serve new construction, unspent bond proceeds for capital acquisitions, amounts held for payment of workers compensation claims and for the District's flexible spending plan, and debt service reserves.

Unavailable and Unearned Revenues

Unearned revenues arise when resources are received by the District before it has legal claim to them (i.e., when grant monies are received prior to the incurrence of qualifying expenditures). Unavailable revenues in governmental funds arise when a potential revenue source does not meet both the "measurable" and "available" criteria for recognition in the current period. Revenues not received in the availability period are recognized for the government-wide presentation.

Compensated Absences

Regular, full-time District employees are granted vacation, sick and holiday 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. District employees may receive from 36% to 38% of accumulated sick leave in cash upon termination, 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 they have matured, for example, as a result of employee resignations and retirements and is currently payable. Each year's budget includes a provision for the estimated expenditure for the current year.

NOTE A–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 cash value of taxable property, plus other increases approved by the voters and distributed in accordance with statutory formulas. The District recognizes property taxes when the individual installments are due provided they are collected within 60 days after year-end.

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

The 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.

Charges for Services

The District incurs costs associated with deploying strike teams to fight fires for which it receives reimbursement from other agencies for the salary and other costs reimbursed by the District. The District reflects these reimbursements as revenues and related costs as expenses.

NOTE A–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Eliminations

In the process of aggregating data for the government-wide statements, some amounts reported as interfund activity and balances in the fund financial statements were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities.

New Pronouncements

In June 2012, the GASB approved Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as a liability on the statement of net position and to more comprehensively and comparably measure the annual costs of pension benefits. Among other things, this Statement requires the balance sheet to reflect the plan funding status showing the net difference between the pension liabilities and pension assets. Pension liabilities are determined using the entry age normal cost method and pension assets are determined using market value. Certain other changes will also impact the pension liability and expense. In addition, this Statement requires employers to revise and expand note disclosures and to provide required supplementary information (RSI). The implementation of this GASB Statement will have a significant impact on the District's financial statements and is effective for the District's June 30, 2015 financial statements.

NOTE B–CASH AND INVESTMENTS

As of June 30, 2013, the District's cash and investments are classified in the accompanying financial statements as follows:

Cash and investments	$ 33,469,087
Restricted cash and investments	4,683,617
	$ 38,152,704

Cash and investments as of June 30, 2013 consisted of the following:

Cash on hand and in banks	$ 688,950
Investment in Sacramento County Pooled Investment Fund	23,383,794
Investments with fiscal agent	
Money market mutual funds	13,648,527
Local Agency Investment Fund	431,433
	$ 38,152,704

Cash on hand and in banks consists of all cash held by the District and all cash maintained in commercial bank accounts. Cash in County treasury consists of District cash held by the Sacramento County Treasury that is invested in the County investment pool.

NOTE B–CASH AND INVESTMENTS (Continued)

Investments with fiscal agent consist of funds held at Deutsche Bank committed to the planned early retirement of the District's pension bond obligations. It is also comprised of funds held at US Bank for debt reserve requirements of its lease revenue bonds as well as for qualified capital outlay expenditures.

Deposit and Investment Policies: Investments are stated at fair value. 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, Chapter 4. The table in the next page identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment In One Issue
Local agency bonds	5 years	None	None
U.S. Treasury obligations	5 years	None	None
U.S. Agency securities	5 years	None	None
California Local Agency debt	5 years	None	None
Bankers acceptances	180 days	40%	30%
High grade commercial paper	270 days	25%	10%
Negotiable certificates of deposit	5 years	30%	None
Medium term corporate notes	5 years	30%	None
Mutual funds	N/A	20%	10%
Money market mutual funds	N/A	20%	10%
Mortgage pass-through securities	5 years	20%	None
Collateralized negotiable investments	5 years	None	None
Repurchase agreements	92 days	20%	None
LAIF	N/A	None	None
Local government investment pools	N/A	None	None

The District complied with the provisions of California Government Code (or the District's investment policy, where more restrictive) pertaining to the types of investments held, institutions in which deposits were made and security requirements. The District will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

NOTE B–CASH AND INVESTMENTS (Continued)

Investment in Pooled Funds: The District'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, 2013 was $2,328,088,375. The investment pool is actively managed with a weighted average maturity of 301 days. The District's share of the pool is stated at market value in the District's financial statement. Sacramento County does not invest in any derivative financial products directly. The Sacramento County Treasury Investment Oversight Committee (Committee) has oversight responsibility for Sacramento County's cash and investment pool. The Committee consists of ten members as required by State law. 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 the District's position in the pool.

The District is a voluntary participant in Local Agency Investment Fund (LAIF), which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the state of California and the Pooled Money Investment Board. The State Treasurer's office pools these funds with those of other governmental agencies in the state and invests the cash. The fair value of the District's investment in this pool, which approximates cost, is reported in the accompanying financial statements based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio).

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. Information about the sensitivity of the fair values of the District's investments to market fluctuations is provided by the following table that shows the distribution of its investments by maturity as of June 30, 2013:

		Effective Duration	
	Total	< 1 year	1-5 years
Investment in Sacramento County Pooled Investment Fund	$ 23,383,794	$ 23,383,794	
Investments with fiscal agent			
Money market mutual funds	13,648,527	13,648,527	
Local Agency Investment Fund	431,433	431,433	
Total	$ 37,463,754	$ 37,463,754	$ -

NOTE B–CASH AND INVESTMENTS (Continued)

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. Presented below is the minimum rating required by (where applicable) the California Government Code, and the actual rating as of year-end for each investment type as of June 30, 2013:

		Minimum	Ratings as of Year End	
	Total	Legal Rating	AAA	Not Rated
Investment in Sacramento County Pooled				
Investment Fund	$ 23,383,794	N/A		$ 23,383,794
Investments with fiscal agent				
Money market mutual funds	13,648,527	N/A	$ 13,648,527	
Local Agency Investment Fund	431,433	N/A		431,433
Total	$ 37,463,754		$ 13,648,527	$ 23,815,227

Concentration of credit risk: The District had no investment policy limiting the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. At June 30, 2013, the District had no investments in one issuer (other than mutual funds and the Sacramento County Pooled Investment Fund) that represented 5% or more of total District investments.

Custodial credit risk: Custodial risk for deposits is the risk that, in the event of the failure of a depository financial institution, 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 California Government Code and the District'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 be made by state or local governmental units by pledging securities in an undivided collateral pool held by a depositary 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, 2013, the carrying value of the District's deposits was $630,269 and the balance in financial institutions was $702,056. At June 30, 2013, the District had $172,472 in deposits at banks above the federally insured limit. The District's funds were deposited in noninterest bearing accounts which are insured in full by the Federal Deposit Insurance Corporation.

NOTE C–CAPITAL ASSETS

The District's capital assets consist of the following:

	July 1, 2012	Additions	Transfers	Disposals	June 30, 2013
Capital assets, not being depreciated:					
Land	$ 23,131,184	$ -	$ -	$ -	$ 23,131,184
Construction-in-progress	2,796,919	1,209,529	(61,562)	-	3,944,886
Total capital assets, not being depreciated	25,928,103	1,209,529	(61,562)	-	27,076,070
Capital assets, being depreciated:					
Buildings and improvements	54,977,192	311,661	-		55,288,853
Equipment	56,308,490	5,064,023	61,562	(3,671,406)	57,762,669
Total capital assets, being depreciated	111,285,682	5,375,684	61,562	(3,671,406)	113,051,522
Less accumulated depreciation for:					
Buildings and improvements	(15,705,609)	(1,110,608)			(16,816,217)
Equipment	(31,356,322)	(3,350,713)		2,993,512	(31,713,523)
Total accumulated depreciation	(47,061,931)	(4,461,321)		2,993,512	(48,529,740)
Total capital assets, being depreciated, net	64,223,751	914,363	61,562	(677,894)	64,521,782
Total capital assets	$ 90,151,854	$ 2,123,892	$ -	$ (677,894)	$ 91,597,852

Net depreciation expense of $4,461,321 was recorded for the year ended June 30, 20132013.

As discussed in Note F, on November 15, 2011, the District issued lease revenue bonds to finance certain capital acquisitions. Three fire stations with a net book value of $10,043,558 as of June 30, 2013 were used as security for the bonds. In addition, the District also has a capital lease obligation in which equipment with a total net book value of $9,976,594 as of June 30, 2013 were pledged as collateral.

NOTE D–INTERFUND TRANSACTIONS

Transactions between funds of the District 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, 2013 consisted of the following:

		Due from			
		General Fund	Grant Fund	Capital Facilities	Total
Due to	General Fund	$ -	$ 482,503	$ 31,415	$ 513,918
	Grant Funds	417,717	-	-	417,717
	Capital Facilities Fund	3,675	-	-	3,675
	Total	$ 421,392	$ 482,503	$ 31,415	$ 935,310

NOTE D–INTERFUND TRANSACTIONS (Continued)

The balances between the General and the Grant funds is the result of the General fund covering for cash shortages in the Grant Fund. All remaining balances resulted from processing certain disbursements by the District's fiscal agent out of funds other than the intended fund.

Interfund transfers for the fiscal year-ended June 30, 2013, consisted of the following amounts:

		Transfer from			
		General Fund	Grant Fund	Capital Facilities	Total
Transfer to	General Fund	$ -	$ -	$ -	$ -
	Grant Funds	86,010	-	-	86,010
	Capital Facilities Fund	-	-	-	-
	Total	$ 86,010	$ -	$ -	$ 86,010

The interfund transfer made by the General Fund to the Grant Fund was made to fulfill grant match requirements as well as to share in the cost of grant administration.

NOTE E–RETIREMENT PLAN

Plan Descriptions: The District contributes to four defined benefit pension plans as follows:

- 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 (PERS).
- The Miscellaneous Plan of the Sacramento Metropolitan Fire District (the Miscellaneous Plan), a cost-sharing multiple-employer defined benefit pension plan administered by PERS.
- The Sacramento County Employees Retirement System Safety Tier 1 Plan (the SCERS Plan), a cost-sharing multiple-employer defined benefit pension plan administered by the County of Sacramento.

Benefit provisions and all other requirements for PERS are established by State statute and benefit provisions and all other requirements for SCERS are established by Section 31584 of the County of the Sacramento Retirement Law of 1932. The establishment and amendment of specific benefit provisions of the plans are authorized by resolutions of the Board.

California Public Employees' Pension Reform Act of 2012 (PEPRA) became law during the current fiscal year. Effective January 1, 2013, newly hired employees' PERS and Miscellaneous Plan pension benefits are governed by PEPRA, subject to limited exceptions. PEPRA employees have lower benefits and more pension cost sharing that employees hired prior to January 1, 2013.

NOTE E–RETIREMENT PLAN (Continued)

Each plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. All permanent and part-time employees working at least 1,000 hours per year are enrolled in the Safety Plan or the Miscellaneous Plan. Under the Safety Plan or the Miscellaneous Plan, benefits vest after five years of service. Upon retirement, participants are entitled to an annual retirement benefit, payable for life, in an amount equal to a benefit factor multiplied by their highest average monthly salary over 12 consecutive months of employment or in the case of PEPRA employees 36 consecutive months of employment. Only the plans administered by PERS are open for new enrollment. Safety Plan members benefit formula is 3% at age 50 for non-PEPRA safety employees and 2.7% at age 57 for PEPRA safety members. The Miscellaneous Plan participates in the PERS Miscellaneous 3% at age 60 Risk Pool for non-PEPRA employees and 2% at age 62 for PEPRA employees. PERS issues publicly available financial reports for its plans. Copies of the PERS annual financial report and pertinent past trend information may be obtained from their website at www.calpers.ca.gov. SCERS issues a publicly available financial report for its plans. Copies of the SCERS annual report may be obtained from their website at scers.org.

Funding Policy: The District is required by statute to contribute the actuarially determined amounts necessary to fund the benefits for participants in each of its plans. Required contributions of active plan members and of the District for fiscal year 2012/13 were as follows:

PERS Safety Plan:		
Plan participants		9.00%
District rate		32.535%
Required contributions		$ 25,775,561
District contributions made	$ 18,957,417	
Employee contributions made	$ 6,818,144	
PERS Miscellaneous Plan:		
Plan participants		8.00%
District rate		15.668%
Required contributions		$ 1,575,311
District contributions made	$ 997,174	
Employee contributions made	$ 578,137	
SCERS Plan (Safety Tier 1):		
Plan participants		14.22%
District		57.41%
Required contributions		$ 567,647
Contributions made		$ 567,647

NOTE E–RETIREMENT PLAN (Continued)

Contribution rates and amounts for each plan are actuarially determined annually by the respective administrators. Required contributions were made each pay period, based on required contribution rates. The District makes the contributions on behalf of the plan participants. However, due to the changes made to the plan, the employees paid a portion of the District's contribution.

Contribution rates for the Safety Plan are individually determined for the District by PERS. Contribution rates for the Miscellaneous Plan are determined with reference to the risk pool to which it belongs. Additionally, PERS manages a Side Fund for the Miscellaneous Plan, that was created at the time the District joined the plan, to reflect the difference between the funded status of the District'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.

Contribution rates and amounts for the SCERS Plan are determined annually by SCERS.

Annual Pension Cost and Net Pension Asset—PERS Safety Plan: For the PERS Safety Plan, the annual pension cost and net pension asset for the year ended June 30, 2013 was as follows:

Annual required contribution (ARC)	$ 18,957,417
Less interest on net pension asset	(4,828,477)
Plus amortization of pension asset	3,604,291
Annual pension cost	17,733,231
Contributions made	18,957,417
Increase in net pension asset	1,224,186
Net pension asset - beginning of year	62,302,926
Net pension asset - end of year	$ 63,527,112

Three-year Trend Information for PERS Safety Plan

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
June 30, 2011	$ 24,154,031	108%	$ 61,102,330
June 30, 2012	$ 17,288,782	107%	$ 62,302,926
June 30, 2013	$ 17,733,231	107%	$ 63,527,112

NOTE E–RETIREMENT PLAN (Continued)

Funded Status and Funding Progress: As of June 30, 2012, the most recent actuarial valuation date, the Safety Plan was 78.3% funded. The actuarial liability for benefits was $854.2 million and the actuarial value of assets was $669 million, resulting in an unfunded actuarial accrued liability (UAAL) of $185.2 million. The covered payroll (annual payroll of active employees covered by the plan) was $60.2 million, and the ratio of the UAAL to the covered payroll was 307.1%.

The schedule of funding progress, presented as Required Supplementary Information (RSI), presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions: In the June 30, 2012 actuarial valuation for the Safety Plan, the entry age normal cost method was used to determine the required contribution. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses) (b) projected salary increases ranging from 3.30% to 14.20% depending on age, service and type of employment and (c) an inflation component of 2.75%, which is included in the salary increase assumptions. The actuarial value of assets was determined using techniques that spread the effects of short term volatility in the market value of investments over a 15-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining rolling amortization period at June 30, 2012 was 28 years.

Other Pension Assets: In addition to the Net Pension Asset of the Safety Plan, pension assets exist for the Miscellaneous Plan and SCERS Plan as of June 30, 2013:

Miscellaneous Plan	$ 1,039,721
SCERS Plan	9,912,904
Total	$ 10,952,625

NOTE F–LONG-TERM LIABILITIES

The following is a summary of long-term obligation transactions for the fiscal year ended June 30, 2013:

	Balance July 1, 2012	Additions	Repayments	Balance June 30, 2013	Amounts Due within One Year
Pension bonds payable	$ 69,010,180	$ 1,000,365	$ (1,635,000)	$ 68,375,545	$ 1,860,000
Lease revenue bonds payable	12,724,221	-	(742,921)	11,981,300	760,000
Compensated absences	16,825,667	5,443,483	(5,147,984)	17,121,166	5,580,000
Capital lease	10,075,725	-	(1,181,146)	8,894,579	1,212,947
Workers' compensation liability	23,085,975	3,971,952	(2,447,927)	24,610,000	4,411,071
Liability for other post-employment benefits	47,561,450	12,686,666	(8,852,025)	51,396,091	12,700,000
	$ 179,283,218	$ 23,102,466	$ (20,007,003)	$ 182,378,681	$ 26,524,018

NOTE F–LONG-TERM LIABILITIES (Continued)

Pension Bonds Payable: In October 2004, the District issued pension obligation bonds in the original amount of $69,998,975. The proceeds were used to reduce the unfunded actuarial liabilities in three of its pension plans. The bonds were issued in three series and bear interest at rates of 4.79% to 5.51%. Three series require semi-annual payments of interest. The remaining series accretes interest, which results in increases to principal, until November 15, 2018. Principal repayments, which are made annually, began May 15, 2005 for one series, and begin May 15, 2020, 2026 and 2031 for the other three series, respectively. The interest rates for two of the series change to auction rate as of November 15, 2018 and 2025, respectively. The bonds mature at various dates from May 15, 2019 to 2034. In the following maturity schedule, an interest rate of 5% is assumed at the point in time where the rates change to auction rates.

As of June 30, 2013, pension bonds payable maturities based on the fully accreted amounts were as follows:

Fiscal year ending June 30,	Principal	Interest	Total
2014	$ 1,860,000	$ 2,565,450	$ 4,425,450
2015	2,105,000	2,476,357	4,581,357
2016	2,365,000	2,375,527	4,740,527
2017	2,640,000	2,262,244	4,902,244
2018	2,940,000	2,135,788	5,075,788
2019-2023	12,100,000	14,469,146	26,569,146
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
	$ 74,965,000	$ 44,423,930	$ 119,388,930

Lease Revenue Bonds: On November 15, 2011, the District sold 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 for the headquarters building fund, 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. The debt service on the bonds is approximately $1,322,000 per year until May 15, 2016 and then drops to about $675,000 per year through 2041. Standard & Poor's Rating Agency rated the bonds at AA-. As of June 30, 2013, unspent bond proceeds amounted to $1,243,713 which will be drawn down as expenditures are incurred.

NOTE F–LONG-TERM LIABILITIES (Continued)

As of June 30, 2013, bonds payable maturities were as follows:

Fiscal year ending June 30,	Principal	Interest	Total
2014	$ 760,000	$ 559,706	$ 1,319,706
2015	795,000	529,306	1,324,306
2016	830,000	497,506	1,327,506
2017	210,000	464,306	674,306
2018	215,000	455,906	670,906
2019-2023	1,250,000	2,120,781	3,370,781
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
	$ 11,900,000	$ 8,925,342	$ 20,825,342

Capital Lease Obligation: The District leased equipment under capital leases which have yearly payments of $1,122,164 through September 27, 2020 and $340,008 through September 27, 2015, including interest at 2.88% and 2.17%, respectively. Capital assets acquired under the capital leases consist of equipment with cost totaling $11,225,913 and accumulated depreciation of $1,249,319 at June 30, 2013. Future minimum lease payments under the capital lease obligation are as follows:

Fiscal year ending June 30,	Principal	Interest	Total
2014	$ 1,212,947	$ 249,225	$ 1,462,172
2015	1,245,617	216,555	1,462,172
2016	1,279,178	182,994	1,462,172
2017	973,647	148,517	1,122,164
2018	1,001,688	120,476	1,122,164
2019-2023	3,181,502	184,989	3,366,491
	$ 8,894,579	$ 1,102,756	$ 9,997,335

NOTE G—INSURANCE

The District 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. The District pays an annual premium to SDRMA for general and auto liability, errors and omissions, property, boiler and machinery and employee dishonesty insurance coverage. The District 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 G—INSURANCE (Continued)

The District's coverage and corresponding deductibles are as follows:

Coverage	Amount	Deductible
General and auto liability		
(includes errors and omissions)	$ 10,000,000	$500 to $25,000
Property damage	1,000,000,000	2,000
Boiler and machinery	100,000,000	1,000 to 350,000
Employee dishonesty	400,000	-
Aviation	10,000,000	$1,000 - 2% of insured values

The District 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, the District obtained excess Commercial coverage for the first $1,000,000 of losses in excess of $3,000,000, for each claim. 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. Changes in the District's claims liability for the fiscal year ended June 30, 2013 were as follows:

Unpaid claims and claim adjustment expenses at beginning of fiscal year	$ 23,085,975
Incurred claims and claim adjustment expenses:	
Provision for insured events of current fiscal year	8,048,280
Decreases in provision for insured events of prior fiscal year	(4,076,328)
Total incurred claims and claim adjustment expenses	3,971,952
Payments:	
Claim and claim adjustment expenses attributable to insured events of the current fiscal year	673,114
Claim and claim adjustment expenses attributable to insured events of the current fiscal year	1,774,813
Total payments	2,447,927
Total unpaid claims and claim adjustment expenses	$ 24,610,000
Short-term liability	$ 4,411,071
Long-term liability	20,198,929
Total unpaid claims and claim adjustment expenses	$ 24,610,000

NOTE H—OTHER POST-EMPLOYMENT BENEFITS

Plan Description: The Sacramento Metropolitan Fire District Retiree Healthcare Plan ("Plan") is a single-employer defined benefit healthcare plan administered by the District. The Plan provides healthcare benefits to eligible retirees and their dependents through the California Public Employees' Retirement System healthcare program (PEMHCA). Benefit provisions are established and may be amended through agreements and memorandums of understanding among the District, its non-represented employees, and the unions for represented District employees. The Retiree Healthcare Plan does not issue financial statements.

The District provides a retiree medical contribution for employees who retire directly from the District under CalPERS. The District's contribution is capped at the greater of the non-Medicare eligible Blue Shield and Kaiser family premiums. The benefit continues to surviving spouses and dependents. Since PEMHCA is a community-rated plan, an implied subsidy is not valued under GASB 45.

The District also provides subsidy/offset payments for certain retirees receiving benefits through the Sacramento Employees Retirement System. The benefit continues at 50% for surviving spouses of retirees. For the fiscal year 2012/13, the amount of the retiree subsidy is $397 per month.

Funding Policy: The contribution requirements of the Plan participants and the District are established by and may be amended by the District pursuant to agreements with its non-represented employees and the union for represented District employees. The District paid $6,899,919 during the year ended June 30, 2013, for retiree premiums. Retired plan members and their beneficiaries pay the annual premium cost not paid by the employer.

During the current fiscal year the District changed its OPEB funding policy from pay-as-you-go to pre-funding post-retirement medical contributions. On June 19, 2012, the District entered into an agreement to contribute to the California Employer's Retiree Benefit Trust (CERBT) Fund. The CERBT Fund is managed by the California Public Employees' Retirement System (CalPERS) and provides the District with a trust through which it may prefund retiree medical costs and other post-employment benefits. In addition to District contributions, employee healthcare cost-sharing as well as employee healthcare premium savings are also being contributed to the trust. Total contributions to the Trust during the fiscal year ended June 30, 2013 amounted to $1,952,106. In addition, on April 25, 2013 the Board of Directors approved a new agreement with union and unrepresented employees to medical premium cost sharing. Both employees and retirees as of July 1, 2013 will contribute 8% towards their medical premium cost. Current and future savings from this agreement lowered the OPEB actuarial accrued liability by $92 million.

Annual OPEB Cost and Net OPEB Obligation: The District's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

NOTE H—OTHER POST-EMPLOYMENT BENEFITS (Continued)

The following table shows the components of the District's annual OPEB cost, the amount actually contributed to the Plan, and changes in the District's Net OPEB obligation for the fiscal year ended June 30, 2013:

Annual OPEB Cost	
Annual Required Contribution	$ 12,035,081
Interest on net OPEB obligation	3,448,205
Adjustment to annual required contribution	(2,796,620)
	12,686,666
Contributions Made	
Payments on behalf of retirees	(6,899,919)
Contribution to OPEB trust	(1,952,106)
	(8,852,025)
Increase in net OPEB obligation	3,834,641
Net OPEB Obligation, beginning of year	47,561,450
Net OPEB Obligation, end of year	$ 51,396,091

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year ended June 30, 213 and the two preceding fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	$ 15,626,819	35.84%	$ 37,140,785
June 30, 2012	$ 16,579,431	37.15%	$ 47,561,450
June 30, 2013	$ 12,686,666	69.77%	$ 51,396,091

Funded Status and Funding Progress: The funded status of the Plan as of July 1, 2012, the most recent valuation date, was as follows:

Actuarial accrued liability (AAL)	$ 144,860,462
Actuarial value of Plan assets	-
Unfunded actuarial accrued liability (UAAL)	$ 144,860,462
Funded ratio (actuarial value of Plan assets/AAL)	0%
Covered payroll (active Plan participants)	49,520,220
UAAL as a percentage of covered payroll	292.5%

NOTE H—OTHER POST-EMPLOYMENT BENEFITS (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan participants) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan participants to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the July 1, 2012 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 7.25% investment rate of return (net of administrative expenses) and a 3.25% increase in salaries. Premiums were assumed to increase from 9% in 2014 with an ultimate rate of 4.64% for 2025 and thereafter. The initial UAAL was amortized as a level percentage of projected payroll over a 30-year period. As of June 30, 2013, the remaining period was 30 years.

NOTE I—NET POSITION/FUND BALANCES

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 assets. Accumulated depreciation and the outstanding balances of debt, net of unspent proceeds, which are attributable to the acquisition, construction or improvement of these assets, reduce the balance in this category.

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 the District not restricted for any project or other purpose.

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 comprise inventory, pre-paid items and other assets.

NOTE I—NET POSITION/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.

Restricted for capital acquisitions – represents developer and impact fees collected under Ordinance No 2-05 to mitigate the impact of providing additional fire stations and fire equipment. It also includes unspent bond proceeds.

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

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

Deferred compensation – represents amounts restricted for the costs of administering the deferred compensation program.

Flexible spending checking account – represents the amount maintained in the checking account for the payment of flexible spending account claims.

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 of the government's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the government's Board of Directors modifies, or removes the fund balance commitment.

Workers compensation claims – represents the amount recommended for contingency reserves in the actuarial reports.

Other post-employment benefits – to set aside amounts for payment of future post-employment benefits.

Pension bond retirement – to set aside amounts 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.

Unassigned Funds – Unassigned fund balance is the residual classification of the District's funds and includes all spendable amounts that have not been restricted, committed, or assigned to specific purposes.

Although the Board has established a contingency reserve for unanticipated or extraordinary expenditures at a minimum of five percent of the General Operating Budget Expenditures, this reserve does not meet the definition of a committed fund balance.

NOTE J—NET POSITION/FUND BALANCES (Continued)

The following are components of fund balances and restricted net assets as of June 30, 2013:

	General Fund	Grant Funds	Capital Facilities	Total
Nonspendable:				
Inventory	$ 2,702,350	$ -	$ -	$ 2,702,350
Prepaid expenses	6,768	-	670,957	677,725
Petty cash	500	-	-	500
Total nonspendable fund balance	2,709,618	-	670,957	3,380,575
Restricted for:				
Capital acquisition	-	-	2,965,468	2,965,468
Debt service reserves	-	-	954,661	954,661
Workers compensation claims	286,509	-	-	286,509
Deferred compensation	167,434	-	-	167,434
Flexible spending claims	13,896	-	-	13,896
Total restricted fund balance / net assets	467,839	-	3,920,129	4,387,968
Committed to:				
Workers compensation claims	4,000,000			4,000,000
Pension bond retirement	11,881,581			11,881,581
Total committed fund balance	15,881,581	-	-	15,881,581
Unassigned	15,161,022	(224,721)	-	14,936,301
Total fund balance	$ 34,220,060	$ (224,721)	$ 4,591,086	$ 38,586,425

NOTE K– COMMITMENTS AND CONTINGENCIES

Commitments

The District has several construction contracts relating to its Headquarters and the Zinfandel Training Facility. As of June 30, 2013, the District had total construction commitments of $586,853.

Contingencies

The District 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. In the opinion of Management and the legal counsel, these actions, when finally adjudicated will not have a material adverse effect on the financial position of the District.

The District participates in a number of federal grant programs subject to financial and compliance audits by the grantors or their representatives. Audits of certain grant programs, including those for the year ended June 30, 2013, have yet to be conducted. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time. Management believes that such disallowances, if any, would not have a material effect on the financial statements.

NOTE L – BORROWINGS

The District 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 10. These borrowings are permitted until the last Monday of April each year. The amount available as of June 30, 2013 is $43,677,412. The interest rate charged is the rate earned by the County investment pool.

NOTE M – PRIOR PERIOD RESTATEMENT

During the current fiscal year, the District performed an internal review of the Sloughhouse/Rancho Murieta Special Fire Tax transactions. Approved by the affected property owners in 2000, this supplemental special tax helps pay for fire suppression services in the Sloughhouse/Rancho Murieta area. The annual tax is levied at $100 per parcel.

The District's review determined the Special Fire Tax has been levied on some parcels near to, but not located within the boundary of the special tax area, and as a result the current "Property tax and assessments" revenue for the Special Fire Tax is $373,400 lower than the revenue originally reflected in the fiscal year 2012/213 financial statements. This amount collected in FY2012/13 is recorded as a liability. For the previous three years, a Fund balance/net position restatement was done in the amount of $763,725.

On December 12, 2013, Metro Fire's Board of Directors authorized refunding the levies collected outside the Sloughhouse/Rancho Murieta Special Fire Tax boundaries during fiscal years 2009/10, 2010/11, 2011/12 and 2012/13. Metro Fire is mailing letters to all current property owners eligible for refunds and has a process in place to return the money. A total of $1,137,125 is recorded as "Accounts payable and accrued expenses" under "Liabilities" in the Governmental Fund Balance Sheet related to these refunds.

NOTE N– RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Amounts reported for governmental activities in the governmental funds balance sheet are being adjusted to arrive at the statement of net assets. The adjustments as of June 30, 2013 are as follows:

Fund balances - Total Governmental Funds	$ 38,586,425
When capital assets that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the District as a whole.	91,597,852
Pension asset of the governmental activities is not a financial resource and, therefore, is not reported in the funds.	74,479,737
Certain receivables are not available to pay current period expenditures and therefore are unavailable in the governmental funds.	10,083,494
Long-term liabilities applicable to the District'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.	
Bonds payable	(80,356,845)
Compensated absences	(17,121,166)
Interest payable on long-term debt	(707,810)
Workers compensation liability	(24,382,186)
Liability for other post-employment benefits	(51,396,091)
Capital lease	(8,894,579)
	(6,697,594)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 31,888,831

NOTE N– RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Amounts reported for governmental activities in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances are adjusted to arrive at the Statement of Activities for Government-wide presentation. The adjustments for the fiscal year ended June 30, 2013 are as follows:

Net Change in Fund Balance - Total Governmental Funds	$ (1,230,369)
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	5,664,696
Depreciation expense	(4,461,321)
Donated equipment	475,000
In the Government-wide Statement of Activities, only the gain or (loss) on the sale of capital assets is reported, whereas in the governmental funds, proceeds from sales increase financial resources.	
Proceeds from sale	(46,200)
Gain (loss) on disposal of assets	(447,865)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Government-wide Statement of Net Position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position principal payments on long-term debt.	
Principal payments	3,556,146
Bond accretion and write-off of issuance costs	(996,927)
Worker's compensation claims that are estimated to have been incurred and not reported (IBNR) do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This amount represents the net change in the Worker's Compensation IBNR liability.	(1,504,335)
Some expenses reported in the Government-wide Statement of Activities do not require the use of current financial resources and therefore are not expenditures in the governmental funds.	
Change in accrued interest payable	29,526
Change in compensated absences	(493,828)
Change in other post-employment benefits liability	(3,834,641)

NOTE N– RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Any excess of the amount funded during the fiscal year over the annual required contributions (ARC) for pension benefits was recorded as an expenditure for governmental funds. However, the difference between the ARC and the amount funded is recorded as an adjustment to retirement expense in the statement of activities.	$	1,767,515
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.		4,083,032
		3,790,798
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$	2,560,429

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REQUIRED SUPPLEMENTARY INFORMATION

SACRAMENTO METROPOLITAN FIRE DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR THE CALPERS SAFETY PLAN

JUNE 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
June 30, 2007	$ 501,988,835	$ 599,888,655	$ 97,899,820	83.7%	$ 69,364,626	141.1%
June 30, 2008	$ 542,351,006	$ 664,882,903	$ 122,531,897	81.6%	$ 70,203,763	174.5%
June 30, 2009	$ 570,524,919	$ 720,740,716	$ 150,215,797	79.2%	$ 68,303,685	219.9%
June 30, 2010	$ 603,000,919	$ 757,949,033	$ 154,948,114	79.6%	$ 62,741,464	247.0%
June 30, 2011	$ 639,709,428	$ 813,537,381	$ 173,827,953	78.6%	$ 60,701,037	286.4%
June 30, 2012	$ 669,015,965	$ 854,170,133	$ 185,154,168	78.3%	$ 60,298,035	307.1%

SACRAMENTO METROPOLITAN FIRE DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH (OPEB) PLAN

JUNE 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2009	$ -	$ 194,809,000	$ 194,809,000	0%	$ 66,540,000	292.77%
June 30, 2011	$ -	$ 225,913,883	$ 225,913,883	0%	$ 48,543,708	465.38%
July 01, 2012	$ -	$ 144,860,462	$ 144,860,462	0%	$ 49,520,220	292.53%