



SACRAMENTO METROPOLITAN FIRE DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015



Sacramento County
CALIFORNIA



SPECIAL THANKS TO –

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Pink Engine:	Michelle Eidam, Captain/PIO

Report Design:	R Marie Bernal, Accounting Specialist
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Sacramento Metropolitan Fire District
10545 Armstrong Avenue, Suite 200
Mather, California 95655



COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2015

PREPARED BY THE FINANCE DIVISION

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In support of every person affected by cancer, Metro Fire operated this Cancer Awareness engine during the months of October and November, 2015, rotating between five different fire stations. The cost to wrap the engine was 100% covered by sponsors.

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Introductory Section

INTRODUCTORY SECTION







Sacramento Metropolitan Fire District

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

MARK A. WELLS

Fire Chief

December 30, 2015

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

Members of the Board:

We are pleased to present the Sacramento Metropolitan Fire District (“Metro Fire”) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2015. This report has been prepared by the Finance Division following the guidelines recommended by the Government Finance Officers Association (GFOA) and is in conformance with generally accepted accounting principles (GAAP) for state and local government entities established by the Governmental Accounting Standards Board (GASB). Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that management has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Richardson & Company, LLP, Certified Public Accountants, have issued an unmodified (“clean”) opinion on Metro Fire’s financial statements for the year ended June 30, 2015. The independent auditor’s report is located at the front of the financial section of this report.

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

PROFILE OF SACRAMENTO METROPOLITAN FIRE DISTRICT

REPORTING ENTITY

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

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

SERVICE AREA AND SERVICES

Today, Metro Fire is the largest fire agency in the County of Sacramento and 7th largest in the State. Metro Fire serves a population of about 728,000 in a service area encompassing 417 square miles that include unincorporated Sacramento County, the cities of Citrus Heights and Rancho Cordova, and a portion of Placer County. Within the boundaries of Metro Fire are wildland areas, single and multi-family residential units, commercial and light industrial occupancies, hotels, regional hospitals, institutional buildings, local airfields, numerous convalescent/assisted living facilities, equestrian areas, and open space areas including hiking trails. Several major interstate highways also traverse Metro Fire's jurisdiction, along with the American River, a major recreation resource for area residents.

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

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

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

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

- Suppression oversees all aspects of Metro Fire's all-hazard emergency services delivered from 40 stations with daily shift staffing of 188 personnel. The Operations Branch answered over 92,000 calls for service in 2015; a number that has steadily increased during each year of the economic downturn that the region has experienced in recent years.
- The EMS Division is responsible for the management of the emergency medical system which ensures that our emergency medical technician (EMT) and paramedic personnel are trained and equipped to serve the public at the highest levels. EMTs are certified health care professionals trained to provide basic life support in accordance with the State of California Scope of Practice for EMTs, while Paramedics are licensed by the State of California to provide advanced life support (ALS). The provision of ALS services is accomplished through the strategic deployment of dual-role fire department medic units (FDM) and the single role paramedic program (SRPP). Metro Fire employs over four hundred (400) paramedics who are assigned on engines, trucks, ambulances, helicopters, ARFF (Aircraft Rescue and Fire Fighting) units, boats, and bicycles. On a daily basis, all ambulances and suppression apparatus are staffed with at least one paramedic.

As of June 30, 2015, Metro Fire deployed 13 24-hour Fire Department Medic (FDM) units that are staffed by Firefighter/Paramedics and Firefighter/EMTs, along with six reserve ambulances that are available if needed to be staffed and placed in service. The additional ambulances provide surge protection during periods of high call volume. There are 33 ALS engine companies and 9 ALS truck companies in service on a 24-hour basis. These apparatus responded to calls for emergency medical service with paramedics who assist with critically ill or injured patients if needed.

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

- Metro Fire has several Special Operations programs that are managed under the Operations Division. These programs include Hazardous Materials (HAZMAT), Technical Rescue, Urban Search and Rescue (US&R), Swift Water Rescue, Tactical Emergency Medical Support (TEMS), Aviation and Dozer programs. Metro Fire's HAZMAT and Technical Rescue programs are certified by the California Office of Emergency Services for Type I statewide response. The US&R program is a member of California Urban Search and Rescue Task Force 7 (CA TF-7), one of 28 US&R task forces in the nation, and one of eight in California. Metro Fire's aviation and dozer programs are the only ones of their kind regionally, and provide critical response capabilities to the region. Metro Fire's TEMS program, also the only one of its kind regionally, provides tactical medical support to the Sacramento County Sheriff, Citrus Heights Police Department, and FBI SWAT Teams. Additionally, Metro Fire is a member of the FBI Joint Terrorism Task Force, Regional Fusion Center and Urban Area Security Initiative's Urban Area Working Group.
- The Training Division's mission is to improve service delivery to the community by providing realistic, ongoing, and verifiable training to Metro Fire personnel and assisting them to develop and strengthen essential job skills. Training strives to ensure all-hazard operational readiness and enhance the ability of our members to provide quality public service.
- Communications oversees radio communications throughout Metro Fire's fire stations, administrative buildings, and vehicles.

The Support Services branch of Metro Fire is comprised of four divisions: Fleet, Facilities, Logistics and Community Risk Reduction. Each division has specific duties within Metro Fire ranging from construction projects and building maintenance to fire inspections.

- Under the direction of the Fire Marshal, the Community Risk Reduction Division (CRRD) works with developers and citizens to make the community safe through activities such as Plan Review, Fire Inspections, Code Enforcement, Fire Investigation and Exterior Fire Hazard Mitigation. The Fire Marshal also oversees the Community Services Division which facilitates school/event presentations with Firefighters and/or Public Education Technicians, fire station tours, Fire Camp for children within Metro Fire's jurisdiction, fire extinguisher training, a life jacket loan program, and other programs.
- The Facilities Division has the responsibility of providing repairs, improvements and maintenance for all of Metro Fire's existing fire stations, support and administrative facilities.

- The Fleet Maintenance Division maintains a fleet in excess of 340 emergency and support vehicles in a modern facility that contains 30 functional working bays. The majority of the fleet services and repairs are performed at this facility and range from routine service and maintenance to full engine in-frame and pump overhauls. A Mobile Repair Program provides limited field repairs in an effort to reduce inconvenience and downtime to emergency apparatus.
- Logistics is responsible for ordering, receiving and storing of fire suppression equipment, emergency medical equipment and other essential supplies that are used on a daily basis.

The Administration Branch is comprised of three divisions: Human Resources, Information Technology, and Finance.

- The Finance Division oversees all financial aspects Metro Fire’s multi-million dollar operation. Processes are in place to safeguard Metro Fire’s assets, track spending, properly pay employees, collect all revenue and cost reimbursements, and produce quality reporting of all transactions. This Division also guides the very important budget process to see resources are properly allocated for optimum public service levels.
- Providing the highest quality of service to the citizens of Metro Fire depends on having a dedicated, well-qualified group of employees. The Human Resources Division seeks to recruit and maintain a diverse workforce that reflects the community served, and strives to support Metro Fire’s mission of providing professional and compassionate protection, education, and service to the community.
- Information Technology is responsible for providing data, voice, and video communications to 40 fire stations, four administrative buildings and over 340 vehicles.

APPARATUS

Metro Fire’s fleet is made up of emergency vehicles and apparatus which must be kept in a constant state of readiness, and consists of:

<u>Apparatus Type</u>	<u>No. In Service</u>	<u>Apparatus Type</u>	<u>No. in Service</u>
Engine	53	Aircraft Rescue Firefighting Unit	4
Wildland Engine	40	Ambulance	45
Pumper/Foam	1	Decontamination Unit	1
Ladder Truck	10	Dozer	2
Hazmat Truck	1	Rescue Boat	3
Rescue Truck	2	Helicopter	2
Water Tender	6	Support/Other Vehicles	175

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

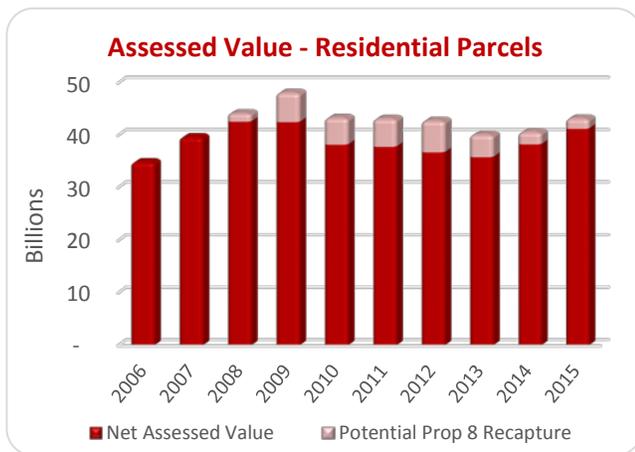
Other support vehicles include mobile air units, fuel trucks, helicopter tender, an aircraft tow vehicle, battalion chief and staff vehicles, a Self-Contained Breathing Apparatus (SCBA) repair unit, trailers, flatbeds, forklifts, a pallet jack, a scissor lift, tractors, and tow vehicles.

Metro Fire has in place a 20-year rolling vehicle/apparatus replacement plan which measures the proper utilization period for each piece of apparatus and identifies when replacements should occur.

ECONOMIC OUTLOOK

LOCAL ECONOMY

Metro Fire’s primary source of funding is property tax revenue and, as such, the resources available to support its operations are significantly affected by property values. While the lingering effects of the economic recession continue to present Metro Fire with significant fiscal challenges, total assessed property value in the District has increased in each of the last 3 years. In 2014/15, Sacramento County saw the largest increase in property value since 2007/08, yet median home prices are still nearly 30% below peak values. Metro Fire is projecting a 4% increase in property tax revenues for the upcoming year. Because approximately two thirds of property values that were lowered during the recession under Proposition 8 have now had values restored by the Sacramento County Assessor, the impact of these increases is expected to be smaller in the future, with other changes resulting from annual inflation adjustments, transferred properties, and new construction. Metro Fire will continue to monitor trends that impact property values in order to develop realistic projections of property tax revenues upon which budgeting and service level decisions can be made.



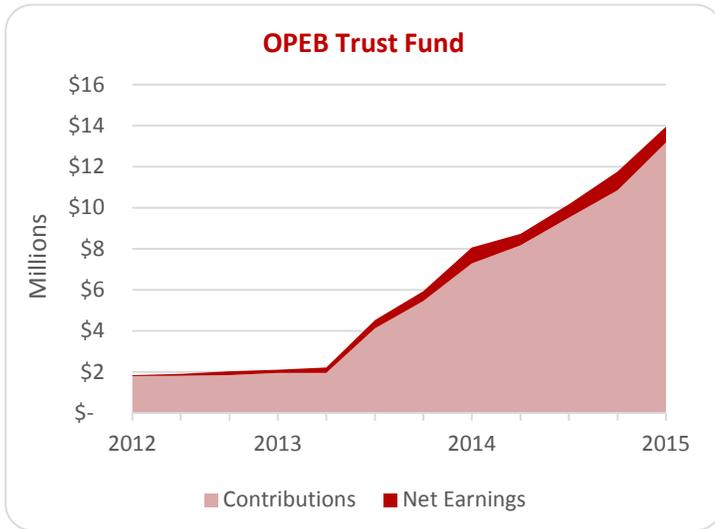
Another major source of funding for Metro Fire is cost recovery associated with providing emergency medical transport services. Metro Fire bills approximately \$110 million annually for these services, with a collection rate of around 30%, which is typical for public sector providers in California. As property tax revenues declined during the recession, greater emphasis was placed on cost recovery and this revenue source has steadily increased over recent years.

LONG-TERM FINANCIAL PLANNING AND MAJOR INITIATIVES

The Board of Directors, command staff and employees have been working together to not only address the immediate fiscal challenges, but also to address future financial and operational challenges with the goal of putting Metro Fire on a more predictable and sustainable path going forward. This is being accomplished by better aligning current year revenues and expenditures, maintaining sufficient reserves, forecasting long-term needs, identifying cost-saving measures, enhancing cost recovery where appropriate, and exploring potential new revenue sources.

Metro Fire’s long range fiscal planning efforts identified several key issues that, if left unaddressed, would create fiscal uncertainty and likely result in a disruption in future service delivery. Two of these critical issues are the long-term liability associated with retiree medical benefits and pensions, including the retirement of \$71 million of pension obligation bonds originally issued in 2004.

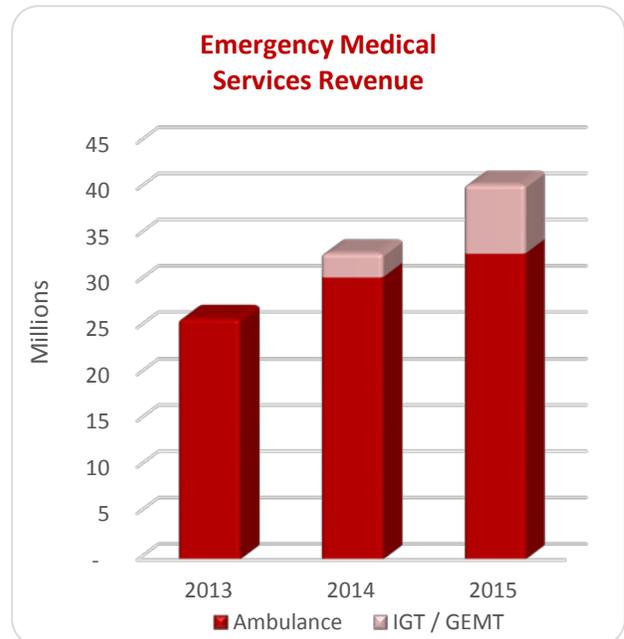
Metro Fire’s OPEB funding plan involves a combination of contributions to a trust and cost-saving measures agreed to by Metro Fire employees that both lowered the long-term cost of other post-employment benefits (OPEB) and provides for fully funding the annual required contribution (ARC). As a result, and as reported in recent OPEB actuarial valuations, Metro Fire experienced a substantial reduction in the OPEB unfunded liability; which in turn substantially lowered the ARC. With respect to pension liability, Metro Fire continues to make the required contributions to California Public Employees’ Retirement System (CalPERS) each year to fund both the normal cost and amortization of the unfunded liability of those plans. Metro Fire is currently in discussions with Sacramento County Employees’ Retirement System (SCERS) to address the liability of that Plan. Finally, Metro Fire has a longstanding policy to set aside funds each year, in addition to the annual debt service required by the bond documents, so as to accumulate the necessary funds to fully retire two series of pension bonds which are eligible to be paid off in 2018 and 2025.



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Another key component of long-term fiscal stability is looking ahead and planning for the needs of future development. This is especially critical for the greater Sacramento metropolitan area, where there is significant development on the horizon. Metro Fire has reached out to the regional planning departments to ascertain current and future development plans. This data was used to identify the approximate location of future fire stations; that information was then used to develop a Facilities Master Plan. Costs were assigned for the land acquisition, station construction and related apparatus and equipment. This development information and cost data was incorporated into an updated Capital Facilities Fee study to ensure capital funds will be available when needed to address the impacts of new development and avoid any degradation of services to the existing communities served by Metro Fire. The new fee schedule was adopted in January 2015.

Metro Fire has made great strides in identifying new sources of revenues. Metro Fire has led a statewide effort to increase the cost recovery associated with emergency medical transport services by sponsoring state legislation allowing ground emergency medical transporters (GEMT) in California to seek additional reimbursement from the federal government related to fee-for-service Medi-Cal patients. In addition, Metro Fire has participated in an Inter-Governmental Transfer (IGT) program that allows Metro Fire to receive federal matching funds for medical transports related to Medi-Cal Managed Care HMO beneficiaries. For FY 2014/15, net revenue from these two sources totaled over \$7 million.



AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Metro Fire for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2014. This was the first year that Metro Fire has achieved this prestigious award. In order to be awarded a Certificate of Achievement, Metro Fire had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. However, we believe that our current CAFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report reflects the combined and dedicated effort of Metro Fire staff. We especially want to recognize the Finance Division staff, along with Metro Fire's independent auditors, Richardson & Company, LLP for their contributions to provide complete, reliable, open and transparent financial information, and for fostering the enhanced stewardship of public funds.

We would like to take this opportunity to express our thanks and sincere appreciation to the Board of Directors for their continued support, trust, and guidance.

Together, Metro Fire's leadership and staff bring an effective combination of skills, experience and dedication to carry out Metro Fire's mission:

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

Respectfully submitted,



Mark A. Wells
Fire Chief



Amanda Thomas
Chief Financial Officer



Government Finance Officers Association

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

Presented to

**Sacramento Metropolitan Fire District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

Board of Directors

PRESIDENT	VICE-PRESIDENT	SECRETARY		
				
Grant B. Goold Division 2	Jack Scheidegger Division 5	Ted Wood Division 4	Gary Monk Division 1	Randy Orzalli Division 3

			
D'Elman Clark Division 6	Matt Kelly Division 7	Gay Jones Division 8	Jim Barnes Division 9

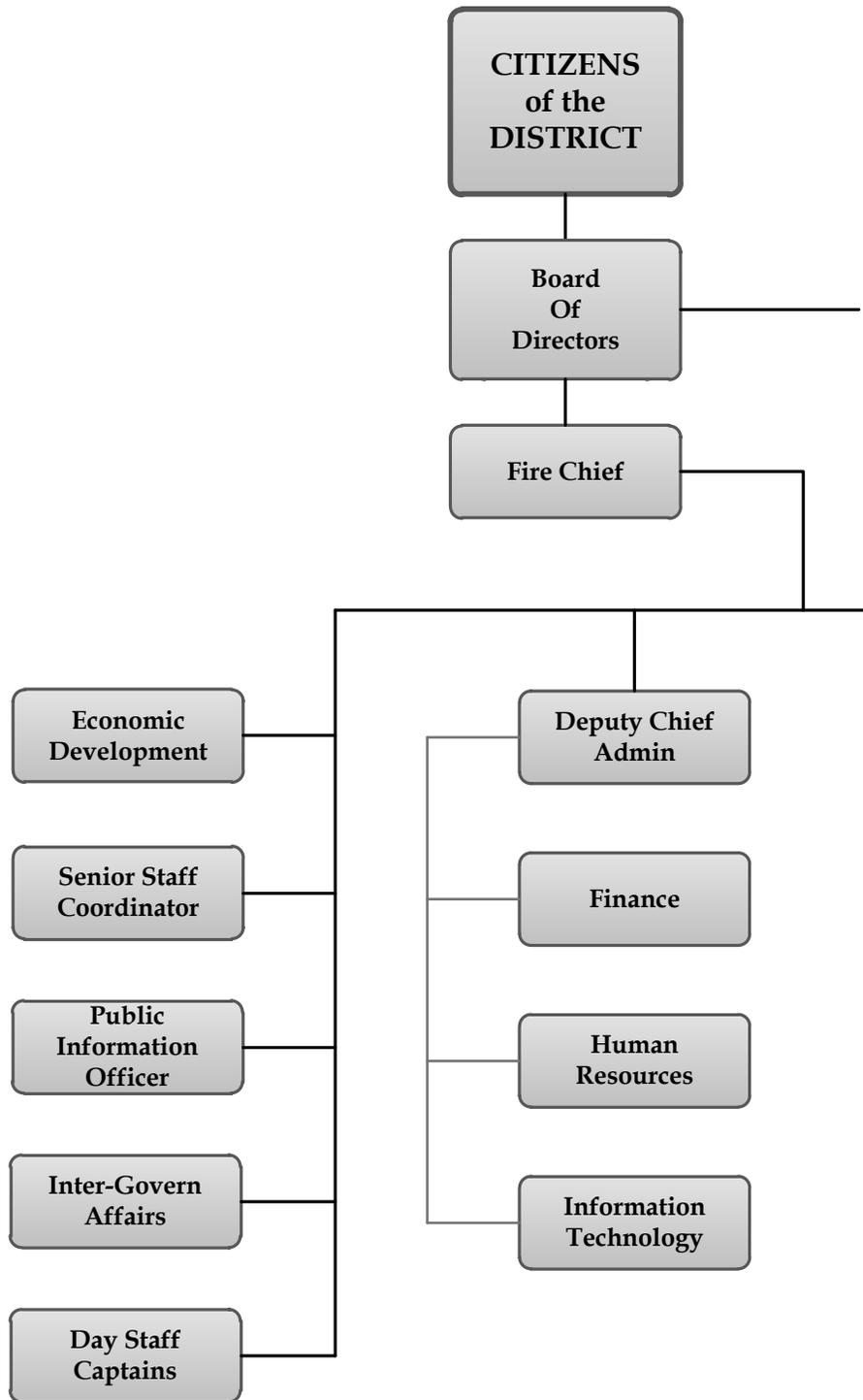
Command Staff

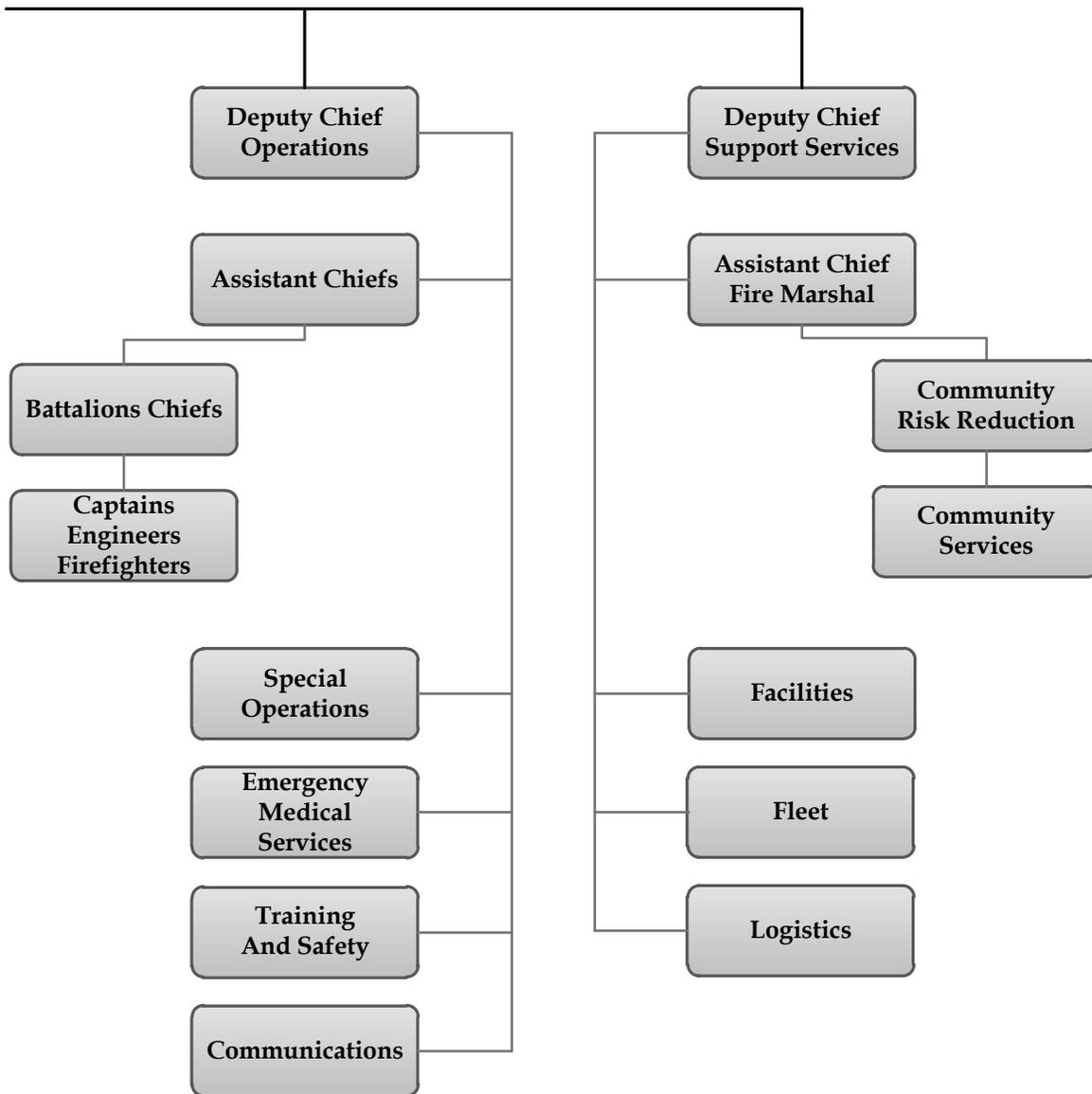
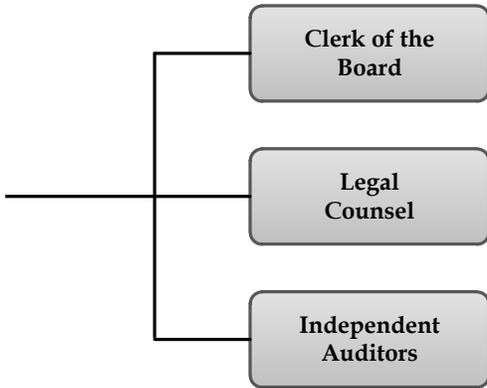
FIRE CHIEF  Mark A. Wells	DEPUTY CHIEFS	Chris Holbrook ADMINISTRATION Darren Taylor OPERATIONS Bill Daniels SUPPORT SERVICES	OFFICERS	Larry Davis CHIEF DEVELOPMENT Amanda Thomas CHIEF FINANCIAL
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Assistant Chiefs

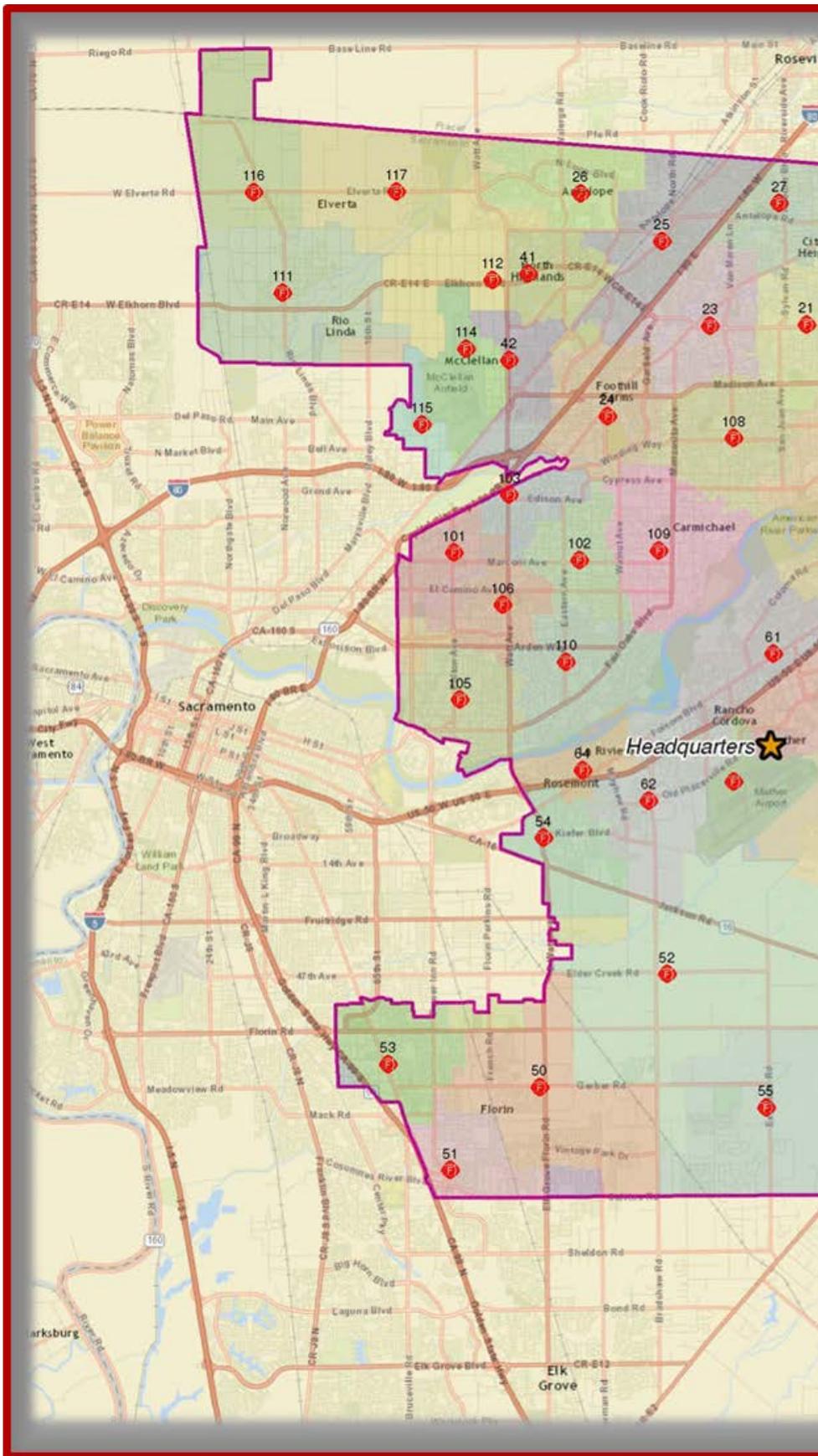
Pat Ellis A SHIFT	Brian Shannon B SHIFT	Eric Bridge C SHIFT
Maurice Johnson EMS	Michael Lozano FIRE MARSHAL	Larry Savage TRAINING/SAFETY

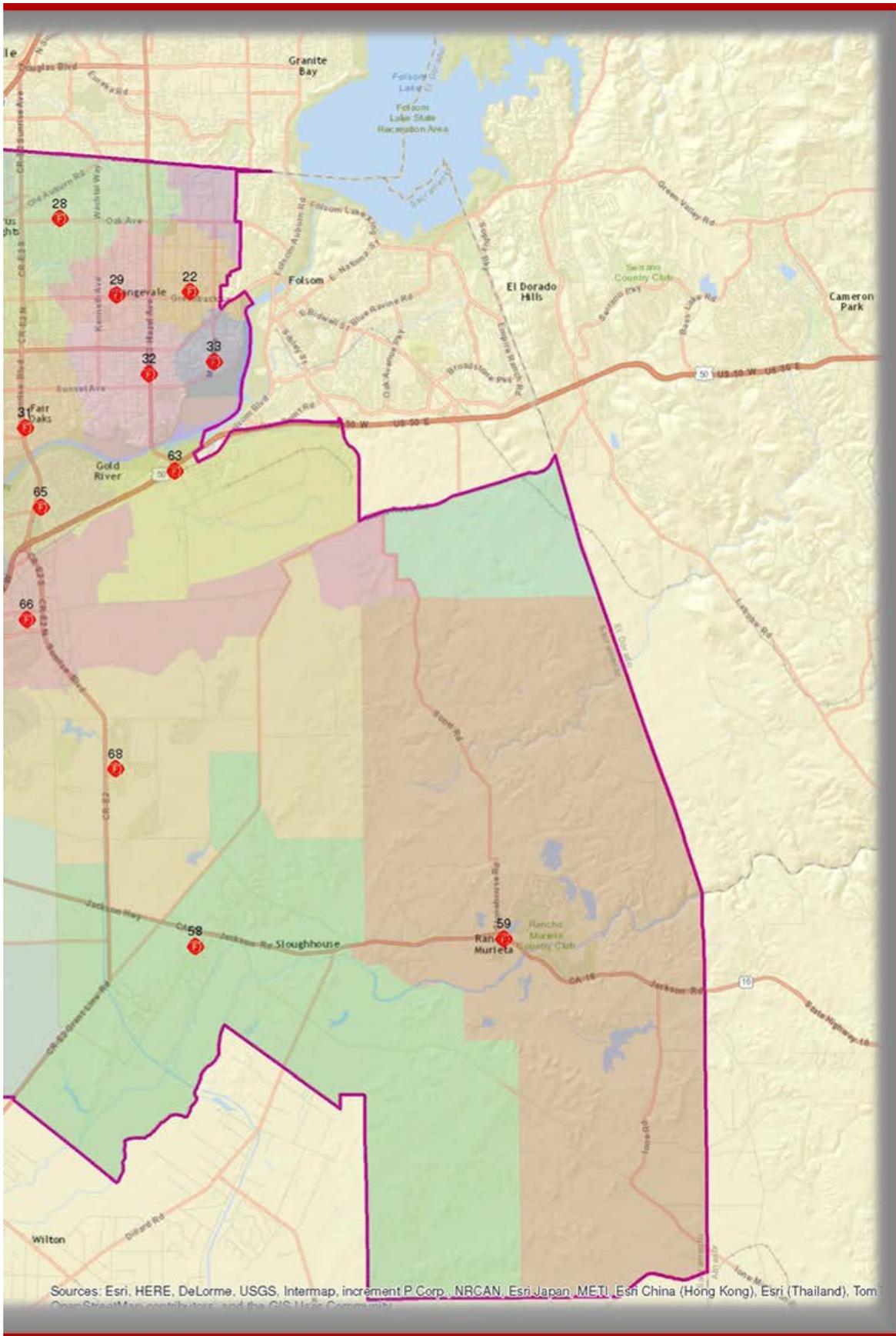
Organizational Chart





District Boundaries by Station





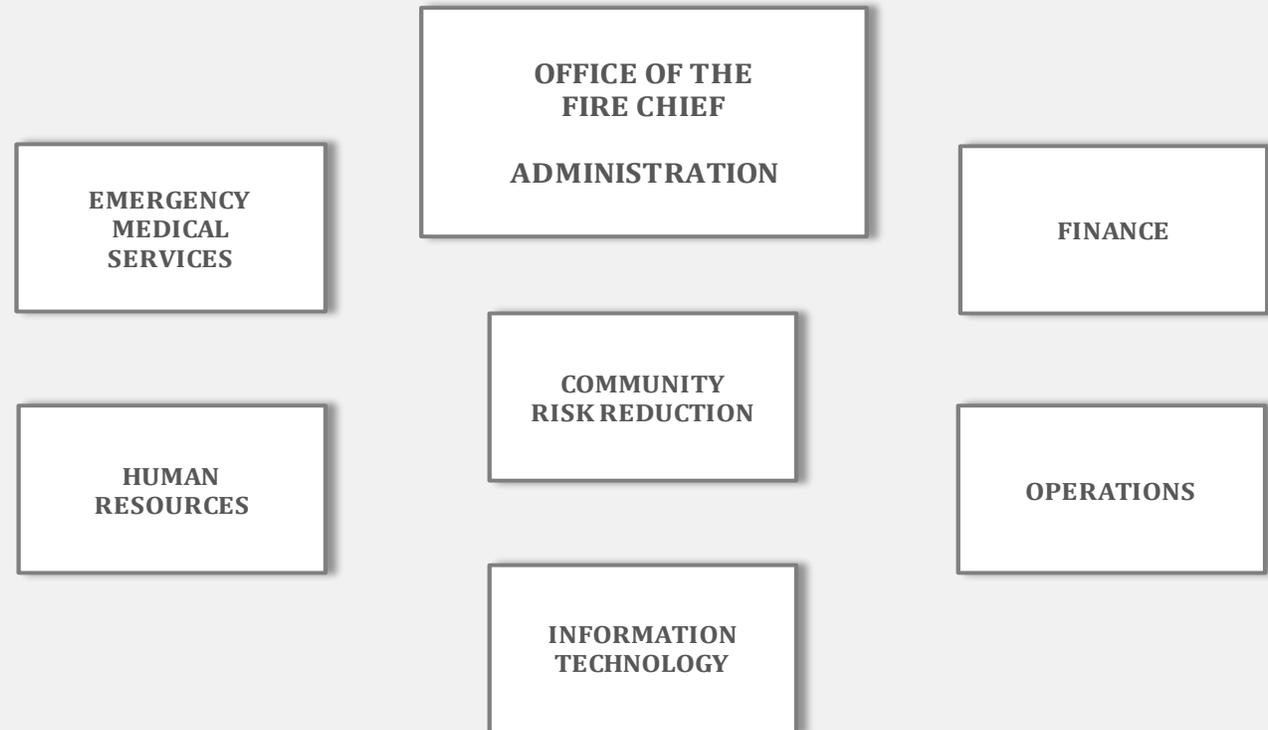
Stations and Facilities



HEADQUARTERS

**10545 Armstrong Avenue, Suite #200
Mather, California 95655**

HEADQUARTERS DIVISIONS



FLEET
4425 Dudley Blvd.
McClellan



LOGISTICS/TRAINING/SAFETY
3012 Gold Canal Drive
Rancho Cordova



STATION #21
7641 Greenback Lane
Citrus Heights



STATION #22
6248 Chestnut Avenue
Orangevale



STATION #23
6421 Greenback Lane
Citrus Heights



STATION #24
4942 College Oak Drive
Sacramento



STATION #25
7352 Roseville Road
Sacramento



STATION #26
8000 Palmerson Drive
Antelope



STATION #27
7474 Grand Oaks Blvd.
Citrus Heights



STATION #28
8189 Oak Avenue
Citrus Heights



STATION #29
8681 Greenback Lane
Orangevale



STATION #31
7950 California Avenue
Fair Oaks



STATION #32
8890 Roediger Lane
Fair Oaks



STATION #41
6900 Thomas Drive
North Highlands



STATION #42
5608 North Haven
North Highlands



STATION #50
8880 Gerber Road
Sacramento



STATION #51
8210 Meadowhaven Drive
Sacramento



STATION #53
6722 Fleming Avenue
Sacramento



STATION #54
8900 Fredic Avenue
Sacramento



STATION #55
7776 Excelsior Road
Sacramento



STATION #58
7250 Sloughouse Road
Elk Grove



STATION #59
7210 Murieta Drive
Rancho Murieta



STATION #61
10595 Folsom Blvd.
Rancho Cordova



STATION #62
3646 Bradshaw Road
Sacramento



STATION #63
12395 Folsom Blvd.
Rancho Cordova



STATION #64
9116 Vancouver Drive
Sacramento



STATION #65
11201 Coloma Road
Rancho Cordova



STATION #66
3180 Kilgore Road
Rancho Cordova



STATION #101
3000 Fulton Avenue
Sacramento



STATION #102
4501 Marconi Avenue
Sacramento



STATION #103
3824 Watt Avenue
Sacramento



STATION #105
2691 Northrop Avenue
Sacramento



STATION #106
2200 Park Towne Circle
Sacramento



STATION #108
6701 Winding Way
Fair Oaks



STATION #109
5634 Robertson Avenue
Carmichael



STATION #110
1432 Eastern Avenue
Sacramento



STATION #111
6609 Rio Linda Blvd.
Rio Linda



STATION #112
6801 34th Street
North Highlands



STATION #114
5824 Kelly Way
McClellan



STATION #115
4727 Kilzer Avenue
McClellan



STATION #116
7995 Elwyn Avenue
Elverta



STATION #117
7961 Cherry Brook Drive
Elverta

District History

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

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

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

1925- The **Elverta Fire District** was formed in October 1925. A Graham Dodge truck was later purchased and modified to serve as its first fire truck. On its main

fire station, a siren was installed with a button on the outside of the building – the first person to hear of a fire would run to the station to push it and activate the siren.

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



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

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

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

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

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

official act of the Board of Directors was to appoint a Fire Chief.

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

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

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

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

1951- The first firehouse for the **North Highlands Village Fire District**, which was formed in September 1951, was located next to the Flying A gasoline station on North Haven Drive. Daytime alarms were received by telephone at the Flying A gasoline station and night calls were answered at an apartment across the street. This District remained an all-volunteer

district until July, 1957 when three firefighters were hired at \$340 per month.

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

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

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

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

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



www.metrofire.ca.gov



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Financial Section







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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 (Metro Fire) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Metro Fire's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 Metro Fire as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparison for the General and Grant Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Change in Accounting Principle

As discussed in Note 9.C to the basic financial statements, Metro Fire adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68, during the year ended June 30, 2015. Due to the implementation of these Statements, Metro Fire recognized deferred outflows of resources, a pension liability and deferred inflows of resources for its pension plans in the financial statements as of July 1, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of Funding Progress – Other Post-Employment Benefits Plan, Schedule of Changes in Net Pension Liability – CalPERS Safety Plan, Schedule of Plan's Proportionate Share of Net Pension Liability – CalPERS Miscellaneous Plans and SCERS Plans and Schedule of Employer Contributions on pages 4 to 17 and 53 to 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Metro Fire's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

To the Board of Directors
Sacramento Metropolitan Fire District

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2015 on our consideration of Metro Fire's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Metro Fire's internal control over financial reporting and compliance.

Richardson & Company, LLP

December 29, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Sacramento Metropolitan Fire District (Metro Fire) provides the reader with a narrative overview of Metro Fire's financial position and performance for the fiscal year ending June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-vii of this report.

FINANCIAL HIGHLIGHTS

Government-wide:

- ❖ During the year, Metro Fire recognized \$190,846,468 in taxes and other revenues from governmental activities, which was \$10,660,045 more than related expenses.
- ❖ Metro Fire's net position as of the end of the year is a net *deficit* of \$352,359,911 compared to prior year's positive net position of \$31,206,587. The decrease is mainly due to the implementation of the new pension accounting standards which required a prior period adjustment amounting to \$394,226,543 to reflect net pension liability and the related deferred outflows and to remove the pension asset existing as of the beginning of the year.
- ❖ Overall outstanding long-term liabilities decreased by \$55,852,743 during the year. This was the net result of a reduction in the net pension liability (\$51.2 million) mainly from investment gains, scheduled debt payments (\$4.7 million), and net reductions in the long-term liabilities associated with compensated absences, workers' compensation, and retiree medical benefits (\$1.8 million). These decreases were partially offset by new capital leases (\$849 thousand) and accreted interest on pension bonds (\$1.1 million).

Fund level:

- ❖ Metro Fire's governmental funds reported combined fund balances of \$49,180,934, an increase of \$11,430,818 in comparison with the prior year. Approximately 47% of this amount (\$22,917,487) is available for spending at the government's discretion (*unassigned fund balance*).
- ❖ Unassigned fund balance for the general fund was \$23,155,735 or approximately 13% of total general fund expenditures.

NEW PENSION ACCOUNTING STANDARDS

Metro Fire adopted two new statements issued by the Governmental Accounting Standards Board (GASB) that relate to pension activity:

- Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and
- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*.

These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense related to Metro Fire's pension obligations in the government-wide financial statements. The statements now require the reporting of the unfunded pension liability on Metro Fire's full accrual basis of accounting government-wide financial statements in addition to an expanded set of required disclosures. However, they have no impact on Metro Fire's governmental fund financial statements, which do not report the unfunded pension liability.

ANNUAL REPORT OVERVIEW

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The *government-wide financial statements* 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 Metro Fire's finances. These statements are reported using the accrual basis of accounting which is similar to the accounting used by most private sector companies.

The Statement of Net Position presents information on all of Metro Fire's assets and deferred outflows, and liabilities and deferred inflows, with the difference between them reported as net position. The Statement of Activities presents the most recent fiscal year changes in Metro Fire's 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 Metro Fire'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 Metro Fire is improving or deteriorating.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. 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 Metro Fire'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 Metro Fire's programs.

Metro Fire adopts annual appropriated budgets for its general fund and special revenue funds. Budgetary comparison statements have been provided to demonstrate compliance with each fund's budget.

NOTES TO THE FINANCIAL STATEMENTS

Financial statement notes are an important part of the basic financial statements and provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 26-52 of this report.

In addition to the Basic Financial Statements and accompanying notes, this report also presents certain Required Supplementary Information such as Other Postemployment Benefit (OPEB) and Pension information. A statistical Section is also included which provides various financial schedules as well as historical trend data.

FINANCIAL ACTIVITIES OF METRO FIRE AS A WHOLE

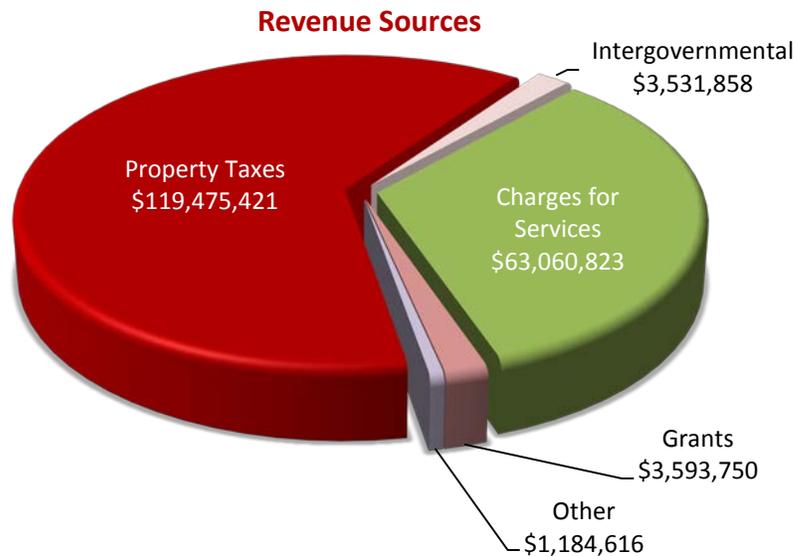
This analysis focuses on the net position and changes in net position of Metro Fire’s Governmental Activities presented in the Government-Wide Statement of Net Position and Statement of Activities.

GENERAL AND PROGRAM REVENUES

The primary source of funding for the services provided by Metro Fire comes from property taxes, which comprised about 63% of total revenues for the year. Other large revenue sources are charges for services and grant revenue. A summary of revenue sources is presented below:

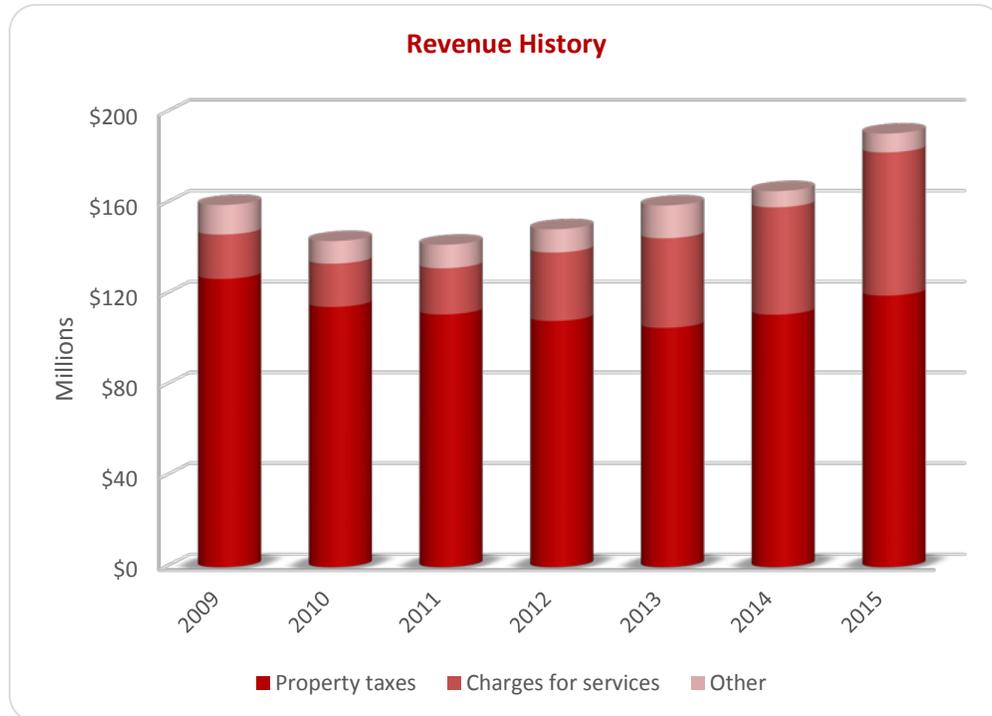
Table 1
Condensed Schedule of Revenues
(in thousands)

	2015	2014	\$ Change	% Change
General revenues				
Property taxes	\$ 119,475	\$ 111,089	\$ 8,386	8%
Intergovernmental	3,532	2,698	834	31%
Rentals and other income	1,048	985	63	6%
Miscellaneous	137	1,103	(966)	(88%)
Total general revenues	<u>124,192</u>	<u>115,875</u>	<u>8,317</u>	7%
Program revenues				
Charges for services	63,061	44,420	18,641	42%
Operating grants and contributions	2,737	3,786	(1,049)	(28%)
Capital grants and contributions	857	1,380	(523)	(38%)
Total program revenues	<u>66,655</u>	<u>49,586</u>	<u>17,069</u>	34%
Total revenues	<u>\$ 190,847</u>	<u>\$ 165,461</u>	<u>\$ 25,386</u>	15%



MANAGEMENT'S DISCUSSION AND ANALYSIS

Metro Fire monitors property tax valuation closely with a property tax consultant to identify trends and develop forecasts of this critical revenue source. In 2009, property values in Metro Fire's service area reached a high point of \$57.8 billion. The real estate market in the region since then was hit hard by the recession, and property values within Metro Fire's boundaries steadily declined to \$49.5 billion in 2013; a reduction of \$7.3 billion, or 13%. Annual property tax revenue during this time declined from its peak of \$129 million to \$105 million in 2013; a drop of \$24 million, or 18%. While certain areas of the State have been showing significant increases in property values for the past several years, the Sacramento region has been slow to rebound. Property values within Metro Fire finally saw growth in 2014 and continued its uptick into 2015, increasing by \$1.9 billion and \$2.9 billion, respectively, to a total of \$54.4 billion. Property tax revenue in 2015 grew by \$8.4 million, or 8%.



While management expects to see modest growth in future property taxes, it continues to find ways to lessen its fiscal dependency on property tax revenues. As noted in the chart above, non-property tax related revenue grew from \$29 million in 2009/10 to \$71 million in 2014/15; an increase of \$42 million, or 133%, over the 2009/10 level. Metro Fire was successful in securing federal grant funds to maintain the operation of two truck companies during the year, while the implementation of the Single-Role Paramedic Program (SRPP), medical transport cost reimbursements, and other changes relative to delivery of emergency medical transport services provided for a substantial increase in cost recovery. As a result of the efforts mentioned above, charges for services increased by \$15.7 million.

Starting in 2013/14, Metro Fire participated in the Ground Emergency Medical Transport (GEMT) Program that allows qualified public entities to collect federal matching funds for services provided to Medi-Cal beneficiaries that are part of the Fee for Service (FFS) Program. This program accounts for approximately 17% of the medical patients seen by Metro Fire. In FY 2014/15, Metro Fire was able to receive federal matching funds for the rest of its Medi-Cal patients consisting of managed care Health Maintenance Organization (HMO) beneficiaries through a mechanism called Hospital Rate Range Intergovernmental Transfer (IGT). As a governmental entity, Metro Fire is allowed to partner with the Federal Medicaid program to recover the unreimbursed cost of services provided to Medi-Cal managed care beneficiaries. The GEMT and IGT programs provided gross reimbursements of \$1 million and \$17 million (before related fees), respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS

During the year, operating and capital grants decreased by \$1.6 million or about 30% compared to the prior year. The decrease is attributable to one-time grants awarded to Metro Fire in the prior year. In the prior year, Metro Fire was awarded an operating grant of about \$1 million for the development of an integrated wildland fire prevention program. Metro Fire also obtained capital grant awards for the purchase of thermal imaging cameras and training props in the prior fiscal year.

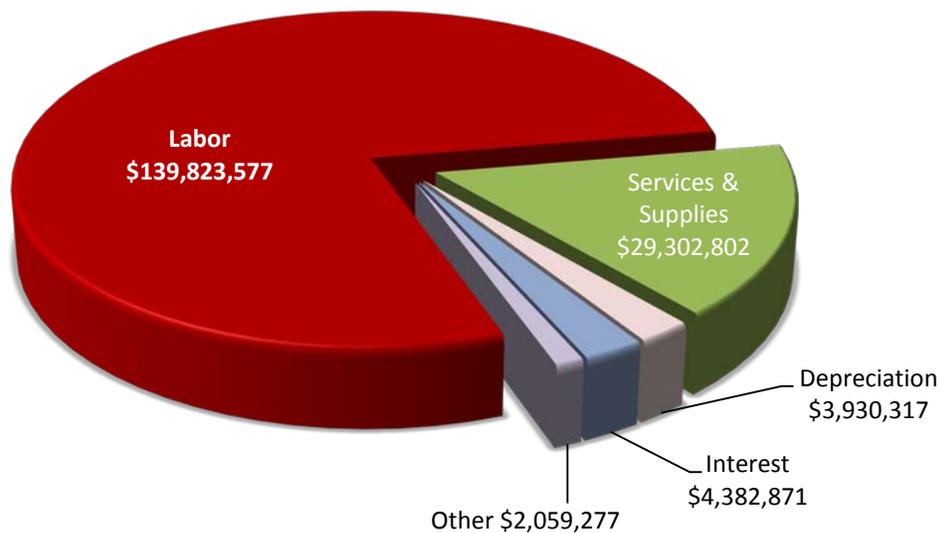
EXPENSES

As a public safety provider, the majority of Metro Fire's operating expense relates to labor costs, which comprise about 78% of total expenses. A summary of Metro Fire's expenses is presented below:

Table 2
Condensed Schedule of Expenses
(in thousands)

	2015	2014	\$ Change	% Change
Public protection				
Salaries and benefits	\$ 139,824	\$ 135,099	\$ 4,725	3%
Services and supplies	29,303	21,814	7,489	34%
Other	2,059	206	1,853	900%
Subtotal	171,186	157,119	14,067	9%
Interest	4,383	4,412	(29)	(1%)
Loss on disposal of capital assets	688	-	688	-
Depreciation	3,930	4,612	(682)	(15%)
TOTAL EXPENSES	\$ 180,187	\$ 166,143	\$ 14,044	8%

Expenses

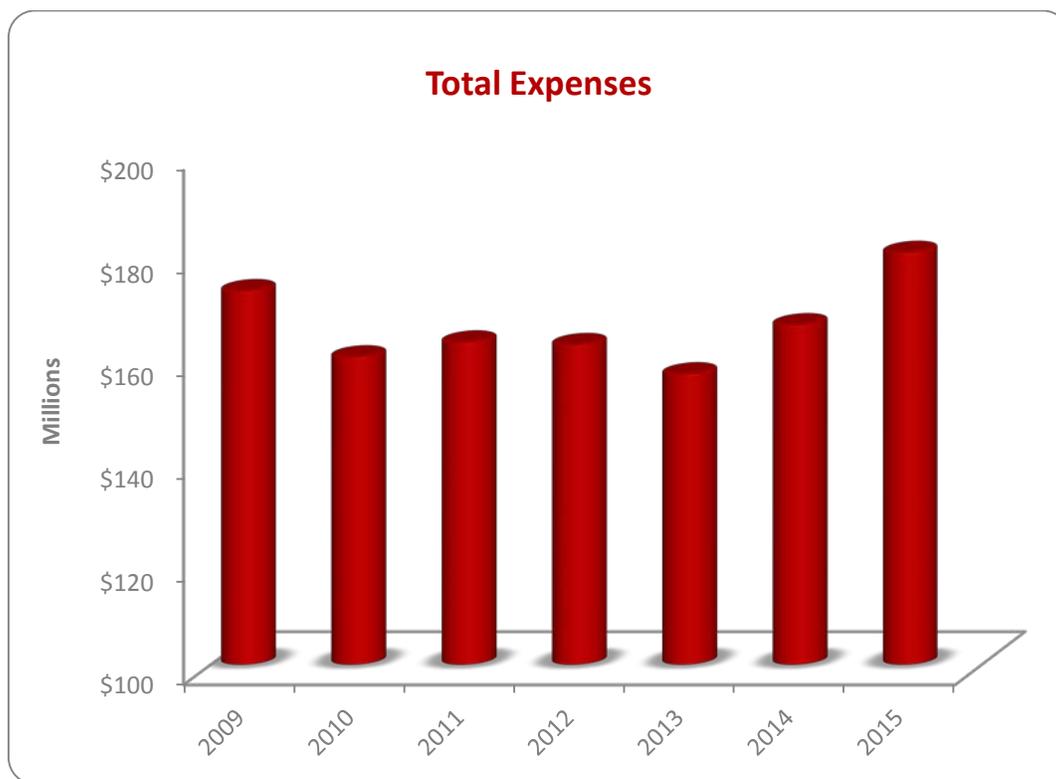


MANAGEMENT'S DISCUSSION AND ANALYSIS

Public protection expenses for the year were \$171.2 million, or 9% more than the prior year. The majority of program expenses relates to salaries and benefits. Salaries and benefits increased by about 3%, primarily due to implementation of the new pension standards which added \$3.6 million in pension expense from changes in the related net pension liability and deferred outflows and inflows.

The other significant program expense is services and supplies which amounted to \$29.3 million, an increase of \$7.5 million or 34% from the prior year. The bulk of this increase came from cost associated with the IGT program discussed previously. The program required Metro Fire to transfer \$10.4 million to the State of California for its share of the total cost of providing ambulance services plus the State's fee. The State drew down the federal share of matching funds for payment to the Managed Care Plans. The Plans then distributed \$17 million to Metro Fire for a net revenue of \$6.6 million.

Below is a history of Metro Fire's total expenses:



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

ANALYSIS OF NET POSITION

This analysis focuses on the net position and changes in net position of Metro Fire's Governmental Activities, as presented in the government-wide Statement of Net Position and Statement of Activities that follow.

Table 3
Condensed Schedule of Net Position
(in thousands)

	2015	2014	\$ Change	% Change
Assets:				
Cash and investments	\$ 50,262	\$ 43,599	\$ 6,663	15%
Other current assets	18,053	17,457	596	3%
Pension asset	-	76,211	(76,211)	(100%)
Capital assets	90,689	92,898	(2,209)	(2%)
Total Assets	159,004	230,165	(71,161)	(31%)
Deferred outflows of resources	31,382	-	31,382	
Liabilities:				
Current and other liabilities	33,297	38,699	(5,402)	(14%)
Long-Term liabilities	454,694	160,259	294,435	184%
Total Liabilities	487,991	198,958	289,033	145%
Deferred inflows of resources	54,755	-	54,755	
Net position:				
Net investment in capital assets	71,615	71,375	240	0%
Restricted	2,099	2,523	(423)	(17%)
Unrestricted	(426,074)	(42,691)	(383,384)	898%
Total net position	\$ (352,360)	\$ 31,207	\$ (383,567)	(1,229%)

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

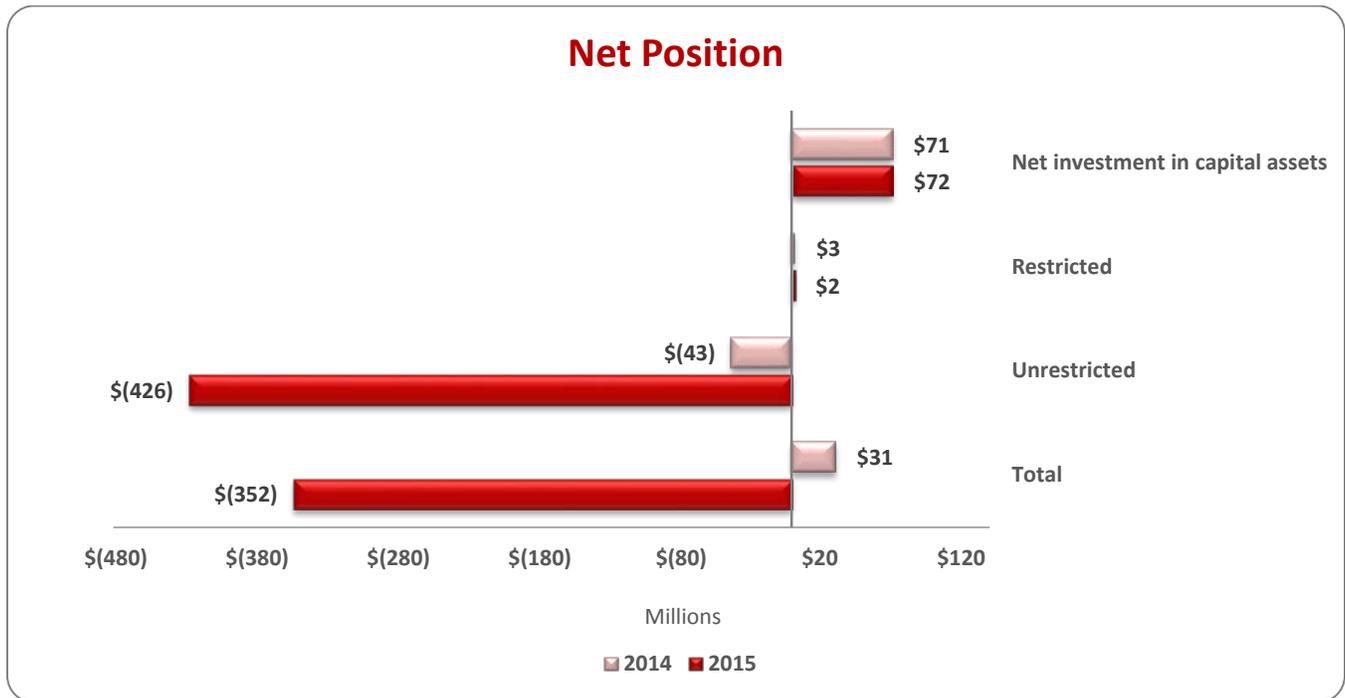
	2015	2014	\$ Change	% Change
Total revenues	\$ 190,847	\$ 165,461	\$ 25,386	15%
Total expenses	(180,187)	(166,143)	(14,044)	8%
Excess (Deficiency)	10,660	(682)	11,342	(1,663%)
Beginning net position	31,207	31,889	(682)	(2%)
Prior period adjustment	(394,227)	-	(394,227)	
Beginning net position, as restated	(363,020)	31,889	(394,909)	(1,238%)
Ending net position	(352,360)	31,207	(383,567)	(1,229%)

Metro Fire's net position decreased by \$383.6 million, mainly due to changes in unrestricted net position as a result of implementation of new pension accounting standards while other categories remained virtually unchanged. Metro Fire uses capital assets to deliver firefighting and medical services to the citizens and as such these are not available for future spending.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Metro Fire's investment in capital assets of \$90.7 million is shown less related debt of \$19.1 million. This represents an increase of \$240 thousand from the prior year. Although reported net of related debt, the capital assets themselves cannot be used to repay this debt. Restricted net position of \$2.1 million represents resources that are subject to external restrictions on their use. These resources can be used mainly for capital acquisition, debt payments, and for grant approved expenditures.

Unrestricted net position, which can be used to finance day-to-day operations without constraints, is a negative \$426 million, a decrease of \$383.4 million from prior year. This deficit is caused mainly by the recognition of the full net pension liability and the related deferrals as required by the new pension standards; a prior period adjustment amounting to \$394.2 million was made to restate beginning net position. Contributing to this decrease is the inclusion of postemployment medical costs in the operating expenses; as of the end of the year, the Other Postemployment Benefits (OPEB) liability was at \$52 million.



The graph above shows the dramatic decrease in net position during fiscal year 2014-15. With the adoption of the new pension accounting standards, it was expected that local governments would show huge decreases in net position to reflect previously unrecognized unfunded pension liabilities. Beginning in fiscal year 2008-09, Metro Fire's net position decreased as a result of the recession. It was only until the fiscal years 2012-13 and 2013-14 that Metro Fire's total net position has stabilized due to efforts by management to lower operating costs and enhance revenues. Metro Fire's net position for the past ten years is shown on page 60.

ASSETS AND LIABILITIES

The following points explain the major changes impacting net position as shown in Table 3:

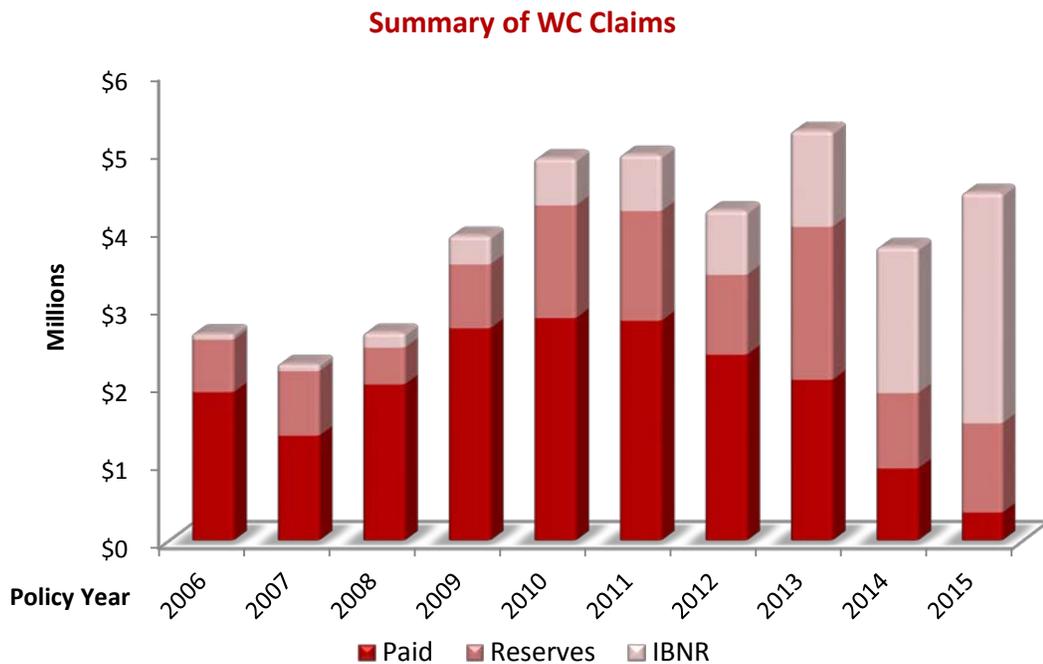
- Total assets of Metro Fire decreased by \$71.2 million or 30.9%. In 2004, Metro Fire issued pension obligation bonds, the proceeds of which were used to pay-off a portion of its unfunded liability. Per GASB 27 effective at that time, a pension asset was established to reflect the fact that Metro Fire paid more than the required contributions. As a result of GASB 68, the pension asset of \$76.2 million as of the end of fiscal year 2013-14 was removed and formed part of the restatement required by GASB 68.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Current liabilities include amounts for trade payables, labor costs payable, accrued interest payable and that portion of long-term debt due within one year. The decrease of \$5.4 million was primarily due to payments made in the current year on a liability recognized in the prior year for amounts owed to employees to comply with the overtime provisions of the federal Fair Labor Standards Act (FLSA).
- Long-term liabilities include capital leases, bonds, compensated absences, workers' compensation liability, OPEB liability, and net pension liability. Capital leases and bonds are discussed in Note 5.

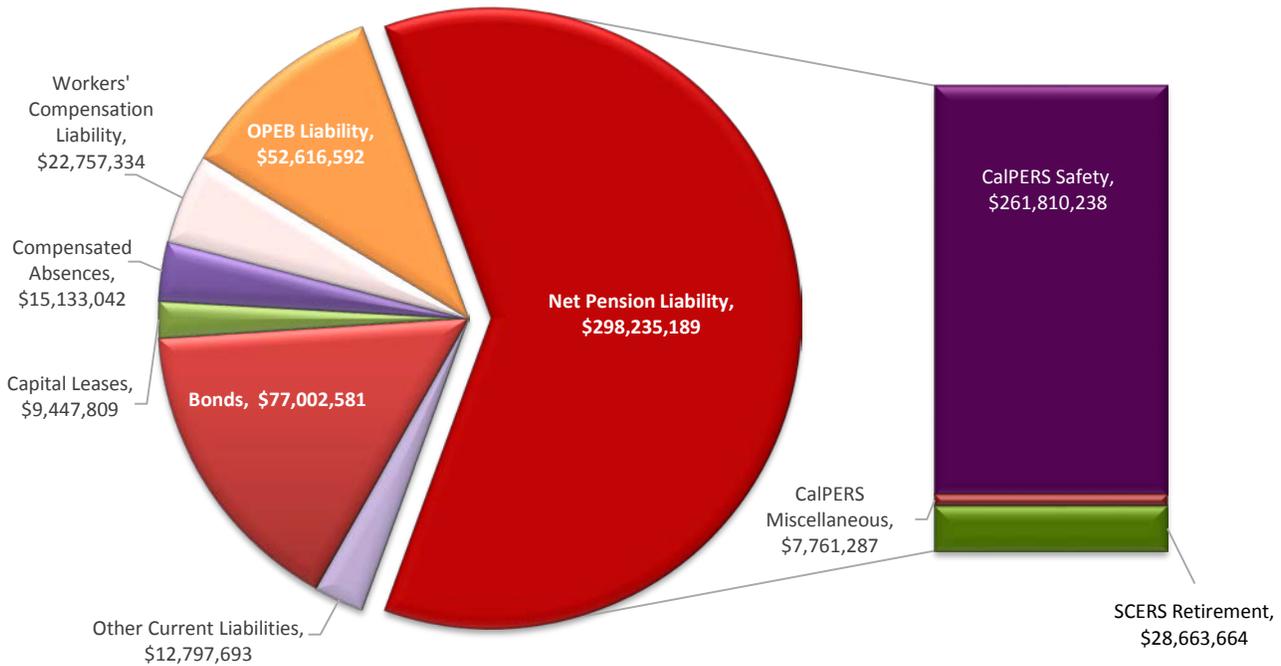
As discussed previously, a net pension liability of \$349 million was recognized at the beginning of the year. This decreased to \$298 million by the end of the year due mainly to positive investment gains. Also during the year, Metro Fire expended \$7.8 million on retiree medical benefits while about \$5.9 million was contributed into an irrevocable trust to pay future retiree medical benefits. The \$582 thousand difference between the annual OPEB cost and the amount funded during the year was added to the OPEB liability, which amounted to \$52.6 million as of the end of the year.

Metro Fire is self-insured for workers' compensation claims and the liability is actuarially determined. Claim liabilities and related expenditures are reported when it is probable that a loss has occurred and the loss amount can be reasonably estimated. The liability for workers' compensation claims on June 30, 2015 was \$22.8 million. Below is a chart depicting Metro Fire's claim losses by policy year since 2006, which also reflects how much remains outstanding for each year (i.e. reserves and incurred but not reported).



As Metro Fire's continues to hire personnel in its effort to restore services, this would be expected to increase ultimate losses from worker's compensation claims. However, due to Metro Fire's efforts to emphasize safety on the job, the number of claims and severity of claims being reported were kept in check.

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



DEFERRED OUTFLOWS & INFLOWS OF RESOURCES

Deferred outflows and inflows of resources are new to the Metro Fire's Statement of Net Position for this fiscal year. Deferred outflows are not available to pay liabilities in the way assets are available. In the same vein, deferred inflows of resources are not technically liabilities. When all the recognition criteria are met, the deferred outflow of resources will become an expense while the deferred inflow of resources will become revenues. These deferrals relate to the implementation of the new accounting standards on pension liability reporting. The majority of the deferred outflows of resources reported is composed of current year contributions to the retirement system which are required to be deferred by GASB 71 while deferred inflows are composed of investment gains in excess of the amount assumed when calculating the pension liability.

GOVERNMENTAL FUND BALANCE AND BUDGETARY HIGHLIGHTS

GENERAL FUND

The General Fund is the general operating fund of Metro Fire and is generally used to account for all financial resources relative to operations. The major source of revenue for the General Fund is property taxes (\$120 million), which accounts for 64% of Metro Fire's operational funding. Charges for ambulance transport services, deployments, and other services (\$60 million) accounts for 33% of operational funding. General Fund expenditures increased by \$13.6 million (8.5%) from the prior year. The increase is mainly due to participation in the IGT program for the first time this year. As discussed previously, this added about \$10.4 million in expenditures to the General Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

Budgetary fund variances are monitored by the Board of Directors during regular Finance and Audit Committee meetings. As necessary, the Board revises the budget when new information is available. The General Fund final *adopted* budget for fiscal year 2014-15 forecasted for a \$1.9 million surplus. For budgeting purposes, Metro Fire accounts for the activities of its leased properties separately from its other general fund activities. For purposes of this report, those activities have been combined. Actual results had a more favorable \$12.4 million surplus. A comparison of Metro Fire's original and final budget as well as the actual governmental fund results for the various major funds appears on pages 24 to 25 of this report. Below is a summary of final budget and actual results for the General Fund for fiscal year 2014/15:

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

	Final Budget	Actual	Variance
Total Revenues	\$ 184,824	\$ 185,432	\$ 608
Total Expenditures	(184,212)	(174,206)	10,006
Financing Sources	1,243	1,126	(117)
Net Change in Fund Balance	\$ 1,855	\$ 12,352	\$ 10,497

Actual revenue was slightly ahead of budgeted revenues due to higher than projected charges for services. Actual expenditures were \$10 million lower than budgeted due to the following:

- ❖ \$3.2 million due to budget savings from labor cost. During fiscal year 2014-15, about \$1.2 million was budgeted for additional costs to comply with FLSA payments but was accrued in fiscal year 2013-14. The rest of the savings came from relatively conservative projections for overtime and workers' compensation where budgeted figures were based on historical experience, but actual numbers came in lower.
- ❖ \$3.9 million due to budget savings resulting from successful implementation of various cost-cutting programs in services and supplies and deferral of certain service expenditures into the next fiscal year.
- ❖ \$1 million mostly from deferrals of certain capital projects into the next fiscal year.
- ❖ \$1.9 million was set aside in anticipation of pension bond retirements which was essentially treated as an expenditure to transfer from our unassigned fund balance to committed fund balance; in the fund financial statements, it is treated as a transfer from cash to investments rather than as an expenditure.

During the year, there was an increase in General Fund budgeted revenues of \$4.8 million between the original and final budget primarily due to IGT as well as significant deployment cost reimbursements. The final budget further increased appropriations by about \$11.3 million mainly due to increases in constant staffing costs (overtime) and federally required overtime rate adjustments.

OTHER GOVERNMENTAL FUNDS

The Capital Facilities Fund is used to account for development impact fees and capital lease proceeds. During the year, development impact fees were lower than expected which resulted to a \$590 thousand deficiency, which was higher than planned. About \$2 million of annual amortization payments for capital leases and a portion of the lease revenue bonds were paid out of this fund. The remaining fund balances are restricted for capital expenditures only.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Grant Fund is used to account for various types of grants awarded to Metro Fire. During the year, there was a total of \$3.6 million of expenditures in this fund. The largest of these grants include the SAFER grants which assisted Metro Fire in paying for 24 firefighter positions and funding fire prevention planning. The remaining fund balances can only be used for purposes authorized in the grant awards.

CAPITAL ASSET AND DEBT ADMINISTRATION

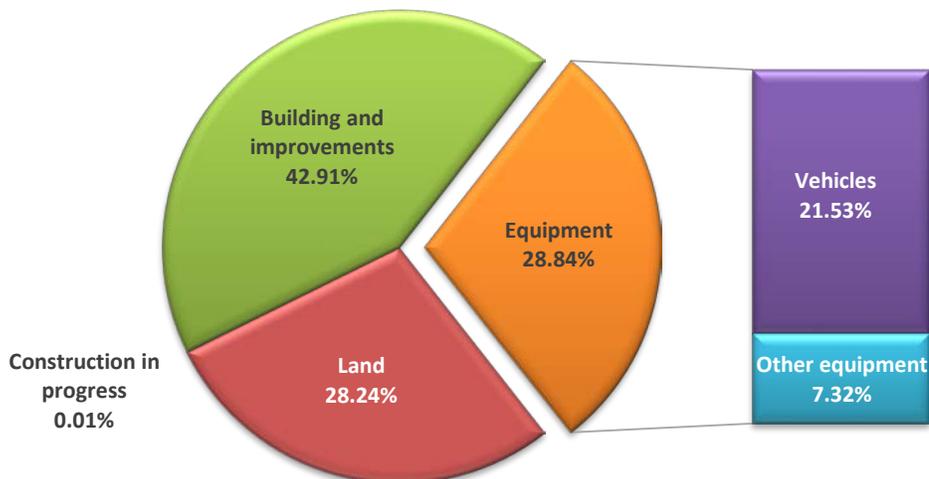
CAPITAL ASSETS

Metro Fire owns 42 fire stations: 40 fire stations currently providing fire suppression/EMS responses and two stations closed for cost savings. Metro Fire also owns its headquarters building, a logistics warehouse building, a training facility, a fleet maintenance building, a radio shop building, and two surplus office buildings. Resources include hundreds of vehicles and equipment consisting of fire engines, fire trucks, ambulances, a hazardous materials unit, a heavy rescue unit, two firefighting rescue helicopters, two bulldozers, rescue boats, a decontamination unit, and multiple support staff vehicles. Additional detail regarding capital assets is located in Note 3 of the financial statements.

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

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

	2015	2014	\$ Change	% Change
Land	\$ 25,612	\$ 25,860	\$ (248)	(1%)
Construction in progress	7	3,156	(3,149)	(100%)
Building and improvements	38,911	38,492	419	1%
Equipment	26,158	25,390	768	3%
Totals	\$ 90,688	\$ 92,898	\$ (2,210)	(2%)



MANAGEMENT'S DISCUSSION AND ANALYSIS

At the end of fiscal year 2014-15, Metro Fire had \$90.7 million invested in a broad range of capital assets, including buildings, fire stations, and various pieces of equipment. This amount represents a decrease of about \$2.2 million, or 2.4%, from the previous year. Depreciation of \$3.9 million accounted for most of the decrease plus equipment disposals of \$871 thousand offset by the purchase of capital assets mostly consisting of equipment.

DEBT ADMINISTRATION

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

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

	2015	2014	\$ Change	% Change
Pension bonds payable	\$ 66,582	\$ 67,572	\$ (990)	(1%)
Lease revenue bonds payable	10,420	11,218	(798)	(7%)
Capital Leases	9,448	10,431	(983)	(9%)
Totals	\$ 86,450	\$ 89,221	\$ (2,771)	(3%)

Debt payments during the year amounted to \$4.7 million offset by bond accretion of \$1.1 million in one of Metro Fire's pension bond series. In addition, during the year, a new capital lease in the amount of \$849 thousand was entered into to purchase equipment to transition from paper-based patient care reports to electronic reports (e-PCR) which is intended to implement a more efficient and secure medical reporting process.

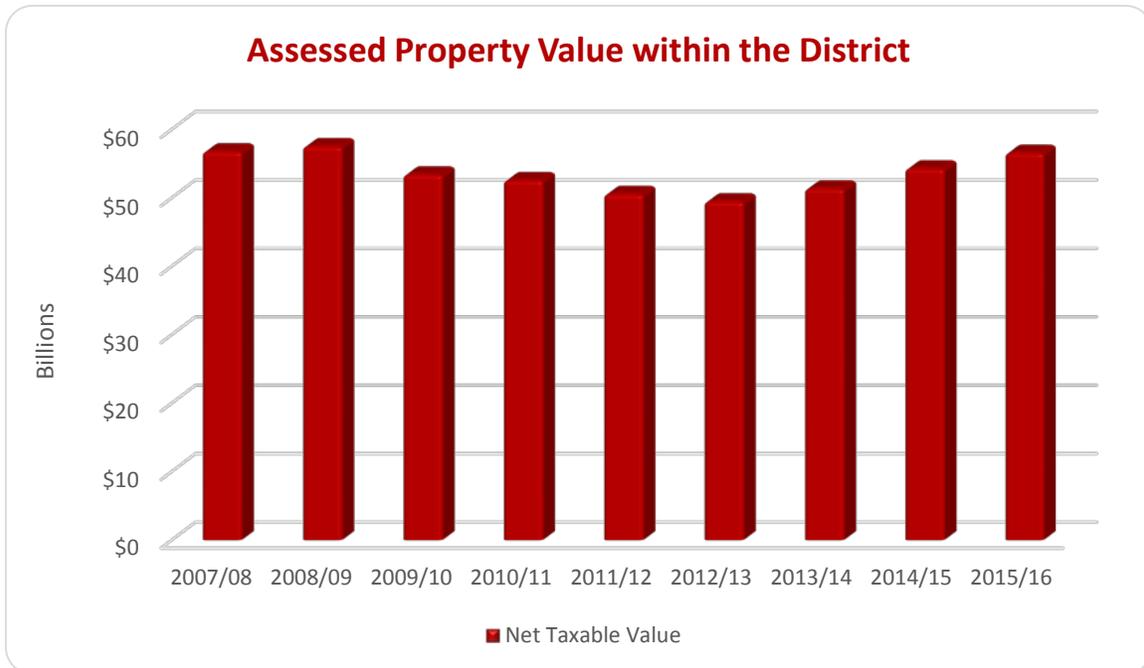
Metro Fire's budget includes bi-annual principal and interest payments. In addition, Metro Fire has a policy that requires setting aside of an annual deposit payment for the eventual extinguishment of the Pension Bond Series B and C, in 2025 and 2018, respectively. In conjunction with the pension bond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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

During this time, management and union representatives engaged in a highly collaborative effort to address a structural budget imbalance in the General Fund brought on by the negative impacts of the lingering economic recession; namely, reduced property tax revenue, rising health care costs and rising pension costs caused by significant pension fund investment losses. Labor and management were able to reach agreement on a number of concessions that both achieved operational cost savings and allowed Metro Fire to begin pre-funding retiree medical benefits. Pre-funding retiree medical benefits was identified as a key measure in preserving and reducing the long-term cost of this significant retirement benefit. The agreed-upon labor concessions have resulted in annual cost savings in excess of \$9 million.

Property values within Metro Fire's jurisdiction have increased for two consecutive years and are projected to grow by 4% next fiscal year. However, this growth is being driven primarily by the restoration of values previously reduced by the County Assessor during the height of the recession, not by change of ownership. What this means is that sales prices (or the value of property) remain sluggish. This trend is expected to continue for the foreseeable future.



Despite modest growth in property tax revenues, the District continues to be impacted by the economic recession, resulting in service reductions that are yet to be fully restored. The final budget for FY 2015/16 reflects the reopening of one engine company that was closed during the recession and funds all but \$2.4 million of current year expenditures with current year revenues, with the shortfall more than offset by a surplus from FY 2014/15. While the final budget for 2015/16 falls short of achieving the Board's goal of establishing an operating reserve of 15%, it does keep Metro Fire on track with respect to addressing the long-term financial obligations associated with the commitment to current employees and retirees to pay medical benefits after retirement by fully funding the OPEB ARC as well as maintaining the funding plan for the outstanding pension obligation bonds.

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

OBTAINING ADDITIONAL INFORMATION

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

Sacramento Metropolitan Fire District
Statement of Net Position
June 30, 2015

ASSETS	
Cash and investments	\$ 48,030,436
Receivables, net of allowance for uncollectibles:	
Medic fees receivable	7,737,431
Taxes receivable	1,100,000
Other receivables	2,062,606
Due from other governments	3,969,932
Inventory	3,177,801
Prepaid expenses and other assets	5,000
Restricted cash and investments	2,231,932
Capital assets:	
Not being depreciated	25,619,780
Being depreciated, net	65,068,829
Total Assets	<u>159,003,747</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension	<u>31,381,945</u>
Total Deferred Outflows of Resources	<u>31,381,945</u>
LIABILITIES	
Accounts payable and accrued expenses	7,660,502
Salaries and benefits payable	4,477,756
Accrued interest payable	659,435
Long-term liabilities:	
Due within one year - OPEB liability	7,265,148
Due within one year - others	13,233,816
Due in more than one year - OPEB liability	45,351,444
Due in more than one year - net pension liability	298,235,189
Due in more than one year - others	111,106,950
Total Liabilities	<u>487,990,240</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension	<u>54,755,363</u>
Total Deferred Inflows of Resources	<u>54,755,363</u>
NET POSITION	
Net investment in capital assets	71,615,134
Restricted for:	
Capital acquisition	118,785
Debt service	903,043
Grant-approved expenditures	708,363
Other purposes	369,205
Unrestricted	<u>(426,074,441)</u>
Total Net Position	<u>\$ (352,359,911)</u>

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

Sacramento Metropolitan Fire District
Statement of Activities
For the Year Ended June 30, 2015

EXPENSES	
Public protection	
Salaries, benefits, services and supplies	\$ 171,185,656
Interest and financing costs	4,382,871
Depreciation	3,930,317
Total Expenses	<u>179,498,844</u>
PROGRAM REVENUES	
Charges for services	
Emergency medical services	52,305,207
Reimbursements from other agencies	2,985,530
Development fees and other charges	7,770,086
Operating grants and contributions	2,736,548
Capital grants and contributions	857,202
Total Program Revenues	<u>66,654,573</u>
Net Program Expense	<u>(112,844,271)</u>
GENERAL REVENUES (EXPENSES)	
Property taxes	119,475,421
Intergovernmental	3,531,858
Rentals and other income	1,047,869
Miscellaneous	136,747
Loss on disposal of capital assets	(687,579)
Net General Revenues (Expenses)	<u>123,504,316</u>
Change in Net Position	<u>10,660,045</u>
Net Position, Beginning of Year	31,206,587
Prior period adjustment	<u>(394,226,543)</u>
Net position, Beginning of Year - as restated	<u>(363,019,956)</u>
Net Position, End of Year	<u><u>\$ (352,359,911)</u></u>

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

**Sacramento Metropolitan Fire District
Governmental Funds Balance Sheet
June 30, 2015**

	Major Funds		Non-major Fund	Total
	General Fund	Grant Funds	Capital Facilities	
ASSETS				
Cash and investments	\$ 48,030,436	\$ -	\$ -	\$ 48,030,436
Receivables, net of allowance for uncollectibles:				
Medic fees receivable	7,737,431	-	-	7,737,431
Taxes receivable	1,100,000	-	-	1,100,000
Other receivables	2,032,590	1,118	28,898	2,062,606
Due from other governments	3,900,066	69,866	-	3,969,932
Due from other funds	446,063	-	-	446,063
Inventory	3,177,801	-	-	3,177,801
Prepaid costs and other assets	5,000	-	-	5,000
Restricted cash and investments	369,205	828,032	1,034,695	2,231,932
Total Assets	\$ 66,798,592	\$ 899,016	\$ 1,063,593	\$ 68,761,201
LIABILITIES				
Accounts payable and accrued expenditures	\$ 7,739,904	\$ 17,471	\$ 4,763	7,762,138
Salaries and benefits payable	4,477,756	-	-	4,477,756
Due to other funds	-	170,813	275,250	446,063
Total Liabilities	12,217,660	188,284	280,013	12,685,957
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	6,841,940	52,370	-	6,894,310
FUND BALANCES				
Nonspendable	3,183,301	-	-	3,183,301
Restricted	369,205	658,362	1,021,828	2,049,395
Committed	21,030,751	-	-	21,030,751
Unassigned	23,155,735	-	(238,248)	22,917,487
Total Fund Balances	47,738,992	658,362	783,580	49,180,934
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 66,798,592	\$ 899,016	\$ 1,063,593	\$ 68,761,201

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

Sacramento Metropolitan Fire District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2015

Total fund balances reported on the governmental funds balance sheet	\$ 49,180,934
<u>Capital Assets</u>	
Cost of capital assets used in governmental activities are reported as expenditures in governmental funds. However, the statement of net position includes these as capital assets.	90,688,609
<u>Deferred Inflows of Resources</u>	
Certain receivables are not available to pay current period expenditures and therefore are unavailable in the governmental funds.	6,894,310
Deferred inflows related to pensions are applicable to future periods and, therefore, are not reported in the funds.	(54,755,363)
<u>Deferred Outflows of Resources</u>	
Deferred outflows related to pensions are applicable to future periods and, therefore, are not reported in the funds.	31,381,945
<u>Long-term Liabilities</u>	
Long-term liabilities applicable to Metro Fire's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.	
Bonds payable	(77,002,581)
Accrued interest payable on long-term debt	(659,435)
Capital lease obligations	(9,447,809)
Compensated absences	(15,133,042)
Workers' compensation liability	(22,655,698)
Liability for other post-employment benefits	(52,616,592)
Net pension liability	<u>(298,235,189)</u>
 Net Position of Governmental Activities	 <u>\$ (352,359,911)</u>

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

Sacramento Metropolitan Fire District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

	Major Funds		Non-major Fund	Total
	General Fund	Grant Funds	Capital Facilities	
REVENUES				
Property taxes	\$ 119,575,421	\$ -	\$ -	\$ 119,575,421
Intergovernmental	3,656,138	3,541,457	1,189	7,198,784
Charges for services	60,343,284	-	-	60,343,284
Development fees	-	-	1,257,063	1,257,063
Use of money and property	1,081,057	2,430	755	1,084,242
Miscellaneous	776,273	-	255	776,528
Total Revenues	185,432,173	3,543,887	1,259,262	190,235,322
EXPENDITURES				
Current:				
Public protection	166,425,658	2,752,288	37,650	169,215,596
Capital outlay	1,785,645	807,096	-	2,592,741
Debt service:				
Principal	3,044,237	-	1,687,708	4,731,945
Interest and financing costs	2,950,746	-	346,299	3,297,045
Total Expenditures	174,206,286	3,559,384	2,071,657	179,837,327
Excess (Deficiency) of Revenues Over Expenditures	11,225,887	(15,497)	(812,395)	10,397,995
OTHER FINANCING SOURCES (USES):				
Transfers in	315,461	-	222,097	537,558
Transfers out	(222,097)	(315,461)	-	(537,558)
Issuance of capital leases	849,000	-	-	849,000
Sale of capital assets	183,823	-	-	183,823
Total Other Financing Sources (Uses)	1,126,187	(315,461)	222,097	1,032,823
Net Change in Fund Balances	12,352,074	(330,958)	(590,298)	11,430,818
Fund Balance, Beginning of Year	35,386,918	989,320	1,373,878	37,750,116
Fund Balance, End of Year	\$ 47,738,992	\$ 658,362	\$ 783,580	\$ 49,180,934

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

Sacramento Metropolitan Fire District
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2015

Net Change in Fund Balance - Total Governmental Funds	\$ 11,430,818
Capital Asset Transactions	
Governmental funds report capital outlay as expenditures. However, in the Government-wide Statement of Activities the cost of those assets when completed is allocated over their estimated useful lives as depreciation expense.	
Cost of assets capitalized	2,592,741
Depreciation expense	(3,930,317)
Governmental funds report proceeds from disposal of capital assets as revenues. However, in the government-wide statement of activities only the gain or (loss) on the sale of capital assets is reported. This is the difference between the gain or (loss) and proceeds.	
	(871,402)
Long-term Debt	
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities and has no effect on net position.	
	(849,000)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities and has no effect on net position.	
	4,731,945
Bond accretion does not require use of current financial resources but decreases net position	
	(1,115,115)
Measurement Focus	
The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):	
Change in accrued interest payable	29,289
Change in compensated absences	608,150
Change in other post-employment benefits liability	(582,450)
Change in workers' compensation	1,643,508
Change in unfunded pension liability	51,256,345
Change in net deferrals relating to pension	(54,849,822)
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.	
	565,355
Change in Net Position of Governmental Activities	\$ 10,660,045

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

Sacramento Metropolitan Fire District
Statement of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Property taxes	\$117,605,000	\$119,774,122	\$119,575,421	\$ (198,701)
Intergovernmental	2,990,000	3,565,945	3,656,138	90,193
Charges for services	41,858,529	58,950,806	60,343,284	1,392,478
Use of money and property	1,149,874	1,146,874	1,081,057	(65,817)
Miscellaneous	853,500	1,386,500	776,273	(610,227)
Total Revenues	<u>164,456,903</u>	<u>184,824,247</u>	<u>185,432,173</u>	<u>607,926</u>
EXPENDITURES				
Current:				
Public protection				
Salaries and benefits	128,875,516	138,493,575	135,259,999	3,233,576
Services and supplies	23,535,208	33,001,269	29,150,865	3,850,404
Other	2,345,225	2,308,137	2,014,794	293,343
Capital outlay	1,471,383	2,506,275	1,785,645	720,630
Debt service:				
Principal	7,768,857	4,944,950	3,044,237	1,900,713
Interest and financing costs	251,118	2,958,133	2,950,746	7,387
Total Expenditures	<u>164,247,307</u>	<u>184,212,339</u>	<u>174,206,286</u>	<u>10,006,053</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>209,596</u>	<u>611,908</u>	<u>11,225,887</u>	<u>10,613,979</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	150,877	148,432	315,461	167,029
Transfers out	(1,373,300)	(331,820)	(222,097)	109,723
Issuance of capital leases	1,390,364	1,286,600	849,000	(437,600)
Sale of capital assets	10,000	140,205	183,823	43,618
Total Other Financing Sources (Uses)	<u>177,941</u>	<u>1,243,417</u>	<u>1,126,187</u>	<u>(117,230)</u>
Net Change in Fund Balance	<u>\$ 387,537</u>	<u>\$ 1,855,325</u>	<u>\$ 12,352,074</u>	<u>\$ 10,496,749</u>

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
Grant Fund
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Intergovernmental	\$ 2,986,171	\$ 2,925,176	\$ 3,541,457	\$ 616,281
Use of money and property	100	100	2,430	2,330
Total Revenues	2,986,271	2,925,276	3,543,887	618,611
EXPENDITURES				
Current:				
Public protection				
Salaries and benefits	2,410,544	2,654,212	2,640,261	13,951
Services and supplies	24,500	113,911	112,027	1,884
Capital outlay	832,702	1,022,702	807,096	215,606
Total Expenditures	3,267,746	3,790,825	3,559,384	231,441
Excess (Deficiency) of Revenues Over Expenditures	(281,475)	(865,549)	(15,497)	850,052
OTHER FINANCING SOURCES (USES)				
Transfers out	(10,000)	(12,437)	(315,461)	(303,024)
Total Other Financing Sources (Uses)	(10,000)	(12,437)	(315,461)	(303,024)
Net Change in Fund Balance	\$ (291,475)	\$ (877,986)	\$ (330,958)	\$ 547,028

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. SCOPE OF FINANCIAL REPORTING ENTITY

Metro Fire was established under Health & Safety Code Section 13800 on December 1, 2000, as a result of the merger between the American River and Sacramento County Fire Protection Districts. It is governed by a nine member Board of Directors elected by geographic division. Metro Fire’s boundaries cover approximately 417 square miles that include Sacramento and Placer counties with a population exceeding 727,000 residents. Metro Fire provides fire protection services including fire suppression, fire prevention, inspection, plan checking, and public education programs. It also provides emergency medical services, advanced life support and rescue services. It employs approximately 680 people and operates 40 fire stations, an administration building, a fire prevention/supply warehouse building, a training facility, a fleet maintenance shop, and two surplus office buildings.

Metro Fire has reviewed criteria to determine whether other entities with activities that benefit Metro Fire should be included within its financial reporting entity. The criteria 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. Metro Fire has determined that no outside entity meets the above criteria, and therefore, no agency has been included as a component unit in Metro Fire’s financial statements. In addition, Metro Fire is not aware of any entity that would exercise such oversight responsibility that would result in Metro Fire being considered a component unit of that entity.

Joint Powers Authorities or Jointly Governed Organizations

Metro Fire is a member of California Fire and Rescue Training Authority (CFRTA), Sacramento Regional Fire/EMS Communications Center (SRFECC), and Special District Risk Management Authority (SDRMA). As a member of these organizations, Metro Fire receives the following services:

- CFRTA provides fire, rescue, EMS, and Haz-Mat training
- SRFECC serves as Metro Fire’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

The amounts contributed to these jointly governed organizations in fiscal year 2014-15 consist of the following:

SRFECC	\$ 3,693,994
SDRMA	427,646
CFRTA	45,000

During the year, Metro Fire paid CFRTA \$263,108 for training costs. Metro Fire currently has a ground lease agreement with CFRTA whereby it leased 8.25 acres of land to CFRTA for over 50 years at a minimum rental fee of \$30,000 per year.

B. BASIS OF ACCOUNTING AND PRESENTATIONGovernment-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 Metro Fire. The effect of interfund activity has been removed from these statements. Metro Fire has only governmental activities, which are supported primarily by taxes, intergovernmental revenues, and charges for services.

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

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

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

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Metro Fire considers all revenues, except property taxes, to be available if they are collected within 90 days of the end of the current fiscal period. Property taxes are recognized if received within 60 days. 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 Metro Fire.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and workers compensation claims, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Payable balances consist primarily of payables to vendors.

C. FUND ACCOUNTING

The accounts of Metro Fire are organized on the basis of funds. A fund is a separate accounting unit with a self-balancing set of accounts. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Metro Fire resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent. Metro Fire's funds are as follows:

Major Funds

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

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

Nonmajor Funds

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

D. BUDGETARY PRINCIPLES

As required by the laws of the State of California, Metro Fire prepares and legally adopts a final 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. Metro Fire'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 Metro Fire'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 Metro Fire's capitalization threshold and eliminating intra-fund transfers.

E. MEDIC FEES RECEIVABLE

The medic fees receivable balance arises from billings to insurance companies and patients for medic services. Metro Fire has a receivable balance of \$7,737,431 which is net of allowance for doubtful accounts of \$5,902,120 at June 30, 2015. The allowance includes an estimate for future uncollectible debt and insurance write-offs.

F. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

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

G. INVENTORY

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

H. 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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased. Prepaid costs of governmental funds offset nonspendable fund balance to indicate they do not constitute resources available for future appropriation.

I. CAPITAL ASSETS

Capital assets for governmental fund types are not capitalized in the funds used to acquire or construct them. Capital acquisitions are reflected as expenditures in the governmental fund, and the related assets are reported in the government-wide financial statements. Capital assets are defined by Metro Fire as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at the 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.

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.

J. RESTRICTED ASSETS

Metro Fire’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 deferred compensation related expenditures, and debt service reserves.

K. COMPENSATED ABSENCES

Regular, full-time Metro Fire 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. Metro Fire employees may receive up to 40% 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.

L. OTHER POSTEMPLOYMENT BENEFITS OBLIGATION

Metro Fire accrues a liability for the other postemployment healthcare benefits (OPEB) equal to the amount of the annual required contribution (ARC) that was not funded. See Note 7 for additional information.

M. 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.

N. 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. Metro Fire recognizes property taxes when the individual installments are due provided they are collected within 60 days after year-end.

Secured property taxes are levied on or before the first day of 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.

O. CHARGES FOR SERVICES

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

Metro Fire participated for the first time in the statewide Intergovernmental Transfer (IGT) program in fiscal year 2014/15 in which the federal government provides for federal matching funds for the cost of providing medical assessment and transportation to managed care HMO beneficiaries. This program required Metro Fire to transfer funds to the State of California which will then receive matching funds from the federal government. The State will then transfer the funds less its administrative fees to the plans (HMOs) which will then pay Metro Fire an enhanced base rate for the transport of their Medi-Cal managed care beneficiaries. Metro Fire records the gross amount transferred to the State as expenses and the gross amount received from the HMOs as revenues.

P. PENSIONS

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

The net pension liability is measured as of the Metro Fire's prior fiscal year-end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

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

Q. USE OF ESTIMATES

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

R. ELIMINATIONS AND RECLASSIFICATIONS

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. In addition, certain reclassifications have been made to revenue categories compared to those reported in the prior year financial statements. The prior year balances reported in the MD&A have been reclassified to conform to the current year presentation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

S. 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). This statement has been implemented in the current financial statements.

In February 2015, the GASB approved Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements, including providing guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement establishes a hierarchy used to measure and report fair value, which has three levels: level 1 inputs that are quoted prices in active markets for identical assets or liabilities, level 2 inputs that are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly and level 3 inputs that are unobservable inputs. This Statement is effective for periods beginning after June 15, 2015.

In June 2015, the GASB approved Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to other postemployment benefits other than pensions (OPEB). This Statement also addresses footnote disclosures and required supplementary information requirements for defined benefit OPEB plans. The provisions of this Statement are effective for periods beginning after June 15, 2017.

In June 2015, the GASB approved Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement identifies the hierarchy of generally accepted accounting principles (GAAP) for state and local governments, reducing the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement is effective for periods beginning after June 15, 2015.

NOTE 2 – CASH AND INVESTMENTS

As of June 30, 2015, Metro Fire’s cash and investments are classified in the accompanying financial statements as follows:

Cash and investments	\$ 48,030,436
Restricted cash and investments	<u>2,231,932</u>
	<u>\$ 50,262,368</u>

NOTE 2 – CASH AND INVESTMENTS (Cont.)

Cash and investments as of June 30, 2015 consisted of the following:

Cash on hand and in banks	\$	1,138,683
Investment in Sacramento County Pooled Investment Fund		31,071,078
Investments with fiscal agent Money market mutual funds		18,052,607
Total Cash and Investments	\$	50,262,368

Cash on hand and in banks consists of all cash held by Metro Fire and all cash maintained in commercial bank accounts. Cash in County treasury consists of Metro Fire cash held by the Sacramento County Treasury that is invested in the County investment pool. Investments with fiscal agent consist of funds held with a bank trustee committed to the planned early retirement of Metro Fire’s pension bond obligations. It is also comprised of funds held for debt reserve requirements of its lease revenue bonds as well as for qualified capital outlay expenditures. Investments are stated at fair value.

A. DEPOSIT AND INVESTMENT POLICIES

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio
U.S. Treasury obligations and Agency securities	5 years	None
California Local Agency debt	5 years	80%
Bankers acceptances	180 days	40%
Commercial paper	270 days	40%
Negotiable certificates of deposit	180 days	30%
Medium term corporate notes	180 days	30%
Collateralized mortgage obligation	180 days	20%
Repurchase agreements	1 year	30%
Reverse repurchase agreements	92 days	20%
Local government investment pools	N/A	None
Money market mutual funds	60 days	20%

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

NOTE 2 – CASH AND INVESTMENTS (Cont.)

B. INVESTMENT IN POOLED FUNDS

Metro Fire’s investments in the Sacramento County pooled investment fund is managed by the Sacramento County Treasurer and is stated at fair value or amortized cost, which approximates fair value. The total amount invested by all public agencies as of June 30, 2015 was \$3,055,508,110. The investment pool is actively managed with a weighted average maturity of 262 days. Metro Fire’s share of the pool is stated at market value in its financial statements. Sacramento County does not invest in any derivative financial products directly. The 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 Metro Fire’s position in the pool.

C. INTEREST RATE RISK

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of Metro Fire’s investments to market fluctuations is provided by the following table that shows the distribution of its investments by maturity as of June 30, 2015:

	Total	Effective Duration	
		< 1 year	1-5 years
Investment in Sacramento County Pooled Investment Fund	\$ 31,071,078	\$ 31,071,078	\$ -
Investments with fiscal agent			
Money market mutual funds	18,052,607	18,052,607	-
Total	<u>\$ 49,123,685</u>	<u>\$ 49,123,685</u>	<u>\$ -</u>

D. CREDIT RISK

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the instrument. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. 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, 2015:

	Total	Minimum Legal Rating	Ratings as of Year End	
			AAA	Not Rated
Investment in Sacramento County Pooled Investment Fund	\$ 31,071,078	N/A		\$ 31,071,078
Investments with fiscal agent				
Money market mutual funds	18,052,607	N/A	\$ 18,052,607	
Total	<u>\$ 49,123,685</u>		<u>\$ 18,052,607</u>	<u>\$ 31,071,078</u>

E. CONCENTRATION OF CREDIT RISK

Metro Fire had no investment policy limiting the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. At June 30, 2015, Metro Fire had no investments in one issuer (other than mutual funds and the Sacramento County Pooled Investment Fund) that represented 5% or more of total Metro Fire investments.

NOTE 2 – CASH AND INVESTMENTS (Cont.)

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

At June 30, 2015, the carrying value of Metro Fire's deposits was \$1,138,183 and the balance in financial institutions was \$1,181,885. Metro Fire had \$667,897 in deposits at banks above the federally insured limit.

NOTE 3 – CAPITAL ASSETS

Metro Fire's capital assets consist of the following:

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Disposals Transfers</u>	<u>June 30, 2015</u>
Capital assets, not being depreciated:				
Land and Land Improvements	\$ 25,860,115	\$ -	\$ (247,797)	\$ 25,612,318
Construction-in-progress	3,156,438	7,461	(3,156,437)	7,462
Total capital assets, not being depreciated	<u>29,016,553</u>	<u>7,461</u>	<u>(3,404,234)</u>	<u>25,619,780</u>
Capital assets, being depreciated:				
Buildings and improvements	56,449,983	529,671	683,285	57,662,939
Equipment	60,433,025	2,055,609	690,171	63,178,805
Total capital assets, being depreciated	<u>116,883,008</u>	<u>2,585,280</u>	<u>1,373,456</u>	<u>120,841,744</u>
Less accumulated depreciation for:				
Buildings and improvements	(17,958,486)	(1,043,396)	249,716	(18,752,166)
Equipment	(35,043,488)	(2,886,921)	909,660	(37,020,749)
Total accumulated depreciation	<u>(53,001,974)</u>	<u>(3,930,317)</u>	<u>1,159,376</u>	<u>(55,772,915)</u>
Total capital assets, being depreciated, net	<u>63,881,034</u>	<u>(1,345,037)</u>	<u>2,532,832</u>	<u>65,068,829</u>
Total capital assets	<u>\$ 92,897,587</u>	<u>\$ (1,337,576)</u>	<u>\$ (871,402)</u>	<u>\$ 90,688,609</u>

Net depreciation expense of \$3,930,317 was recorded for the year ended June 30, 2015. As discussed in Note 5-B, Metro Fire issued lease revenue bonds to finance certain capital acquisitions. Three fire stations with a net book value of \$10,849,560 as of June 30, 2015 were used as security for the bonds. In addition, Metro Fire also has several capital lease obligations in which equipment with a total net book value of \$11,188,658 as of June 30, 2015 were pledged as collateral.

NOTE 4 – INTERFUND TRANSACTIONS

Transactions between funds of Metro Fire are recorded as interfund transfers. The unpaid balances at year-end, as a result of such transactions, are shown as due to and due from other funds. Interfund balances at June 30, 2015 consisted of the following:

Due to	Due from			Total
	General Fund	Grant Funds	Capital Facilities	
General Fund		\$ 170,813	\$ 275,250	\$ 446,063

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

Interfund transfers for the fiscal year ended June 30, 2015, consisted of the following amounts:

Transfer to	Transfer from			Total
	General Fund	Grant Funds	Capital Facilities	
General Fund	\$ -	\$ 315,461	\$ -	\$ 315,461
Capital Facilities Fund	222,097	-	-	222,097
Total	\$ 222,097	\$ 315,461	\$ -	\$ 537,558

The interfund transfer made by the General Fund to the Capital Facilities Fund was made to pay debt service for capital spending in previous years. The transfer by the Grant Fund to the General Fund was made to match grant revenues recognized in the Grant Fund but for which the expenditures were initially recorded in the General Fund.

NOTE 5 – LONG-TERM LIABILITIES

The following is a summary of long-term obligation transactions for the fiscal year ended June 30, 2015:

	Balance July 1, 2014	Additions	Repayments	Balance June 30, 2015	Amounts Due within One Year
Pension bonds payable	\$ 67,572,010	\$ 1,115,115	\$ (2,105,002)	\$ 66,582,123	\$ 2,365,000
Lease revenue bonds payable, net of unamortized premiums	11,218,379	-	(797,921)	10,420,458	830,000
Capital leases	10,430,752	849,000	(1,831,943)	9,447,809	1,870,819
Compensated absences	15,741,192	4,127,057	(4,735,207)	15,133,042	5,073,000
Workers' compensation liability	24,557,281	496,313	(2,296,260)	22,757,334	3,094,997
OPEB Liability	52,034,142	14,329,665	(13,747,215)	52,616,592	7,265,148
Net Pension Liability	349,491,534	327,242	(51,583,587)	298,235,189	-
	\$ 531,045,290	\$ 21,244,392	\$ (77,097,135)	\$ 475,192,547	\$ 20,498,964

NOTE 5 – LONG-TERM LIABILITIES (Cont.)

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

A. PENSION BONDS PAYABLE

In October 2004, Metro Fire 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%. Two of the series require semi-annual payments of interest with annual principal payments that began or will begin on May 15, 2012 and 2026. The remaining series accretes interest, which results in increases to principal, until November 15, 2018; interest and principal payments will start on May 15, 2019 and 2031, 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. The table below presents pension bonds payable maturities including interest accruing after June 30, 2015 in the amount of \$4,417,877:

Fiscal year ending June 30,	Principal	Interest	Total
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	2,465,000	2,632,462	5,097,462
2020	2,250,000	3,151,888	5,401,888
2021 - 2025	12,640,000	13,829,343	26,469,343
2026 - 2030	20,200,000	9,661,120	29,861,120
2031 - 2035	25,500,000	3,333,750	28,833,750
	<u>\$ 71,000,000</u>	<u>\$ 39,382,122</u>	<u>\$ 110,382,122</u>

B. LEASE REVENUE BONDS

On November 15, 2011, Metro Fire 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, 2015, unspent bond proceeds amounted to \$118,785 which will be drawn down as expenditures are incurred.

NOTE 5 – LONG-TERM LIABILITIES (Cont.)

As of June 30, 2015, bonds payable maturities (excluding unamortized premiums of \$75,458) were as follows:

Fiscal year ending June 30,	Principal	Interest	Total
2016	\$ 830,000	\$ 497,506	\$ 1,327,506
2017	210,000	464,306	674,306
2018	215,000	455,906	670,906
2019	225,000	447,306	672,306
2020	240,000	436,056	676,056
2021 - 2025	1,365,000	2,007,275	3,372,275
2026 - 2030	1,695,000	1,679,438	3,374,438
2031 - 2035	2,160,000	1,212,525	3,372,525
2036 - 2040	2,765,000	603,213	3,368,213
2041 - 2045	640,000	32,800	672,800
	<u>\$ 10,345,000</u>	<u>\$ 7,836,331</u>	<u>\$ 18,181,331</u>

C. CAPITAL LEASES

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

Fiscal year ending June 30,	Principal	Interest	Total
2016	\$ 1,870,819	\$ 251,860	\$ 2,122,679
2017	1,577,828	204,843	1,782,671
2018	1,622,880	159,791	1,782,671
2019	1,538,357	113,293	1,651,650
2020	1,400,482	73,271	1,473,753
2021 - 2025	1,437,443	36,310	1,473,753
	<u>\$ 9,447,809</u>	<u>\$ 839,368</u>	<u>\$ 10,287,177</u>

Capital assets acquired under the capital leases consist of equipment with cost totaling \$16,397,029 and accumulated depreciation of \$5,208,371 at June 30, 2015. These lease agreements qualify as capital leases and therefore has been recorded at the present value of future minimum lease payments as of the inception date.

NOTE 6 – RETIREMENT PLANS

A. PLAN DESCRIPTIONS

Metro Fire provides pension benefits to eligible employees through defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS) and Sacramento County Employees' Retirement System (SCERS), which both act as a common investment and administrative agent for its participating member employers. Benefit provisions and all other requirements for CalPERS are established by State statute and benefit provisions and all other requirements for SCERS are established by Section 31584 of the County Employees Retirement Law of 1932. The establishment and amendment of specific benefit provisions of the plans are authorized by resolutions of the Board.

NOTE 6 – RETIREMENT PLANS (Cont.)

Metro Fire contributes to the following defined benefit pension plans:

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

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

B. BENEFITS PROVIDED

Each plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The passage of the Public Employees’ Pension Reform Act (“PEPRA”) imposed several restrictions to the pension benefits that may be offered to employees hired on or after January 1, 2013, including increasing minimum retirement ages, increasing the percentage required for member contributions, and excluding certain types of compensation as pensionable. PEPRA has also created limits on pensionable compensation tied to the Social Security taxable wage base. The cumulative effect of these PEPRA changes will ultimately reduce Metro Fire’s retirement costs.

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

The Plans’ provisions and benefits in effect at June 30, 2015, are summarized as follows:

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

NOTE 6 – RETIREMENT PLANS (Cont.)

The SCERS Plan provides benefits to employees or retirees of Metro Fire who were members of SCERS before January 1, 1997. It provides retirement, disability, and death benefits based on the employee's years of service, age and average final compensation. Employees vest after 5 years of service and may receive retirement benefits at age 50.

C. EMPLOYEES COVERED

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

	CalPERS			SCERS
	Safety	Misc Classic	Misc PEPPRA	
Inactive or their beneficiaries currently receiving benefits	598	99	-	100
Inactive entitled to but not yet receiving benefits	214	107	1	7
Active	582	76	1	34
Total covered employees	<u>1,394</u>	<u>282</u>	<u>2</u>	<u>141</u>

The information for CalPERS and SCERS was based on the most recent actuarial information available as of June 30, 2013 and 2014, respectively.

D. CONTRIBUTIONS

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. For each of the plans, the contractually required contribution rate for the year ended June 30, 2015, was a specified percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year and any unfunded accrued liability for past services.

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

Required contributions were made each pay period based on required contribution rates. Metro Fire pays 9% and 8% of the employee contributions for Safety and Miscellaneous classic employees, while classic employees contribute 12% and 8% of their pay towards employer required contributions, respectively. Effective for new hires after January 1, 2013 (PEPPRA employees), Metro Fire pays none of the employee contributions while the employee pays 50% of the normal cost. Required contributions of active plan members and of Metro Fire for fiscal year 2014/15 were as follows:

	Safety Plan		Miscellaneous Plan	
	Classic	PEPPRA	Classic	PEPPRA
Required employer contribution rates	36.347%	36.347%	17.027%	6.950%
Required employee contribution rates	9.000%	11.250%	8.000%	6.750%
Actual employer contributions made	\$ 19,596,134	\$ 2,129,139	\$ 967,550	\$ 29,274
Actual employee contributions made	\$ 6,196,292	\$ 659,025	\$ 406,018	\$ 28,431

NOTE 6 – RETIREMENT PLANS (Cont.)

Metro Fire withdrew from SCERS effective January 1, 1997. As part of its withdrawal from the SCERS Plan, Metro Fire contractually agreed to eliminate its net pension liability by July 1, 2022 or such other date as mutually agreed by SCERS and Metro Fire. Metro Fire contributes annually to the Plan to pay down this liability which is recalculated annually by SCERS' actuary. For the fiscal year ended June 30, 2015, Metro Fire paid \$1,136,000.

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

Net Pension Liability: The net pension liability (NPL) is measured as of June 30, 2014 based on the results of the actuarial calculation performed as of June 30, 2014 for the SCERS plan and as of June 30, 2013 which were rolled forward to June 30, 2014 for the CalPERS plans. Fiduciary net position is based on fair value of investments as of June 30, 2014. As of June 30, 2015, Metro Fire reported the following net pension liabilities:

CalPERS Safety Plan	\$ 261,810,238
CalPERS Miscellaneous Plan - Classic	7,761,042
CalPERS Miscellaneous Plan - PEPRA	245
SCERS Plan	28,663,664
Total NPL	<u>\$ 298,235,189</u>

Metro Fire's net pension liability for the CalPERS Safety Plan is measured as the Plan's total pension liability, less the Plan's fiduciary net position. For valuation purposes, CalPERS first reflected PEPRA members in non-pooled plans (Safety Plan) in the June 30, 2013 non-pooled Safety Plan valuations. The changes in the NPL for the Safety Plan is as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
CalPERS Safety Plan			
Balance at June 30, 2014	\$ 928,583,826	\$ 618,509,971	\$ 310,073,855
Changes in the year:			
Service cost	17,164,358		17,164,358
Interest on the total pension liability	68,648,516		68,648,516
Differences between actual and expected experience	-		-
Changes in assumptions	-		-
Changes in benefit terms	-		-
Contributions from employer		14,207,176	(14,207,176)
Contributions from employee		13,104,801	(13,104,801)
Net investment income*		106,764,514	(106,764,514)
Benefit payments, including refunds of employee contributions	(43,704,931)	(43,704,931)	-
Net changes	42,107,943	90,371,560	(48,263,617)
Balance at June 30, 2015	<u>\$ 970,691,769</u>	<u>\$ 708,881,531</u>	<u>\$ 261,810,238</u>

* Net of administrative expenses

NOTE 6 – RETIREMENT PLANS (Cont.)

The net pension liability for CalPERS Miscellaneous Plan is measured as the proportionate share of the collective net pension liability of the Miscellaneous Risk Pool (risk pool) as a whole. Note that PEPRAs members in pooled plans (Miscellaneous) were reflected in a new Miscellaneous risk pool with its own June 30, 2013 valuation. In determining an individual rate plan's proportion of the risk pool's net pension liability, CalPERS first estimates the total pension liability (TPL) and the fiduciary net position (FNP) for the risk pool as a whole as well as the individual rate plans. The allocated net pension liability represents the difference between the plan's proportionate share of the TPL and FNP. Metro Fire's proportionate share of the net pension liability as of June 30, 2013 and 2014 is as follows:

	Miscellaneous Plan	
	Classic	PEPRA
Proportion - June 30, 2013	0.13746%	0.00000%
Proportion - June 30, 2014	0.12473%	0.00000%
Change - Increase (Decrease)	(0.01274%)	0.00000%

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

Pension Expenses and Deferred Outflows/Inflows of Resources: For the year ended June 30, 2015, Metro Fire recognized pension expense of \$27,451,577 for all Plans combined. At June 30, 2015, Metro Fire reported deferred outflows and inflows of resources related to all Plans combined from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 238,699	\$ -
Changes in assumptions	2,105,818	-
Net differences between projected and actual earnings on plan investments	-	54,755,363
Adjustments due to differences in proportions	516,888	-
Pension contributions subsequent to measurement date	28,520,540	-
Total	\$ 31,381,945	\$ 54,755,363

The \$28,520,540 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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

Year ending June 30,	Deferred Outflows	Deferred Inflows
2016	\$ 830,474	\$ 13,688,841
2017	830,474	13,688,841
2018	793,556	13,688,841
2019	406,901	13,688,840
	\$ 2,861,405	\$ 54,755,363

F. ACTUARIAL ASSUMPTIONS

For the measurement period ended June 30, 2014, the total pension liabilities were determined by rolling forward the total pension liabilities based on the June 30, 2013 actuarial valuations. The total pension liabilities were determined using the following actuarial methods and assumptions:

	CalPERS Plans	SCERS Plans
Valuation Date	June 30, 2013	June 30, 2014
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost	Entry-Age Actuarial Cost
Amortization Method	Level Percent of Payroll	Level Percent of Payroll
Asset Valuation Method	Market Value	Market Value
Actuarial Assumptions:		
Investment Rate of Return ¹	7.50%	7.50%
Inflation	2.75%	3.25%
Payroll Growth	3.00%	3.50%
Projected Salary Increase ²	3.3% - 14.2%	4.5% - 11.5%
Mortality	Derived using CalPERS membership data for all plans. The rates include 20 years of mortality improvement using Society of Actuaries Scale BB.	Derived using RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2022.

¹ Net of pension plan investment expenses, including inflation

² Varying by entry age and service

Discount Rate: The discount rate used to measure the total pension liability was 7.50% for each Plan. According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the plan.

The long-term expected rate of return on pension plan investments (7.5%) was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

The table in the following page reflects the expected real rate of return by asset class used in the CalPERS Plans. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. These rates of return are net of administrative expenses. The long-term expected rate of return was then set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns.

NOTE 6 – RETIREMENT PLANS (Cont.)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return Years 1 - 10</u>	<u>Real Return Years 11 - 60</u>
Global Equity	47.00 %	5.25 %	5.71 %
Global Fixed Income	19.00	0.99	2.43
Inflation Sensitive	6.00	0.45	3.36
Private Equity	12.00	6.83	6.95
Real Estate	11.00	4.50	5.13
Infrastructure and Forestland	3.00	4.50	5.09
Liquidity	2.00	(0.55)	(1.05)

The table below reflects the arithmetic real rate of return by asset class used in the SCERS Plan. These returns are combined to produce the long-term expected rate of return (7.5%) by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return</u>
U.S. Equity	22.50 %	5.98 %
International Equity	22.50	7.93
Fixed Income	20.00	1.25
Hedge Funds	10.00	3.20
Private Equity	10.00	12.82
Real Assets	15.00	5.64

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents Metro Fire's net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what Metro Fire's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

<u>Net Pension Liability</u>	<u>1% decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% increase (8.5%)</u>
CalPERS Safety	\$ 393,110,525	\$ 261,810,238	\$ 153,617,243
CalPERS Miscellaneous - Classic	14,559,784	7,761,042	2,118,731
CalPERS Miscellaneous - PEPR	437	245	86
SCERS Plan	38,210,472	28,663,664	20,802,050

G. PENSION PLAN FIDUCIARY NET POSITION

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS and SCERS financial reports.

NOTE 6 – RETIREMENT PLANS (Cont.)

H. DEFERRED COMPENSATION PLAN

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

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS

A. PLAN DESCRIPTION

The Sacramento Metropolitan Fire District Retiree Healthcare Plan (“Plan”) is a single-employer defined benefit healthcare plan administered by Metro Fire. The Plan provides healthcare benefits to eligible retirees and their dependents through the CalPERS under the Public Employees’ Medical and Hospital Care Act (PEMHCA). Benefit provisions are established and may be amended through agreements and memorandums of understanding among Metro Fire, its non-represented employees, and the unions for represented Metro Fire employees. The Retiree Healthcare Plan does not issue financial statements.

As a PEMHCA employer, the District is obligated to contribute toward the cost of retiree medical coverage for the retiree’s lifetime or until coverage is discontinued. The District has resolutions with CalPERS defining the level of the District’s contribution toward active and retiree medical plan premiums. Benefits fall into one of the 4 categories:

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

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (Cont.)

B. FUNDING POLICY

The contribution requirements of the Plan participants and Metro Fire are established by and may be amended pursuant to agreements with its non-represented employees and the union for represented Metro Fire employees.

On June 19, 2012, Metro Fire entered into an agreement to contribute to the California Employer's Retiree Benefit Trust (CERBT) Fund, an irrevocable trust established to fund OPEB. CERBT is administrated by CALPERS, and is managed by an appointed board not under the control of Metro Fire. This Trust is not considered a component unit by Metro Fire and has been excluded from these financial statements. The CERBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the California Public Employees' Retirement System, CERBT, P.O. Box 942703, Sacramento, CA 94229-2703.

On April 25, 2013 the Board of Directors approved a cost-sharing agreement with the union and unrepresented employees. Both employees and retirees as of July 1, 2013 will contribute 8% towards their medical premium cost. In accordance with its annual budget, Metro Fire contributes to CERBT an amount that will fully fund the annual required contributions (ARC).

C. ANNUAL OPEB COST AND NET OPEB OBLIGATION

Metro Fire's annual other postemployment 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.

The following table shows the components of Metro Fire's annual OPEB cost, the amount actually contributed to the Plan, and changes in Metro Fire's Net OPEB obligation for the fiscal year ended June 30, 2015:

<u>Annual OPEB Cost</u>	
Annual Required Contribution	\$ 13,734,755
Interest on net OPEB obligation	3,772,475
Adjustment to annual required contribution	<u>(3,177,565)</u>
	<u>14,329,665</u>
<u>Contributions Made</u>	
Payments on behalf of retirees	(7,849,846)
Contribution to OPEB trust	<u>(5,897,369)</u>
	<u>(13,747,215)</u>
Increase in net OPEB obligation	582,450
Net OPEB Obligation, beginning of year	<u>52,034,142</u>
Net OPEB Obligation, end of year	<u>\$ 52,616,592</u>

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (Cont.)

Metro Fire’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, 2015 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, 2013	\$ 12,686,666	69.77%	\$ 51,396,091
June 30, 2014	\$ 13,299,404	95.20%	\$ 52,034,142
June 30, 2015	\$ 14,329,665	95.94%	\$ 52,616,592

D. FUNDED STATUS AND FUNDING PROGRESS

The funded status of the Plan as of July 1, 2013, the most recent valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 156,358,864
Actuarial value of plan assets	<u>2,099,846</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 154,259,018</u>
Funded ratio (actuarial value of Plan assets/AAL)	1.3%
Covered payroll (active Plan participants)	50,863,948
UAAL as a percentage of covered payroll	303.3%

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 immediately 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.

E. 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, 2013 actuarial valuation, the entry age normal actuarial cost method and market value asset valuation method was used. The actuarial assumptions included a 7.25% investment rate of return (net of administrative expenses), 3.25% annual salary increase, and a general inflation rate of 3%. Premiums were assumed to increase from 8.5% in 2015 with an ultimate rate of 4.5% for 2023 and thereafter. The initial UAAL was amortized as a level percentage of projected payroll over a closed 30-year period. As of June 30, 2015, the remaining period was 27 years.

NOTE 8 – RISK MANAGEMENT

Metro Fire is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omission, injuries to employees, and natural disasters. Metro Fire manages these risks through various full insurance policies and self-insurance combined with excess insurance policies.

Metro Fire is self-insured for all losses from workers compensation claims from 2003, when it terminated its excess liability insurance coverage until 2009. Beginning in 2010, Metro Fire obtained excess commercial coverage for 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 Metro Fire’s claims liabilities for the fiscal year ended June 30, 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 24,557,281	\$ 24,610,000
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fiscal year	4,465,000	5,308,000
Decreases in provision for insured events of prior fiscal year	<u>(3,968,687)</u>	<u>(2,494,872)</u>
Total incurred claims and claim adjustment expenses	<u>496,313</u>	<u>2,813,128</u>
Payments:		
Claim and claim adjustment expenses attributable to insured events of the current fiscal year	364,073	457,534
Claim and claim adjustment expenses attributable to insured events of the current fiscal year	<u>1,932,187</u>	<u>2,408,313</u>
Total payments	<u>2,296,260</u>	<u>2,865,847</u>
Total unpaid claims and claim adjustment expenses	<u>\$ 22,757,334</u>	<u>\$ 24,557,281</u>

Metro Fire’s claims liabilities were comprised of the following:

	<u>2015</u>	<u>2014</u>
Claims Reserve	\$ 13,145,463	\$ 15,790,440
Incurred but not reported (IBNR)	9,184,017	8,332,681
Unallocated loss adjustment expenses (ULAE)	<u>427,854</u>	<u>434,160</u>
	<u>\$ 22,757,334</u>	<u>\$ 24,557,281</u>
Short-term liability	\$ 3,094,997	\$ 4,395,753
Long-term liability	<u>19,662,337</u>	<u>20,161,528</u>
Total unpaid claims and claim adjustment expenses	<u>\$ 22,757,334</u>	<u>\$ 24,557,281</u>

NOTE 8 – RISK MANAGEMENT (Cont.)

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

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

Coverage	Amount	Deductible
General liability	\$ 10,000,000	\$ 500
Auto liability	10,000,000	3,000
Property damage	1,000,000,000	1,000
Boiler and machinery	100,000,000	1,000 to 250,000
Errors and omissions	10,000,000	25,000
Employment practices liability	10,000,000	25,000
Employee dishonesty	400,000	-
Aviation	10,000,000	1,000 to 30,000

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

NOTE 9 – NET POSITION AND FUND BALANCES

A. NET POSITION

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

Net investment in capital assets – This category groups all capital assets into one component of net position. 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 Metro Fire not restricted for any project or other purpose.

B. FUND BALANCES

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

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

NOTE 9 – NET POSITION AND FUND BALANCES (Cont.)

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

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

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

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

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

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. Intent is expressed by the Board of Directors or the Fire Chief and may be changed at their discretion.

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

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

An individual government fund could include nonspendable resources and amounts that are restricted or unrestricted (committed, assigned, or unassigned) or any combination of those classifications. Restricted or unrestricted amounts are to be considered spent when an expenditure is incurred for purposes for which both restricted or unrestricted fund balance is available. Committed, assigned, then unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

NOTE 9 – NET POSITION AND FUND BALANCES (Cont.)

The following are components of fund balances as of June 30, 2015:

	General Fund	Grant Funds	Capital Facilities	Total
Nonspendable:				
Inventory	\$ 3,177,801	\$ -	\$ -	\$ 3,177,801
Prepaid expenses	5,000	-	-	5,000
Petty cash	500	-	-	500
Total nonspendable fund balance	<u>3,183,301</u>	<u>-</u>	<u>-</u>	<u>3,183,301</u>
Restricted for:				
Capital acquisition	-	\$ -	118,785	118,785
Debt service reserve	-	-	903,043	903,043
Workers compensation claims	179,273	-	-	179,273
Deferred compensation	150,250	-	-	150,250
Grant-approved expenditures	-	658,362	-	658,362
Equipment purchases	39,682	-	-	39,682
Total restricted fund balance	<u>369,205</u>	<u>658,362</u>	<u>1,021,828</u>	<u>2,049,395</u>
Committed to:				
Workers compensation claims	4,000,000	-	-	4,000,000
Pension bond retirement	17,030,751	-	-	17,030,751
Total committed fund balance	<u>21,030,751</u>	<u>-</u>	<u>-</u>	<u>21,030,751</u>
Unassigned	<u>23,155,735</u>	<u>-</u>	<u>(238,248)</u>	<u>22,917,487</u>
Total fund balance	<u>\$ 47,738,992</u>	<u>\$ 658,362</u>	<u>\$ 783,580</u>	<u>\$ 49,180,934</u>

C. PRIOR PERIOD ADJUSTMENT

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statements, which became effective during the year ended June 30, 2015.

- ❖ GASB Statement No. 68 – In June 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27. The intention of this Statement is to improve the decision-usefulness of information in employer and governmental non-employer contributing entity financial reports and enhance its value for assessing accountability and inter-period equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense.
- ❖ GASB Statement No. 71 – In 2014, GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68. The intention of this Statement is to eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and non-employer contributing entities.

The implementation of the above Statements required Metro Fire to make prior period adjustments. As a result, beginning assets decreased by \$76,211,412, deferred outflows increased by \$31,476,403, liabilities increased by \$349,491,534 and net position was reduced by \$394,226,543 as of July 1, 2014. See Note 6 for additional information.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. LITIGATION

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

B. GRANTS

Metro Fire 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, 2015, have yet to be concluded. Expenditures that may be disallowed by the granting agencies have not been determined at this time. Management believes that such disallowances, if any, would not have a material effect on the financial statements.

NOTE 11 – BORROWINGS

Metro Fire has borrowings available from the County of Sacramento equal to 85% of estimated tax revenues for July 1 to December 10 and 42.50% of estimated revenues for December 10 to April 27. These borrowings are permitted until the last Monday of April each year. The amount available as of December 10, 2014 and April 27, 2015 were \$97,437,444 and \$48,718,722, respectively. The interest rate charged is the rate earned by the County investment pool. The schedule below details the changes in short-term borrowings during the year ended June 30, 2015:

Beginning Balance	Increases	Decreases	Ending Balance
\$ -	\$ 59,400,205	\$ (59,400,205)	\$ -

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

NOTE 12 – SUBSEQUENT EVENTS

On August 12, 2015, Metro Fire entered into a subscription agreement for the lease of 27 gurneys and 35 power loaders for its fleet of ambulances. The total cost of the equipment and installation was \$1,387,200. There are seven annual payments of \$196,828 with the final payment due in August 2021.

On September 30, 2015, Metro Fire financed the migration of its radio equipment to the upgraded P-25 portable radios for a total cost of \$1,289,560. There are 5 annual payments of \$270,185 with the final payment due in October 2020.

On December 11, 2015, Metro Fire entered into a lease-purchase agreement to finance the purchase of seven ambulances, one heavy rescue, 12 staff vehicles, and the remounting of two ambulances for a total cost of \$3,316,698. There are 10 semi-annual payments of \$348,402 with final payment due in December 2020.

REQUIRED SUPPLEMENTARY INFORMATION

**SACRAMENTO METROPOLITAN FIRE DISTRICT
OTHER POST-EMPLOYMENT BENEFITS PLAN
SCHEDULE OF FUNDING PROGRESS**

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	292.8%
June 30, 2011	\$ -	\$ 225,418,331	\$ 225,418,331	0%	\$ 48,543,708	464.4%
July 1, 2012	\$ -	\$ 144,860,462	\$ 144,860,462	0%	\$ 49,520,220	292.5%
July 1, 2013	\$ 2,099,846	\$ 156,358,864	\$ 154,259,018	1.3%	\$ 50,863,948	303.3%

Refer to Note 7-A for plan description. The Actuarial valuation date of July 1, 2013 is the most recent available information.

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AS OF MEASUREMENT DATE - LAST TEN YEARS*

<u>Total Pension Liability</u>	<u>2014</u>
Service Cost	\$ 17,164,358
Interest on total pension liability	68,648,516
Differences between expected and actual experience	-
Changes in assumptions	-
Changes in benefits	-
Benefit payments, including refunds of employee contributions	(43,704,931)
Net change in total pension liability	42,109,957
Total pension liability - beginning	928,583,826
Total pension liability - ending (a)	<u>\$ 970,691,769</u>
<u>Plan fiduciary net position</u>	
Contributions from employer	\$ 14,207,176
Contributions from employee	13,104,801
Net investment income	106,764,514
Benefit payments, including refunds of employee contributions	(43,704,931)
Net change in plan fiduciary net position	90,371,560
Plan fiduciary net position - beginning	618,509,971
Plan fiduciary net position - ending (b)	<u>\$ 708,881,531</u>
Net pension liability - ending (a)-(b)	<u>\$ 261,810,238</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>73.03%</u>
Covered-employee payroll	<u>\$ 55,090,167</u>
Net pension liability as percentage of covered-employee payroll	<u>475.24%</u>

* This is the first year of implementation, therefore only one year is shown. Additional years will be presented as they become available. Amounts presented above were determined as of June 30. See notes to schedule on page 57.

REQUIRED SUPPLEMENTARY INFORMATION

**SACRAMENTO METROPOLITAN FIRE DISTRICT
CALPERS MISCELLANEOUS PLANS AND SCERS PLAN
(COST SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLANS)
SCHEDULE OF PLAN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AS OF MEASUREMENT DATE - LAST TEN YEARS***

	<u>CalPERS Miscellaneous Plans</u>		<u>SCERS Plan</u>
	<u>Classic</u>	<u>PEPRA</u>	
	<u>2014</u>	<u>2014</u>	
District's proportion of the net pension liability	0.12473%	0.00000%	3.58479%
District's proportionate share of the net pension liability	\$ 7,761,042	\$ 245	\$ 28,663,664
District's covered-employee payroll	\$ 5,259,059	\$ 161,250	(a)
District's proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	147.57%	0.15%	(a)
District's proportionate share of the fiduciary net position as a Percentage of the District's total pension liability	84.86%	83.04%	62.29%

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

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

REQUIRED SUPPLEMENTARY INFORMATION

**SACRAMENTO METROPOLITAN FIRE DISTRICT
CALPERS AND SCERS PLANS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST TEN YEARS***

	2015	2014
<u>CalPERS Safety Plan</u>		
Actuarially determined contribution	\$ 21,725,273	\$ 20,133,799
Contributions in relation to the actuarially determined contributions	21,725,273	20,133,799
Contribution deficiency (excess)	\$ -	\$ -
 District's Covered - employee payroll	 \$ 57,500,313	 \$ 55,090,167
Contributions as a percentage of covered-employee payroll	37.78%	36.55%
 <u>CalPERS Miscellaneous Classic Plan</u>		
Actuarially determined contribution	\$ 967,550	\$ 978,778
Contributions in relation to the actuarially determined contributions	967,550	978,778
Contribution deficiency (excess)	\$ -	\$ -
 District's Covered - employee payroll	 \$ 5,078,539	 \$ 5,259,059
Contributions as a percentage of covered-employee payroll	19.05%	18.61%
 <u>CalPERS Miscellaneous PEPRA Plan</u>		
Actuarially determined contribution	\$ 29,274	\$ 11,222
Contributions in relation to the actuarially determined contributions	29,274	11,222
Contribution deficiency (excess)	\$ -	\$ -
 District's Covered - employee payroll	 \$ 421,202	 \$ 161,250
Contributions as a percentage of covered-employee payroll	6.95%	6.96%
 <u>SCERS Plan</u>		
Actuarially determined contribution	\$ 1,136,000	\$ 1,136,000
Contributions in relation to the actuarially determined contributions	1,136,000	1,136,000
Contribution deficiency (excess)	\$ -	\$ -
 District's Covered - employee payroll	 (a)	 (a)
Contributions as a percentage of covered-employee payroll	(a)	(a)

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

(a) See note *a* on previous page and notes to schedule on page 57.

REQUIRED SUPPLEMENTARY INFORMATION

NOTES TO SCHEDULE OF CHANGES IN NET PENSION LIABILITY

Change in Benefit Terms: The figures used in the schedule do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact.

Changes in Assumptions: None.

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS

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

	CalPERS Plans	SCERS Plans
Valuation Date	June 30, 2012	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost	Entry-Age Actuarial Cost
Amortization Method	Level Percent of Payroll	Level Percent of Payroll
Asset Valuation Method	Market Value	Market Value
Actuarial Assumptions:		
Investment Rate of Return ¹	7.50%	7.50%
Inflation	2.75%	3.25%
Payroll Growth	3.00%	3.50%
Projected Salary Increase ²	3.3% - 14.2%	4.5% - 11.5%
Mortality	Derived from a CalPERS Experience Study on CalPERS' membership data adopted by the CalPERS Board, first used in the June 30, 2009 valuation. The rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries.	Derived using RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2022.

¹ Net of pension plan investment expenses, including inflation

² Varying by entry age and service



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Statistical Section

STATISTICAL SECTION

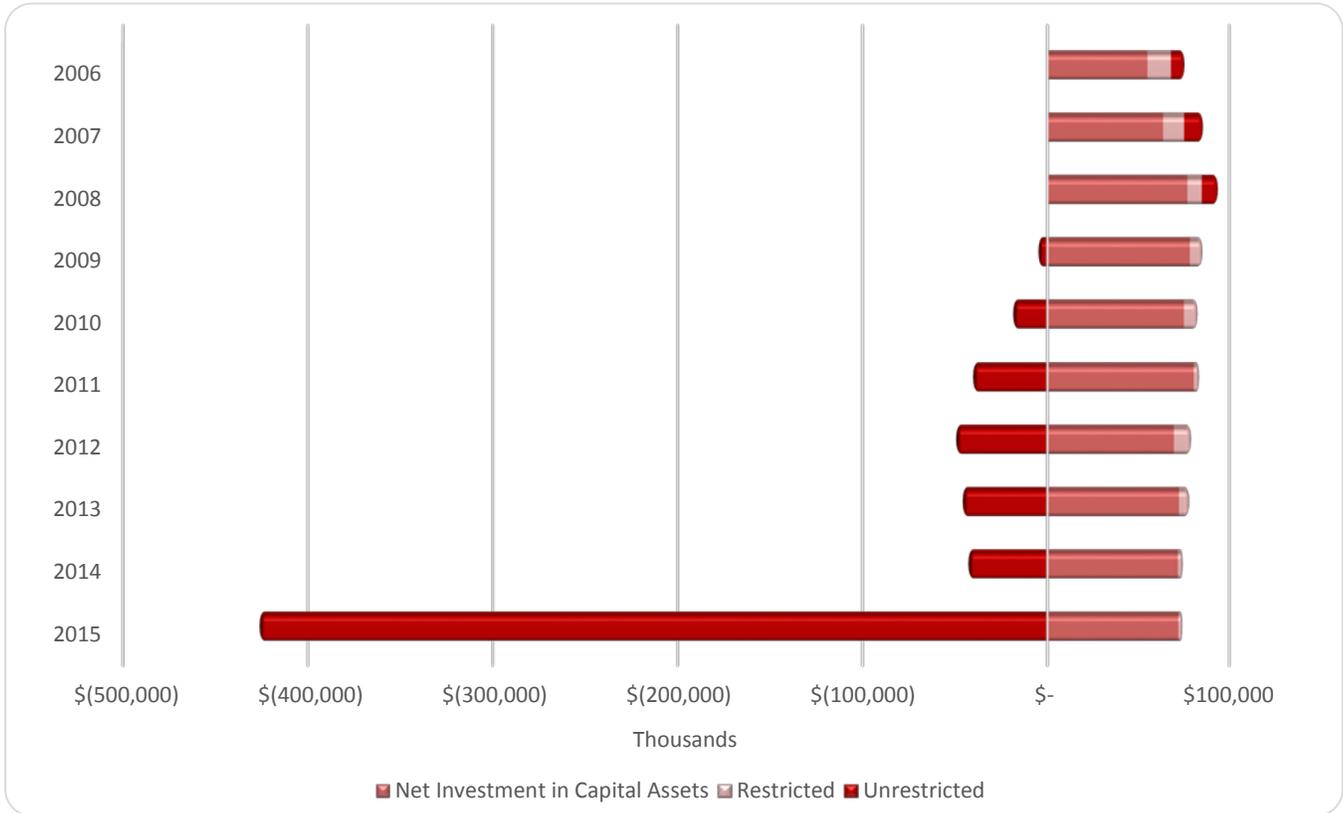




This part of Metro Fire’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about Metro Fire’s overall financial health.

<u>Contents</u>	<u>Pages</u>
<p>FINANCIAL TRENDS</p> <p>These schedules contain trend information to help the reader understand how Metro Fire’s financial performance and well-being have changed over time.</p> <ol style="list-style-type: none"> 1. Net Position by Component 2. Changes in Net Position 3. Fund Balances of Governmental Funds 4. Changes in Fund Balances of Governmental Funds 5. Expenditures by Function 	<p>60-64</p>
<p>REVENUE CAPACITY</p> <p>These schedules contain information to help the reader assess Metro Fire’s most significant local revenue source, the property tax.</p> <ol style="list-style-type: none"> 1. General Revenues by Source 2. Assessed Value of Taxable Property 3. Assessed and Estimated Actual Value of Taxable Property 4. Property Tax Levies and Collections 5. Direct and Overlapping Property Tax Rates 6. Principal Property Taxpayers 	<p>65-70</p>
<p>DEBT CAPACITY</p> <p>These schedules present information to help the reader assess the affordability of Metro Fire’s current level of outstanding debt and its ability to issue additional debt in the future.</p> <ol style="list-style-type: none"> 1. Ratio of Outstanding Debt by Type 2. Ratio of General Bonded Debt Outstanding 3. Computation of District and Overlapping Debt 4. Computation of Legal Bonded Debt Margin 	<p>71-74</p>
<p>DEMOGRAPHIC AND ECONOMIC INFORMATION</p> <p>These schedules present information to help the reader understand the environment within which Metro Fire’s financial activities take place.</p> <ol style="list-style-type: none"> 1. Demographic Statistics 2. Demographic and Economic Statistics 3. Private Sector Principal Employers 	<p>75-77</p>
<p>OPERATING INFORMATION</p> <p>These schedules contain service and infrastructure data to help the reader understand how the information in Metro Fire’s financial report relates to the services it provides and the activities it performs.</p> <ol style="list-style-type: none"> 1. Summary of District Activities 2. Total Responses 3. Emergency Response Detail Analysis 4. Emergency Response – Percent of Total Response by Type 5. Service-connected Injury/Illness Report 6. Staffing Summary 	<p>78-84</p>

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



(IN THOUSANDS)

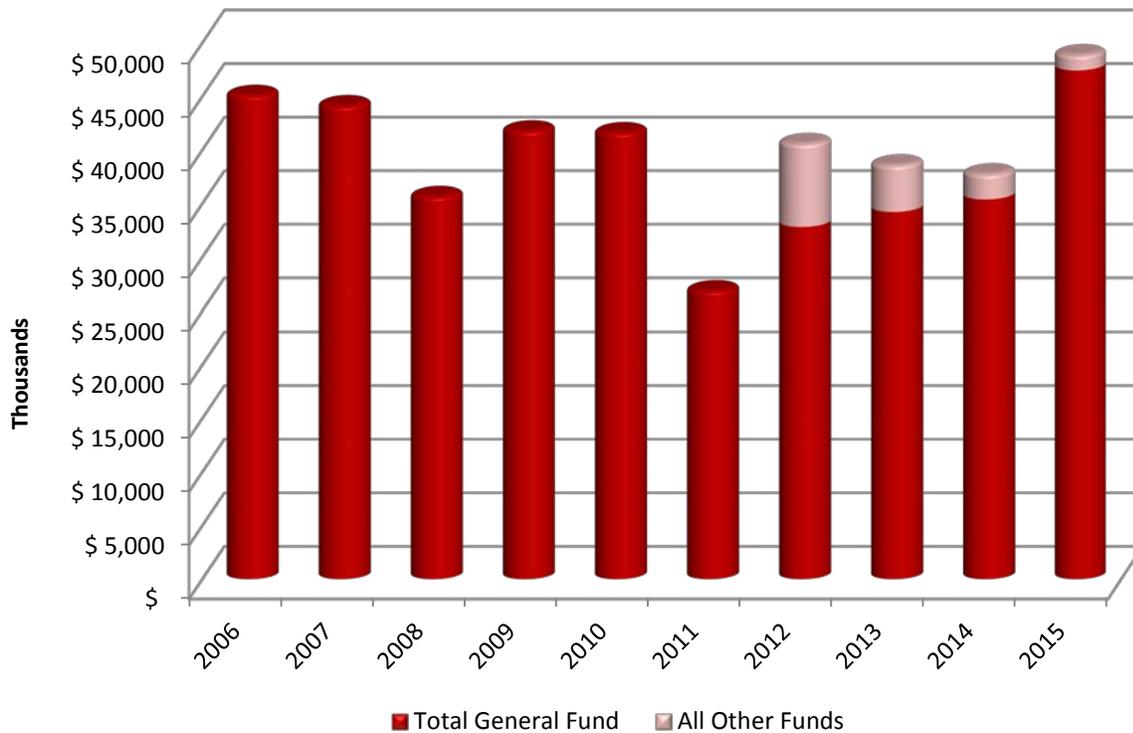
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental Activities										
Net Investment in capital assets	\$ 54,419	\$ 63,087	\$ 76,706	\$ 77,964	\$ 74,713	\$ 80,148	\$ 69,132	\$ 71,966	\$ 71,375	\$ 71,615
Restricted	13,070	11,762	7,969	7,061	7,609	2,901	9,507	5,698	2,523	2,099
Unrestricted	7,560	10,492	8,981	(4,740)	(18,476)	(40,160)	(49,310)	(45,775)	(42,691)	(426,074)
Total net position	\$75,050	\$85,341	\$93,656	\$80,285	\$63,846	\$42,890	\$29,328	\$31,889	\$31,207	\$ (352,360)

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

(IN THOUSANDS)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
EXPENSES										
Governmental Activities:										
Public Protection	\$ 121,399	\$ 137,712	\$ 145,930	\$ 164,474	\$ 152,208	\$ 154,796	\$ 154,206	\$ 147,677	\$ 157,119	\$ 171,186
Interest on Long-Term Debt	5,304	3,787	6,593	4,305	3,872	4,139	4,580	4,484	4,412	4,383
Depreciation	2,710	3,144	3,469	3,968	3,841	3,864	3,507	4,461	4,612	3,930
Total Government Activities	129,412	144,642	155,993	172,747	159,920	162,799	162,293	156,622	166,143	179,499
PROGRAM REVENUES										
Governmental Activities:										
Charges for Services	19,423	18,533	19,992	19,552	19,066	20,356	30,149	39,473	47,286	63,061
Operating Grants and Contributions	3,767	3,676	3,939	4,174	4,288	5,170	5,469	4,007	920	2,737
Capital Grants and Contributions	986			923	83	1,909		3,465	1,380	857
Donated equipment								475		
Total Program Revenues	24,176	22,209	23,931	24,648	23,436	27,435	35,618	47,420	49,586	66,655
NET (EXPENSES)/REVENUE										
Total Program Expenses	(105,236)	(122,433)	(132,062)	(148,099)	(136,484)	(135,364)	(126,675)	(109,202)	(116,557)	(112,844)
Total Net Expense	(105,236)	(122,433)	(132,062)	(148,099)	(136,484)	(135,364)	(126,675)	(109,202)	(116,557)	(112,844)
GENERAL REVENUES (EXPENSES)										
Governmental Activities:										
Property Taxes	115,512	126,032	129,962	126,816	114,845	111,182	108,310	105,260	111,089	119,475
Intergovernmental	4,086	4,218	5,570	5,954	4,171	3,366	3,972	5,545	2,698	3,532
Rent and others	3,746	2,233	4,595	1,157	327	101	718	1,012	985	1,048
Miscellaneous	340	271	321	461	197	(109)	158	394	1,103	137
Gain (loss) on disposal of assets	(33)	(30)	(71)	340	506	(132)	(46)	(448)		(688)
Total General Revenues	123,651	132,724	140,376	134,728	120,045	114,408	113,114	111,763	115,874	123,504
CHANGE IN NET POSITION										
Governmental Activities	18,415	10,291	8,315	(13,371)	(16,439)	(20,956)	(13,561)	2,560	(682)	10,660
Net Position	56,635	75,050	85,341	93,656	80,285	63,846	42,890	29,328	31,889	31,207
Prior period Adjustment										(394,227)
Net Position, Beginning of year-as restated	56,635	75,050	85,341	93,656	80,285	63,846	42,890	29,328	31,889	(363,020)
Net Position, End of year	\$ 75,050	\$ 85,341	\$ 93,656	\$ 80,285	\$ 63,846	\$ 42,890	\$ 29,328	\$ 31,889	\$ 31,207	(352,360)

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



(IN THOUSANDS)

	2006	2007	2008	2009	2010	(a) 2011	(b) 2012	2013	2014	2015
GENERAL FUND										
Reserved	\$ 16,682	\$ 15,737	\$ 11,426	\$ 9,513	\$ 9,980					
Unreserved	28,397	28,385	24,218	32,259	31,620					
Nondspendable						\$ 2,866	\$ 2,836	\$ 2,710	\$ 3,061	\$ 3,183
Restricted						2,901	1,726	468	113	369
Committed						13,622	17,050	15,882	19,129	21,031
Unassigned						7,470	11,207	15,161	13,084	23,156
Total General Fund	\$ 45,080	\$ 44,121	\$ 35,644	\$ 41,772	\$ 41,600	\$ 26,858	\$ 32,819	\$ 34,220	\$ 35,387	\$ 47,739
ALL OTHER GOVERNMENTAL FUNDS										
Nondspendable							\$ 3	\$ 671		
Restricted							7,781	3,920	\$ 2,363	\$ 1,680
Committed										
Unassigned							(22)	(225)		(238)
Total all other Governmental funds							\$ 7,761	\$ 4,366	\$ 2,363	\$ 1,442

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

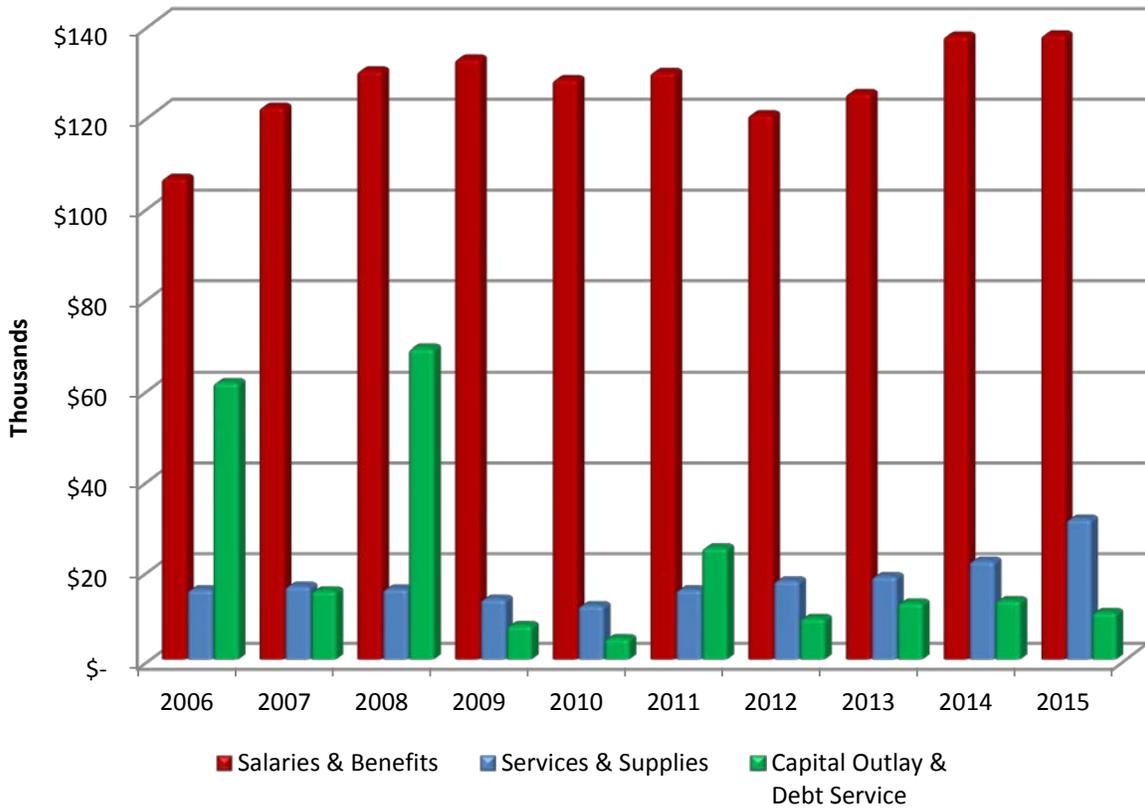
(b) Metro Fire did not start segregating special revenue funds in the fund financial statements until 2012 so 2011 and prior amounts for the General Fund include these other funds.

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

(IN THOUSANDS)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
REVENUES										
Property taxes	\$ 112,417	\$ 124,200	\$ 128,817	\$ 128,170	\$ 116,509	\$ 112,080	\$ 108,149	\$ 105,058	\$ 112,297	\$ 119,575
Intergovernmental revenues	8,678	7,297	8,040	11,083	7,503	12,730	9,019	10,562	10,415	7,199
Charges for services	14,867	15,960	17,321	18,104	18,464	18,521	28,646	36,711	44,208	60,343
Development Fees	4,051	2,961	2,156	1,369	893	671	1,153	1,326	1,092	1,257
Use of money and property	3,746	2,233	4,595	1,157	327	101	522	1,015	1,019	1,084
Miscellaneous	358	281	335	481	454	159	452	401	234	777
Total Revenues	144,118	152,931	161,264	160,363	144,150	144,262	147,940	155,072	169,265	190,235
EXPENDITURES										
Current:										
Public protection	122,042	138,457	145,857	146,191	140,182	145,363	137,989	143,613	159,725	169,216
Capital outlay	16,408	11,841	17,375	3,352	740	20,790	2,735	5,665	5,912	2,593
Debt service:										
Principal repayment	40,423	563	45,714	874	1,045	1,236	2,965	3,556	3,964	4,732
Interest and fiscal charges	4,583	3,028	5,795	3,465	2,988	2,974	3,587	3,516	3,380	3,297
Total Expenditures	183,456	153,890	214,741	153,883	144,954	170,362	147,276	156,349	172,982	179,837
Excess (deficiency) of revenues over (under) expenditures	(39,338)	(958)	(53,477)	6,480	(804)	(26,100)	664	(1,277)	(3,716)	10,398
OTHER FINANCING SOURCES (USES)										
Transfers in								86	504	538
Transfers out								(86)	(504)	(538)
Proceeds from debt	40,000		45,000				13,046			
Proceeds from sale of assets				512	631	133	13	46		184
Issuance of capital leases						11,226			2,880	849
Total other financing sources (uses)	40,000		45,000	512	631	11,359	13,059	46	2,880	1,033
Net Change in fund balances	\$ 662	\$ (958)	\$ (8,477)	\$ 6,992	\$ (173)	\$ (14,741)	\$ 13,722	\$ (1,230)	\$ (836)	\$ 11,431
Debt service as a percentage of noncapital expenditures	26.9%	2.5%	26.1%	2.9%	2.8%	2.8%	4.5%	4.7%	4.4%	4.5%

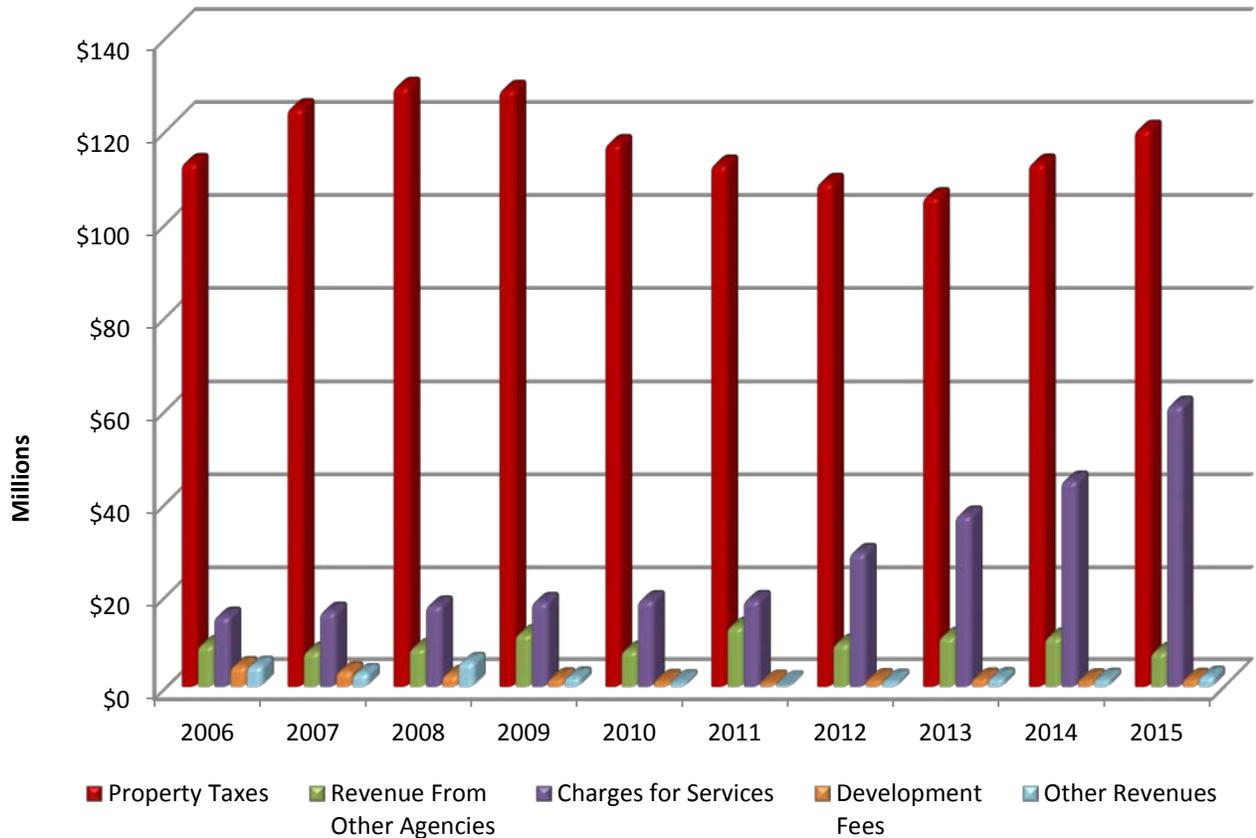
**SACRAMENTO METROPOLITAN FIRE DISTRICT
EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**



Fiscal Year	Salaries & Benefits	Services & Supplies	Capital Outlay & Debt Service	Total
2006	\$ 106,325,824	\$ 15,716,394	\$ 61,413,469	\$ 183,455,687
2007	121,963,586	16,493,870	15,432,171	153,889,627
2008	129,976,903	15,879,944	68,884,063	214,740,910
2009	132,604,682	13,586,427	7,691,800	153,882,909
2010	128,045,471	12,136,337	4,772,250	144,954,058
2011	129,650,797	15,711,906	24,999,569	170,362,272
2012	120,307,666	17,681,749	9,286,859	147,276,274
2013	124,975,145	18,637,441	12,736,479	156,349,065
2014	137,655,149	22,070,292	13,256,316	172,981,757
2015	137,900,260	31,315,336	10,621,731	179,837,327

Source: Sacramento Metropolitan Fire District Financial Statements and Records

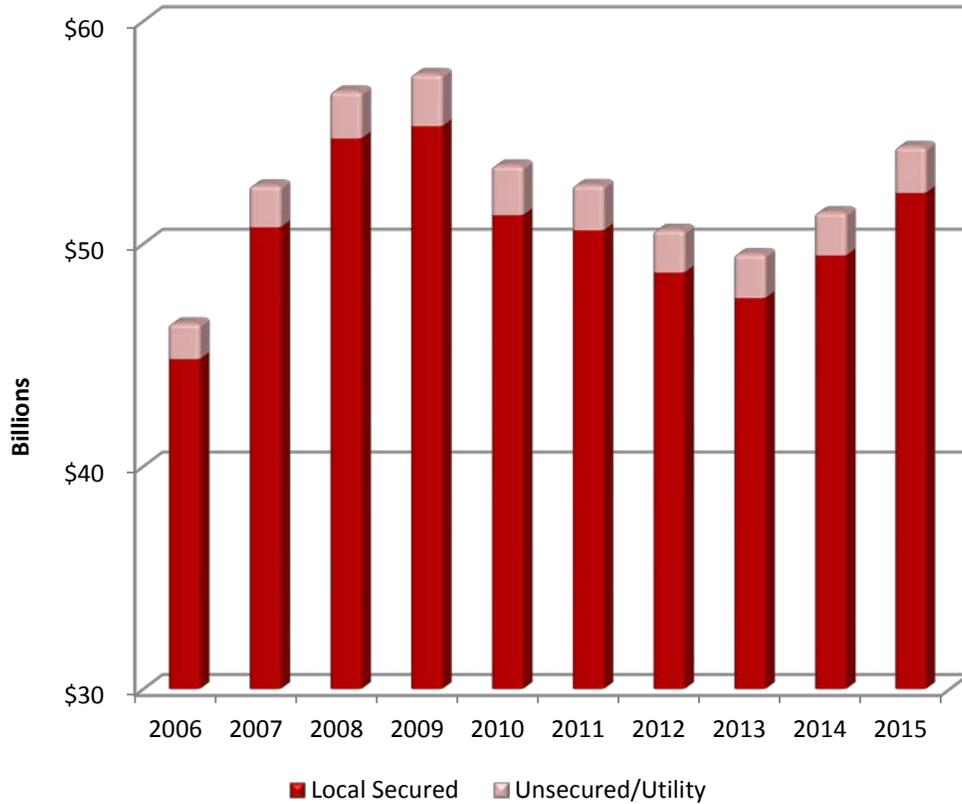
**SACRAMENTO METROPOLITAN FIRE DISTRICT
GENERAL REVENUES BY SOURCE
ALL GOVERNMENTAL FUND TYPES
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**



Fiscal Year	Property Taxes	Revenue From				Total
		Charges for Services	Development Fees	Other Agencies	Other Revenues	
2006	\$ 112,417,254	\$ 14,867,458	\$ 4,051,246	\$ 8,678,031	\$ 4,103,514	\$ 144,117,503
2007	124,199,920	15,959,841	2,960,561	7,296,914	2,514,122	152,931,358
2008	128,816,821	17,321,455	2,155,674	8,039,820	4,930,112	161,263,882
2009	128,169,834	18,103,703	1,368,581	11,083,485	1,637,805	160,363,408
2010	116,508,904	18,464,189	893,121	7,503,415	780,699	144,150,328
2011	112,080,077	18,521,065	670,997	12,730,378	259,364	144,261,881
2012	108,148,609	28,645,724	1,152,633	9,019,099	973,898	147,939,963
2013	105,058,038	36,710,780	1,326,406	10,561,785	1,415,487	155,072,496
2014	112,297,471	44,207,768	1,092,120	10,415,420	1,252,528	169,265,307
2015	119,575,421	60,343,284	1,257,063	7,198,784	1,860,770	190,235,322

Source: Sacramento Metropolitan Fire District Financial Statements and Records

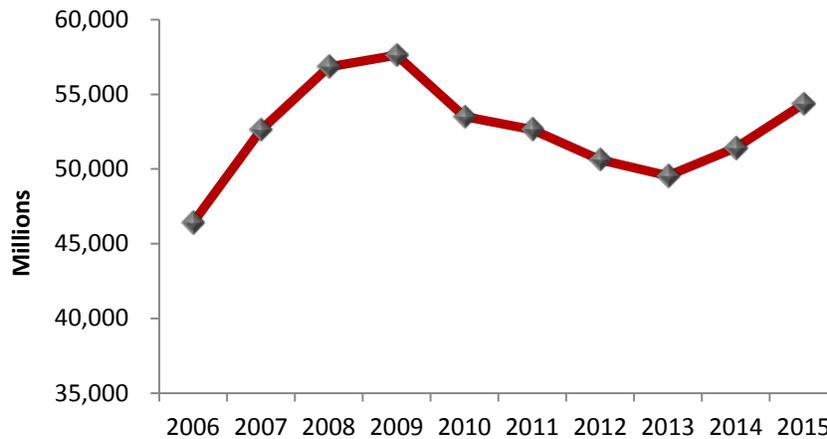
**SACRAMENTO METROPOLITAN FIRE DISTRICT
ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**



Fiscal Year	Local Secured	Unsecured	Utility	Total Assessed Value
2006	\$44,822,756,665	\$ 1,599,062,259	\$ 4,810,612	\$ 46,426,629,536
2007	50,743,413,073	1,873,754,209	4,306,679	52,621,473,961
2008	54,733,895,432	2,109,204,925	2,804,597	56,845,904,954
2009	55,285,269,256	2,337,740,343	2,935,847	57,625,945,446
2010	51,286,454,165	2,222,237,544	2,935,847	53,511,627,556
2011	50,609,340,722	2,004,513,815	27,666,847	52,641,521,384
2012	48,712,749,798	1,901,522,231	10,268,185	50,624,540,214
2013	47,566,618,901	1,966,760,711	12,397,271	49,545,776,883
2014	49,477,107,848	1,929,129,291	12,293,600	51,418,530,739
2015	52,288,258,939	2,056,903,763	12,374,963	54,357,537,665

Source: Sacramento County Assessor Tax Rolls

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



Real Secured Property

Fiscal Year	Real Secured Property				Total
	Residential Property	Commercial Property	Industrial Property	Other	
2006	\$ 34,968,100,386	\$ 6,351,718,185	\$ 1,799,543,885	\$ 1,708,204,821	\$ 44,827,567,277
2007	39,770,377,829	6,884,361,588	2,040,232,593	2,052,747,742	50,747,719,752
2008	42,663,587,873	7,582,666,883	2,260,504,885	2,229,940,388	54,736,700,029
2009	42,585,050,528	8,183,861,205	2,356,886,609	2,162,406,761	55,288,205,103
2010	38,267,668,930	8,644,902,951	2,485,846,802	1,890,971,329	51,289,390,012
2011	37,865,205,638	8,547,572,892	2,425,431,997	1,798,797,042	50,637,007,569
2012	36,810,616,937	7,964,084,210	2,437,897,478	1,510,419,358	48,723,017,983
2013	35,881,502,392	7,836,158,353	2,438,471,837	1,422,883,590	47,579,016,172
2014	38,324,932,712	7,457,564,962	2,322,976,102	1,383,927,672	49,489,401,448
2015	41,305,538,059	7,306,871,726	2,239,426,342	1,448,797,775	52,300,633,902

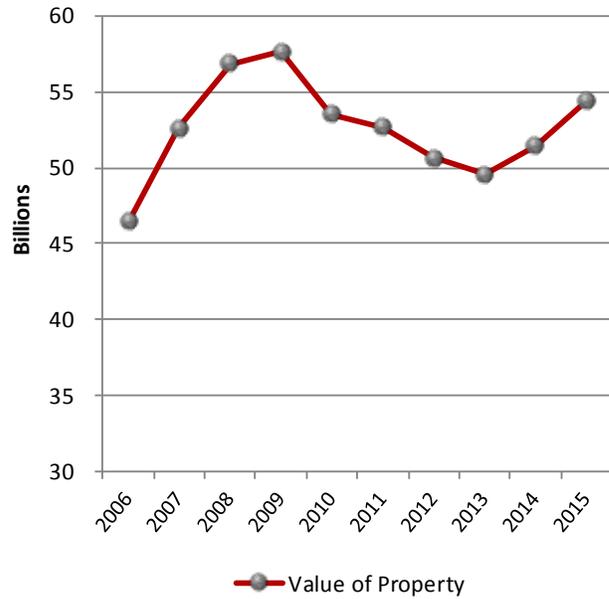
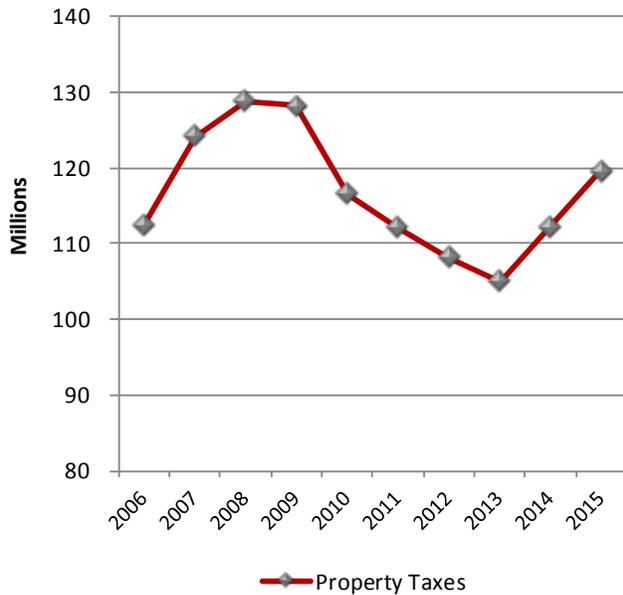
Total Assessed Values

Fiscal Year	Total Assessed Values		Total Assessed (a)	Estimated Full Market (a)	Total Direct Tax Rate (b)
	Total Real Secured Property	Unsecured Property			
2006	\$ 44,827,567,277	\$ 1,599,062,259	\$ 46,426,629,536	\$ 46,426,629,536	1%
2007	50,747,719,752	1,873,754,209	52,621,473,961	52,621,473,961	1%
2008	54,736,700,029	2,109,204,925	56,845,904,954	56,845,904,954	1%
2009	55,288,205,103	2,337,740,343	57,625,945,446	57,625,945,446	1%
2010	51,289,390,012	2,222,237,544	53,511,627,556	53,511,627,556	1%
2011	50,637,007,569	2,004,513,815	52,641,521,384	52,641,521,384	1%
2012	48,723,017,983	1,901,522,231	50,624,540,214	50,624,540,214	1%
2013	47,579,016,172	1,966,760,711	49,545,776,883	49,545,776,883	1%
2014	49,489,401,448	1,929,129,291	51,418,530,739	51,418,530,739	1%
2015	52,300,633,902	2,056,903,763	54,357,537,665	54,357,537,665	1%

Source: Sacramento County Assessor Tax Rolls

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

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



Fiscal Year	Property Taxes	Current Collections	Percentage of Levy Collected ^(a)	Value of Property Subject to Local Tax Rate
2006	\$ 112,417,254	\$ 112,417,254	100%	\$ 46,426,629,536
2007	124,199,920	124,199,920	100%	52,621,473,961
2008	128,816,821	128,816,821	100%	56,845,904,954
2009	128,169,834	128,169,834	100%	57,625,945,446
2010	116,508,904	116,508,904	100%	53,511,627,556
2011	112,080,077	112,080,077	100%	52,641,521,384
2012	108,148,609	108,148,609	100%	50,624,540,214
2013	105,058,038	105,058,038	100%	49,545,776,883
2014	112,297,471	112,297,471	100%	51,418,530,739
2015	119,575,421	119,575,421	100%	54,357,537,665

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

Source: Sacramento Metropolitan Fire District Financial Records

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

<u>Fiscal Year</u>	<u>Basic County Wide Levy</u>	<u>Los Rios Community College District</u>	<u>San Juan Unified School District</u>	<u>Total</u>
2010	1.0000 %	0.0124 %	0.0688 %	1.0812 %
2011	1.0000	0.0090	0.0813	1.0903
2012	1.0000	0.0192	0.0948	1.1140
2013	1.0000	0.0193	0.1003	1.1196
2014	1.0000	0.0181	0.1630	1.1811
2015	1.0000	0.0113	0.1509	1.1622

Note: In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies within which the subject property resides. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds. Overlapping rates are those of local and county governments that apply to property owners within Metro Fire. Not all overlapping rates apply to all Metro Fire property owners.

Information for fiscal years prior to 2010 is not available.

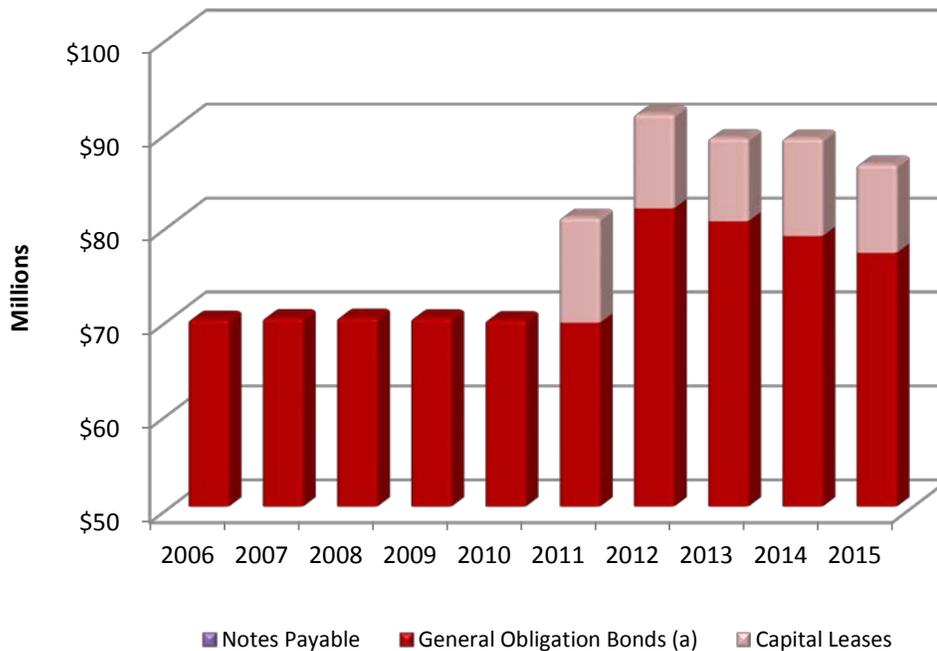
Source: California Municipal Statistics, Inc.

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

Taxpayer	2014-2015			2005-2006		
	Taxable Assessed Value	Rank	Percentage of Total Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Assessed Value
Mp Holdings LLC	\$ 170,095,492	1	0.31%	\$ 99,401,189	3	0.21%
Wal Mart Stores, Inc.	159,576,529	2	0.29%			
Ampac Fine Chemicals LLC	157,911,370	3	0.29%			
Aerojet General Corporation	138,502,338	4	0.25%	204,718,399	1	0.44%
California American Water Company	123,666,130	5	0.23%	66,977,359	10	0.14%
Comcast Cable	110,905,180	6	0.20%	79,534,898	4	0.17%
Ethan Conrad	96,862,350	7	0.18%			
Xojet Inc	88,543,955	8	0.16%			
Steadfast Sunrise LLC	84,881,125	9	0.16%			
Donahue Schriber Realty Group	83,741,897	10	0.15%			
A Teichert And Son Inc.				118,252,488	2	0.25%
Prospect Green Partners				75,333,047	5	0.16%
Kaiser Foundation Hospitals				73,291,750	7	0.16%
Altair Holding Company				71,073,230	8	0.15%
Lennar Renaissance Inc				73,578,658	6	0.16%
Hines VAF Capital Center LP				69,500,000	9	0.15%
	<u>\$ 1,214,686,366</u>		<u>2.23%</u>	<u>\$ 931,661,018</u>		<u>2.01%</u>
Total Net Assessed Valuation:						
Fiscal Year 2014-15	\$54,357,537,665					
Fiscal Year 2005-06	46,426,629,536					

Source: Sacramento County Assessor 2005/06 and 2014/15 Tax Rolls

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



Fiscal Year	General Obligation Bonds ^(a)	Capital Leases	Notes Payable	Total Primary Government	Percentage of Personal Income ^(b)	Debt per Capita ^(b)
2006	\$ 69,830,950		\$ 121,376	\$ 69,952,326	0.28%	\$ 99
2007	69,997,855		113,220	70,111,075	0.27%	99
2008	70,055,305		104,496	70,159,801	0.25%	99
2009	69,995,340		95,000	70,090,340	0.26%	98
2010	69,810,255		85,000	69,895,255	0.26%	97
2011	69,482,600	\$ 11,226,000	75,000	80,783,600	0.30%	114
2012	81,734,401	10,076,000		91,810,401	0.32%	129
2013	80,356,845	8,895,000		89,251,845	0.30%	125
2014	78,790,389	10,430,752		89,221,141	0.28%	124
2015	77,002,581	9,447,809		86,450,390	0.27%	119

(a) Comprised of Pension Obligation Bonds and Lease Revenue Bonds.

(b) See page 75 (Demographic Statistics) for population data.

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

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

Fiscal Year	General Obligation Bonds ^(a)	Less: Amounts Available for Debt Service ^(b)	Net General Bonded Debt	Ratio of Net General Bonded Debt to Estimated Actual Taxable Value of Property ^(c)	Per Capita ^(d)
2006	\$ 69,830,950		\$ 69,830,950	0.15%	\$ 99
2007	69,997,855		69,997,855	0.13%	99
2008	70,055,305	\$ 2,378,780	67,676,525	0.12%	95
2009	69,995,340	6,067,039	63,928,301	0.11%	89
2010	69,810,255	7,767,081	62,043,174	0.12%	86
2011	69,482,600	7,766,882	61,715,718	0.12%	87
2012	81,734,401	9,518,396	72,216,005	0.14%	102
2013	80,356,845	11,881,581	68,475,264	0.14%	96
2014	78,790,389	15,129,062	63,661,327	0.12%	88
2015	77,002,581	17,030,751	59,971,830	0.11%	82

(a) Comprised of Pension Obligation Bonds and Lease Revenue Bonds.

(b) This is the amount set aside for debt service principal payments.

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

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

**SACRAMENTO METROPOLITAN FIRE DISTRICT
COMPUTATION OF DISTRICT AND OVERLAPPING DEBT
JUNE 30, 2015**

2014-15 Assessed Valuation: \$54,357,537,665	Total Debt Outstanding	% Applicable ⁽¹⁾	Amount Applicable to Metro Fire
OVERLAPPING TAX AND ASSESSMENT DEBT			
Los Rios Community College District	\$ 361,280,000	32.703%	\$ 118,149,398
Center Joint Unified School District	36,102,568	89.506%	32,313,965
Folsom Cordova USD School Facilities Improvement District Nos. 1, 2, 3 and 4	177,146,648	0.735-100.000%	146,141,985
Sacramento Unified School District	439,797,966	11.630%	51,148,503
San Juan Unified School District	404,827,785	96.424%	390,351,143
Twin Rivers Unified School District (former Grant Joint Union High School District Bonds)	188,840,138	42.630%	80,502,551
Twin Rivers Unified School District (former Elementary School District Bonds)	18,795,000	51.013%	9,587,893
Other School Districts	390,028,364	Various	53,568,853
City of Folsom	3,760,000	0.718%	26,997
Dry Creek Joint School District Community Facilities District No. 1	10,347,789	100.000%	10,347,789
Elk Grove Unified School District Community Facilities District No. 1	178,792,187	29.274%	52,339,625
City of Rancho Cordova Community Facilities District No. 2003-1 and 2004-1	81,550,000	100.000%	81,550,000
Other Community Facilities Districts	40,950,000	100.000%	40,950,000
1915 Act and Benefit Assessment Bonds	226,820	Various	52,849,597
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 1,119,828,300
DIRECT AND OVERLAPPING GENERAL FUND DEBT			
Sacramento County General Fund Obligations	\$ 276,872,687	42.123%	\$ 116,627,313
Sacramento County Pension Obligation Bonds	973,933,985	42.122%	410,240,473
Sacramento County Board of Education Certificates of Participation	7,260,000	42.122%	3,058,057
Folsom-Cordova Unified School District Certificates of Participation	18,890,000	35.820%	6,766,398
Sacramento USD Certificates of Participation and Pension Obligation Bonds	73,575,000	11.630%	8,556,773
San Juan Unified School District Certificates of Participation	749,716	96.424%	722,906
Twin Rivers Unified School District Certificates of Participation	129,825,000	42.630%	55,344,398
Other School District Certificates of Participation	16,671,280	Various	3,247,030
City of Folsom General Fund Obligations	6,991,777	0.711%	49,712
City of Rancho Cordova Certificates of Participation	20,640,000	100.000%	20,640,000
City of Sacramento Certificates of Participation	619,920,000	0.001%	3,100
Sacramento Metropolitan Fire District Pension Obligation Bonds	57,368,975	100.000%	57,368,975
Sacramento Metropolitan Fire District General Fund Obligations	10,345,000	100.000%	10,345,000
Recreation and Park District Certificates of Participation	11,905,130	82.201-100.000%	10,716,462
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			703,686,595
Less: Sacramento County supported obligations			(2,626,307)
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 701,060,288
OVERLAPPING TAX INCREMENT DEBT			
Successor Agency	\$ 72,035,000	100.00%	\$ 72,035,000
TOTAL DIRECT DEBT			\$ 67,713,975
TOTAL GROSS OVERLAPPING DEBT			\$ 1,827,835,920 ⁽²⁾
TOTAL NET OVERLAPPING DEBT			\$ 1,825,209,613
GROSS COMBINED TOTAL DEBT			\$ 1,895,549,895
NET COMBINED TOTAL DEBT			\$ 1,892,923,588

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

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

Ratios to 2014-15 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	2.060%
Total Direct Debt	0.125%
Gross Combined Total Debt	3.487%
Net Combined Total Debt	3.482%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$1,560,829,656):

Total Overlapping Tax Increment Debt	4.62%
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Source: California Municipal Statistics, Inc.

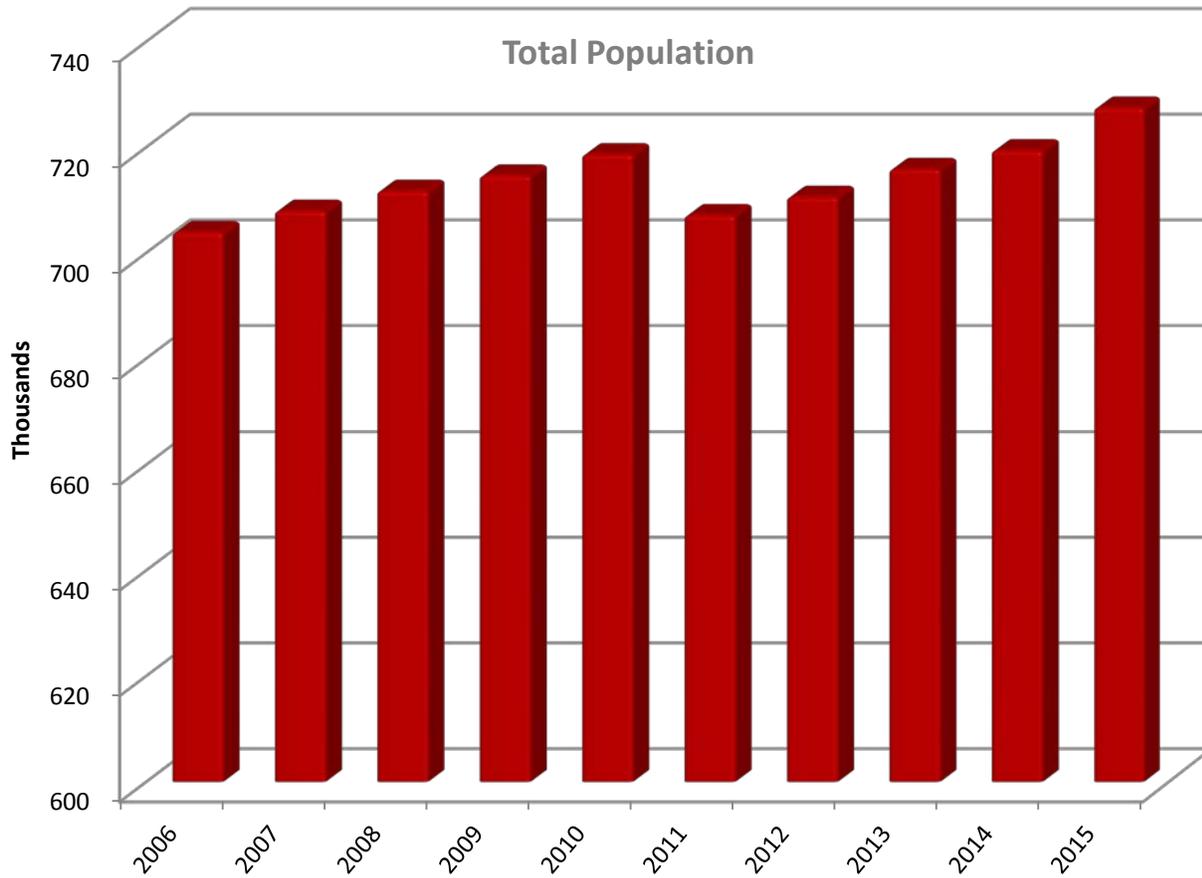
**SACRAMENTO METROPOLITAN FIRE DISTRICT
COMPUTATION OF LEGAL BONDED DEBT MARGIN
JUNE 30, 2015**

Assessed Valuation		\$ 54,357,537,665
Debt Margin Ratio ^(a)		2.50%
Bonded Debt Limit		1,358,938,442
Outstanding Debt		
Total Bonded Debt	\$ 77,002,581	
Less Amounts in Sinking Fund	(17,030,751)	
Total Applicable Debt		59,971,830
Legal Debt Margin		\$ 1,298,966,612

<u>Fiscal Year</u>	<u>Debt Limit</u>	<u>Total Net Debt Applicable to Limit</u>	<u>Legal Debt Margin</u>	<u>Percentage of Legal Debt Margin Available</u>
2006	\$ 1,160,665,738	\$ 69,830,950	\$ 1,090,834,788	93.98%
2007	1,315,536,849	69,997,855	1,245,538,994	94.68%
2008	1,421,147,624	67,676,525	1,353,471,099	95.24%
2009	1,440,648,636	63,927,961	1,376,720,675	95.56%
2010	1,337,790,689	62,042,919	1,275,747,769	95.36%
2011	1,316,038,035	61,716,118	1,254,321,917	95.31%
2012	1,265,613,505	72,215,825	1,193,397,680	94.29%
2013	1,238,644,422	68,475,719	1,170,168,703	94.47%
2014	1,285,463,268	63,661,327	1,221,801,941	95.05%
2015	1,358,938,442	59,971,830	1,298,966,612	95.59%

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

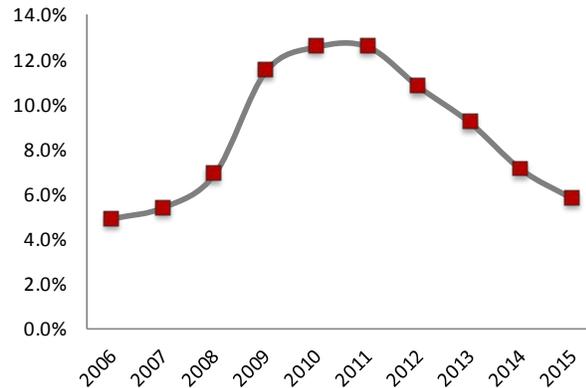
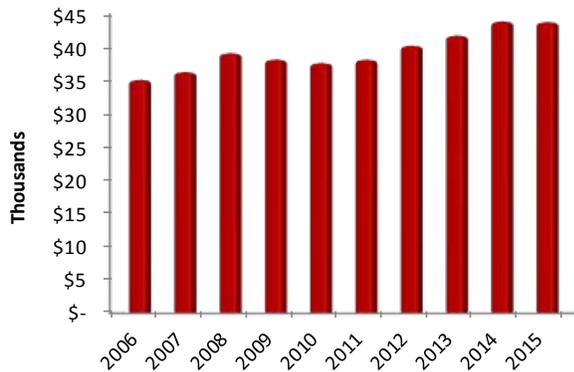
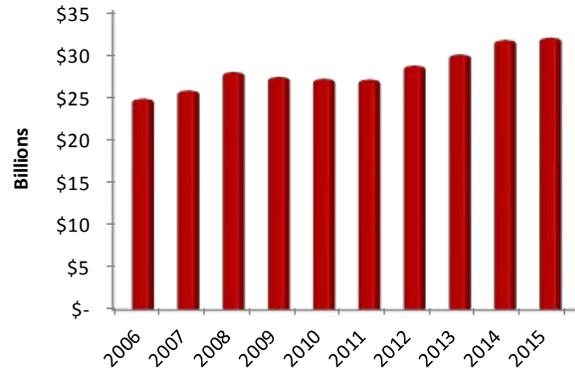
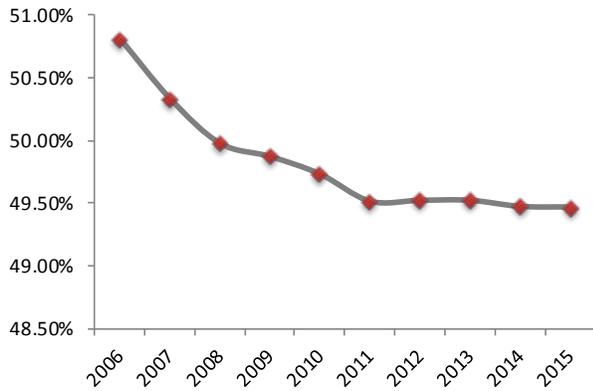
**SACRAMENTO METROPOLITAN FIRE DISTRICT
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS**



Fiscal Year	Citrus Heights	Rancho Cordova	Unincorporated Population	Total Population	% Increase
2006	86,883	56,355	560,741	703,979	0.07%
2007	87,017	59,056	561,951	708,024	0.57%
2008	87,321	60,975	563,514	711,810	0.53%
2009	87,565	61,817	565,309	714,691	0.40%
2010	88,115	62,899	567,700	718,714	0.56%
2011	83,618	65,502	558,061	707,181	-1.60%
2012	83,881	66,093	560,675	710,649	0.49%
2013	84,345	66,927	564,657	715,929	0.74%
2014	84,544	67,839	567,095	719,478	0.50%
2015	85,147	69,112	573,313	727,572	1.12%

Source: State of California, Department of Finance.

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



Fiscal Year	District Population	Total Personal Income (in \$ 000's)	Per Capita Personal Income (in \$ 000's)	Unemployment Rate (%)	County Population	District Population as a % of County
2006	703,979	\$ 24,765,277	\$ 35	4.9%	1,385,607	50.81%
2007	708,024	25,729,592	36	5.4%	1,406,804	50.33%
2008	711,810	27,893,698	39	6.9%	1,424,415	49.97%
2009	714,691	27,323,352	38	11.5%	1,433,187	49.87%
2010	718,714	27,095,518	38	12.6%	1,445,327	49.73%
2011	707,181	27,015,729	38	12.6%	1,428,355	49.51%
2012	710,649	28,646,794	40	10.8%	1,435,153	49.52%
2013	715,929	29,947,643	42	9.2%	1,445,806	49.52%
2014	719,478	31,637,020	44	7.1%	1,454,406	49.47%
2015	727,572	31,919,347	44	5.8%	1,470,912	49.46%

Source: State of California, Department of Finance.

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

Employer	June 30, 2015			June 30, 2006		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Sutter Health	11,277	1	1.74%	11,284	2	2.22%
Kaiser Permanente	10,380	2	1.60%	11,729	1	2.31%
Dignity Health	7,011	3	1.08%	5,229	7	1.03%
Raley's Inc.	5,487	5	0.84%	8,203	3	1.61%
Safeway Inc.	3,873	6	0.60%			
Intel Corporation	6,200	4	0.95%	6,500	5	1.28%
Wells Fargo & Co.	2,973	7	0.46%			
Apple Inc.	2,500	8	0.38%			
Squaw Valley Alpine Meadows	2,500	8	0.38%			
Hewlett-Packard				4,500	8	0.89%
Health Net of California	2,424	10	0.37%			
Wal-Mart				3,300	10	0.65%
Target				3,693	9	0.73%
SBC Communications				5,753	6	1.13%
University of California, Davis (UCD)				8,000	4	1.57%
Total	54,625		8.41%	68,191		13.42%

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

Source: Sacramento Business Journal Annual Book of Lists

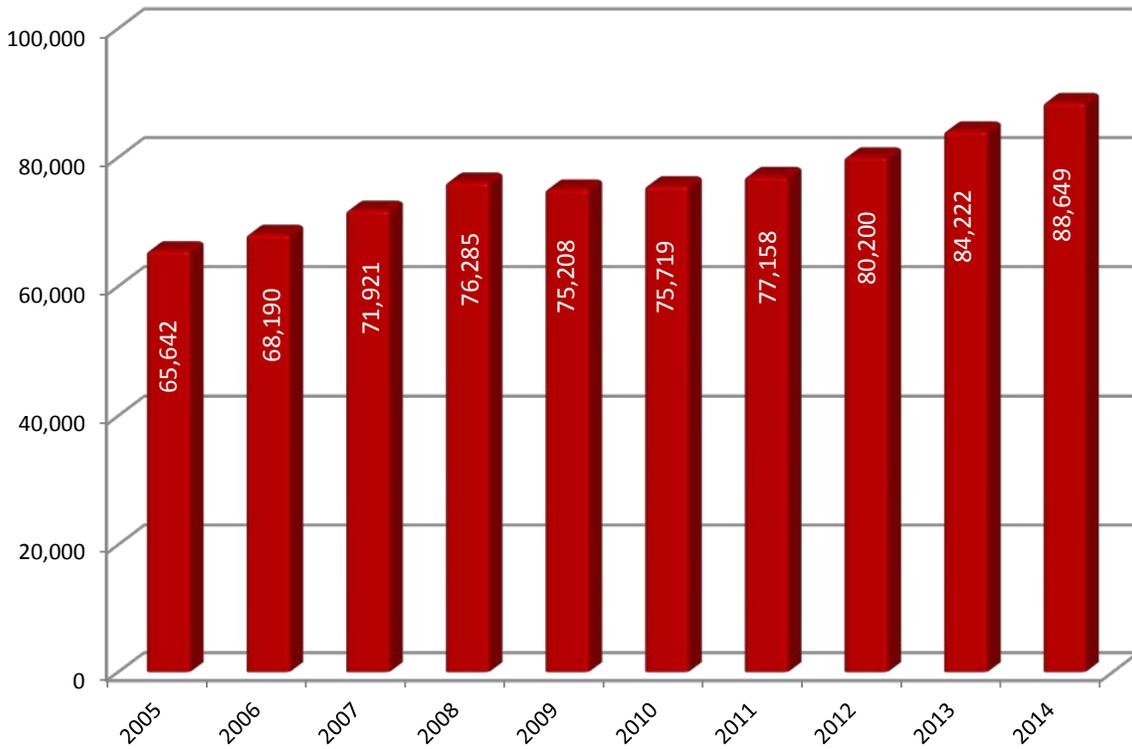
**SACRAMENTO METROPOLITAN FIRE DISTRICT
SUMMARY OF DISTRICT ACTIVITIES
FISCAL YEAR 2014-2015**

CATEGORY	TOTAL	% CHANGE
POPULATION	727,572	2.4%
OPERATIONAL FIRE STATIONS	40	0.0%
INCIDENT RESPONSES	92,731	7.4%
TOTAL ACTUAL FULL-TIME EMPLOYEES	679	5.4%
WORKERS' COMPENSATION CLAIMS		
Premium and Claims Expenses	\$ 2,126,273	-28.7%
LEAVE HOURS (All Personnel)		
Sick Leave Used	47,324	-3.2%
Service Connected Disability Leave	18,043	-25.9%
Vacation Time Used	123,004	-0.2%
TRAINING FOR SUPPRESSION PERSONNEL		
Total Training Hours	147,431	-1.3%

Note: % change is the measurement against prior year actuals

Source: Sacramento Metropolitan Fire District Records

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



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

Source: Sacramento Metropolitan Fire District Operations Division Records

**SACRAMENTO METROPOLITAN FIRE DISTRICT
EMERGENCY RESPONSE DETAIL ANALYSIS
FISCAL YEAR 2014-15
TOTAL RESPONSES: 92,731**

INCIDENT REPORT SYSTEM CODE	CATEGORY DESCRIPTION	NUMBER OF INCIDENTS
FIRE INCIDENTS		
100	Fire, Other	244
111, 123	Building Fires	394
112	Fire in a structure other than a building	14
113	Cooking Fires	170
114, 115, 116, 118, 120	Fires other than building or transportation	41
121	Mobile home used as a fixed residence	11
131	Passenger vehicle fire	212
122, 130, 132, 133, 134, 135, 136, 137, 138	Transportation fires other than passenger vehicles	68
140, 141, 142, 143	All vegetation fires	514
150, 151, 152, 153, 154, 155	Rubbish and dumpster/trash fires	600
160, 161, 162, 163, 164, 170, 171, 172, 173	Other outside fires	133
TOTAL FIRE INCIDENTS		2,401
OVERPRESSURE RUPTURE & EXPLOSION INCIDENTS		
200, 210, 211, 220, 221, 223, 231	Steam, Air, Gas, or Chemical Rupture	25
240, 241, 243	Fireworks or Bomb Explosion (no fire)	1
251	Excessive heat, scorch burns with no ignition	32
TOTAL OVERPRESSURE & RUPTURE & EXPLOSION		58
EMS & RESCUE INCIDENTS		
300,311,320	Rescue, EMS incident, other	2,493
321	EMS call, excluding vehicle accident with injury	59,571
322, 323, 324	Motor vehicle accidents	3,924
331, 340, 341, 342	Searches	15
350, 351, 352, 353, 355, 356, 357	Extrications of various types	23
360, 361, 363, 365	Water Rescues	26
371	Electrocution	0
381	EMS Standby	10
TOTAL EMS & RESCUE INCIDENTS		66,062
HAZARDOUS CONDITIONS (No Fire)		
400	Other	127
410, 411, 412, 413	Flammable liquids and gas spills	314
420, 421, 422, 423	Toxics and chemical spills	21
424	Carbon monoxide incidents	29
440, 441, 442, 443, 444, 445	Electrical hazards	321
451	Biological hazards	4
460, 461, 462, 463, 471, 480, 481, 482	Building/vehicle and other hazards	84
TOTAL HAZARDOUS CONDITIONS		900

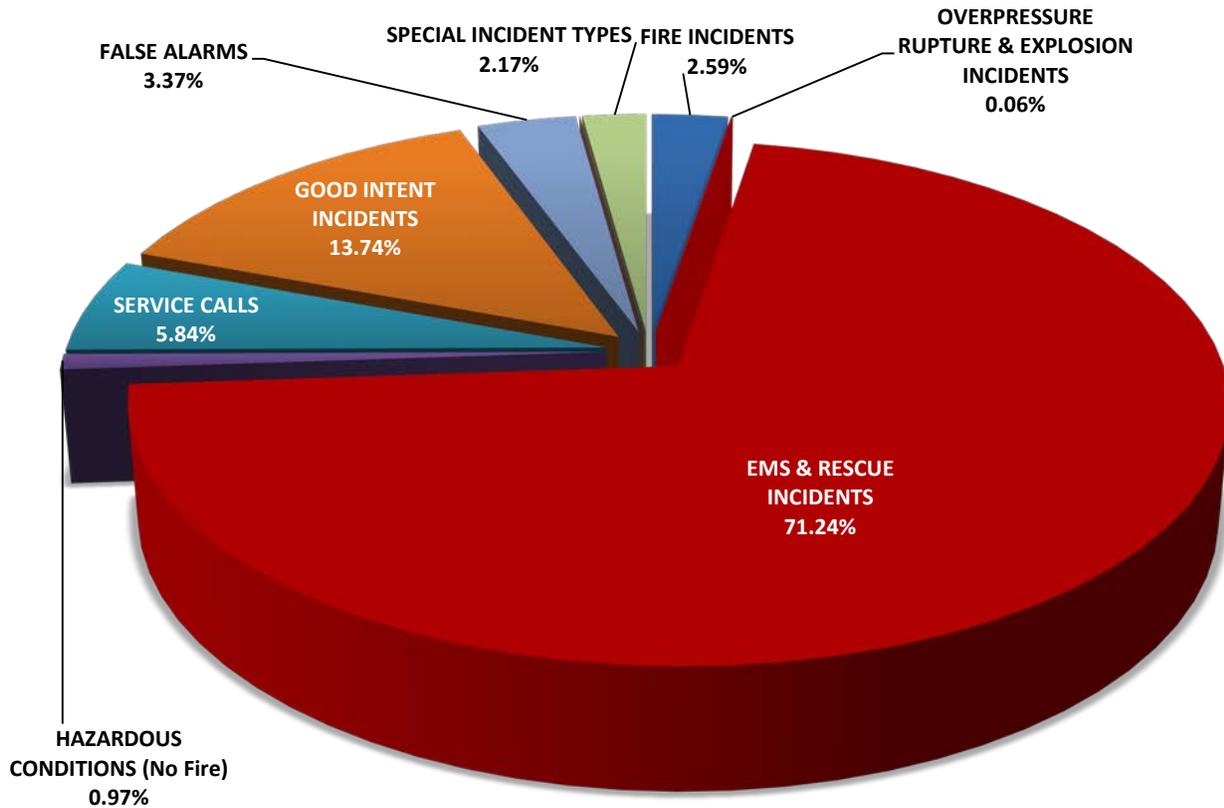
**SACRAMENTO METROPOLITAN FIRE DISTRICT
EMERGENCY RESPONSE DETAIL ANALYSIS
FISCAL YEAR 2014-15
TOTAL RESPONSES: 92,731
(CONT.)**

FIRE INCIDENT REPORT SYSTEM CODE	CATEGORY DESCRIPTION	NUMBER OF INCIDENTS
SERVICE CALLS		
500	Service calls	693
510, 511, 512	Distress, lock-outs, jewelry removal	607
520, 521, 522	Water incidents	203
531	Smoke removal	192
540, 541, 542	Animal problems	221
550, 553, 554	Public assists	2,868
551, 552	Law assists	460
555, 561, 571	Elevator, unauthorized burning, stand by	171
TOTAL SERVICE CALLS		5,415
GOOD INTENT INCIDENTS		
600	Other	1,722
611, 621, 622	Canceled en route, wrong location	10,748
631, 632, 641, 650, 651, 652, 653	Fire, smoke, or odor	212
661	EMS (PT self-transported)	40
671, 672	Haz-Mat, biological investigations	22
TOTAL GOOD INTENT INCIDENTS		12,744
FALSE ALARMS		
700	Other	669
7001, 7002, 7003	False alarm residential/school/auto aid	971
710, 711, 712, 713, 714, 715	Malicious, mischievous	131
721	Bomb scare	2
730, 731, 732, 733, 734, 735, 736, 740, 743, 744, 745, 746	System/device malfunction	1,330
741, 742, 751	Sprinkler/extinguishing system activation	26
TOTAL FALSE ALARMS		3,129
SEVERE WEATHER		
800	Other	3
812	Flood assessment	5
813	Wind assessment	1
TOTAL SEVERE WEATHER		9
SPECIAL INCIDENT TYPES		
900	Special type of incident, Other, No code	409
9001	Released from call	13
9002	No Metro units responded	1,565
9003	Out of district	20
911	Citizen complaint	6
SPECIAL INCIDENT TYPES		2,013

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

Source: Sacramento Metropolitan Fire District Operations Division Records

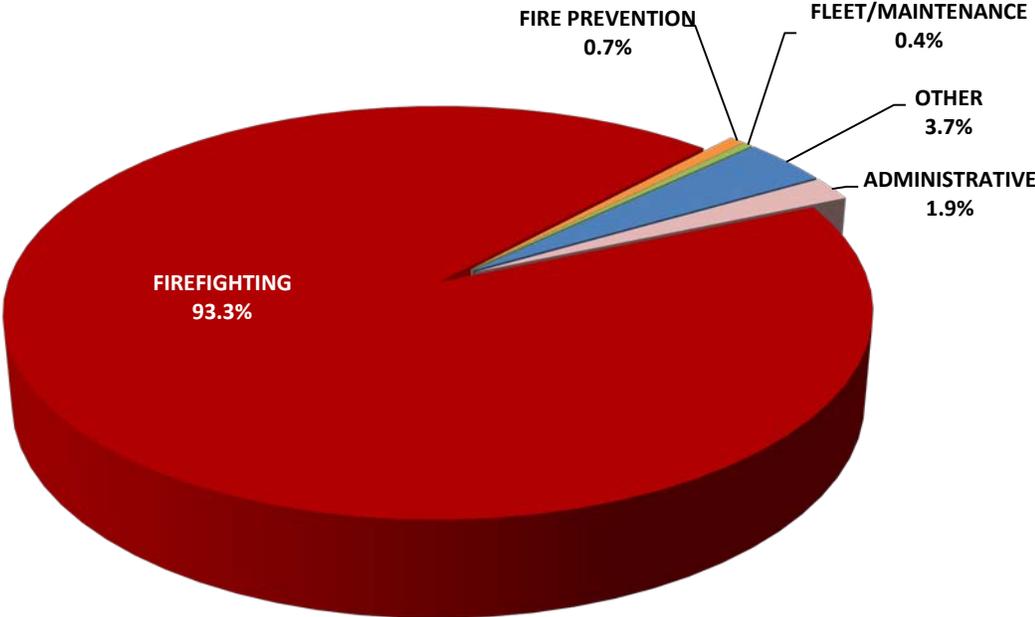
**SACRAMENTO METROPOLITAN FIRE DISTRICT
EMERGENCY RESPONSE - PERCENT OF TOTAL RESPONSE BY TYPE
FISCAL YEAR 2014-15**



Source: Sacramento Metropolitan Fire District Operations Division Records

**SACRAMENTO METROPOLITAN FIRE DISTRICT
SERVICE-CONNECTED INJURY/ILLNESS REPORT
FISCAL YEAR 2014-15**

INCIDENT ACTIVITY	NUMBER	%
Administrative	5	1.9%
Firefighting	252	93.3%
Fire Prevention	2	0.7%
Fleet/Maintenance	1	0.4%
Other	10	3.7%
TOTAL NUMBER OF MEDICAL INJURIES	270	



Source: Sacramento Metropolitan Fire District Human Resources Division Records

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

DIVISION	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Office of the Fire Chief	4	5	4	4	7	7	7	9	8	9
Administration	22	22	21	5	4	3	2	2	2	2
Human Resources	7	9	8	9	4	4	3	4	4	5
Finance	12	13	13	16	12	11	10	12	12	13
Information Technology	12	10	11	10	7	8	9	7	7	7
Operations	6	7	6	8	7	7	8	8	8	8
Fire Suppression	570	620	605	605	533	520	525	522	522	522
Single Role Paramedic Program									65	61
EMS	5	5	5	8	5	7	7	6	6	8
Training, Safety, Health & Fitness	11	12	11	15	6	7	7	7	7	7
Communications								2	2	2
Support Services	2	2	2	2	2	1	1	1	1	1
Logistics	13	12	12	13	10	10	10	10	10	10
Facilities	4	6	4	6	3	3	4	4	4	4
Fleet	18	18	18	19	14	13	13	13	13	13
Community Risk Reduction	34	36	36	42	18	17	17	20	20	20
Community Services	6	9	8	9	4	2	2	2	2	2
TOTAL	726	786	764	771	636	620	625	629	693	694

Note: Data above represents authorized positions.

Source: Sacramento Metropolitan Fire District Human Resources Division Records