

SACRAMENTO METROPOLITAN FIRE DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Sacramento County
CALIFORNIA



Photo Credits

Cover

Metro Fire Photo Archives

The photo captures a residential training exercise at the fire demonstration lab in Station 52.

Title Page

Sacramento Metropolitan Firefighters Association Instagram

This photo captures a firefighter pulling a line to the front door for fire attack.



**Sacramento Metropolitan Fire District
Sacramento County, California**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2019**

PREPARED BY THE FINANCE DIVISION

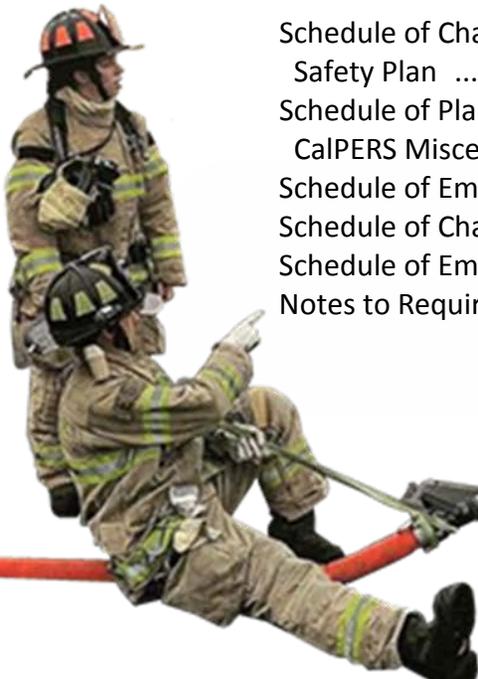
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Introductory Section





Sacramento Metropolitan Fire District

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

TODD HARMS
Fire Chief

December 20, 2019

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, 2019. 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, 2019. The independent auditor’s report is located at the front of the financial section of this report. Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF SACRAMENTO METROPOLITAN FIRE DISTRICT

REPORTING ENTITY

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

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

SERVICE AREA AND SERVICES

Metro Fire serves a population of about 757,000 in a service area encompassing 359 square miles that include most of unincorporated Sacramento County, the cities of Citrus Heights and Rancho Cordova, and a portion of Placer County. Within the boundaries of Metro Fire are wildland areas, single and multi-family residential units, commercial and light industrial occupancies, hotels, regional hospitals, institutional buildings, local airfields, numerous convalescent/assisted living facilities, equestrian areas, and open space areas including hiking trails. Several major interstate highways also traverse Metro Fire's jurisdiction, along with the American River, a major recreation resource for area residents.

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

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

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

OPERATIONS

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

- Suppression encompasses all aspects of Metro Fire's all-hazard emergency services delivered from 41 stations with daily shift staffing of 185 personnel. Suppression resources answered over 96,000 calls for service in 2018-19.
- The EMS Division is responsible for the management of the emergency medical system, ensuring that our emergency medical technician (EMT) and paramedic personnel are trained and equipped to serve the public at the highest levels. EMTs are certified health care professionals trained to provide basic life support in accordance with the State of California Scope of Practice for EMTs, while paramedics are licensed by the State of California to provide advanced life support (ALS). The provision of ALS services is accomplished through the strategic deployment of dual-role fire department medic (FDM) units and the single role paramedic program (SRPP). Metro Fire employs about 458 paramedics and 86 EMTs who are assigned on engines, trucks, ambulances, helicopters, aircraft rescue and firefighting (ARFF) units, boats, and bicycles. On a daily basis, all ambulances and suppression apparatus are staffed with at least one paramedic.

As of June 30, 2019, Metro Fire deployed fourteen 24-hour and two 12-hour FDM units that are staffed by Firefighter/Paramedics and Firefighter/EMTs, along with six reserve ambulances that are available if needed to be staffed and placed in service. The additional ambulances provide surge protection during periods of high call volume. There are 36 ALS engine companies and seven ALS truck companies in service on a 24-hour basis. These apparatus responded to calls for emergency medical service with paramedics who assist with critically ill or injured patients if needed. In addition, the SRPP enhances emergency medical services within the community by providing four additional 24-hour ALS ambulances along with four peak time ambulances from an outside contractor to augment the EMS system during times of high demand. The SRPP units are staffed with non-firefighter EMT and paramedic personnel.

- Metro Fire has several Special Operations programs that are managed under the Operations Division. These programs include Hazardous Materials (HAZMAT), Technical Rescue, Urban Search and Rescue (US&R), Swift Water Rescue, Tactical Emergency Medical Support (TEMS), Aviation, and Dozer. 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’s Department, Citrus Heights Police Department, and FBI SWAT Teams. Additionally, Metro Fire is a member of the FBI Joint Terrorism Task Force, Regional Fusion Center and Urban Area Security Initiative’s Urban Area Working Group.
- The Training Division’s mission is to improve service delivery to the community by providing realistic, ongoing, and verifiable training to Metro Fire personnel and assisting them to develop and strengthen essential job skills. Training strives to ensure all-hazard operational readiness and enhance the ability of our Metro Fire to provide quality public service.

SUPPORT SERVICES

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

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

ADMINISTRATION

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

- Under the direction of the Fire Marshal, the Community Risk Reduction Division (CRRD) works with developers and citizens to make the community safe through activities such as plan review, fire inspections, code enforcement, fire investigation and exterior fire hazard mitigation.

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

APPARATUS

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

| <u>Apparatus Type</u> | <u>No. In Service</u> | <u>Apparatus Type</u> | <u>No. in Service</u> |
|-----------------------|-----------------------|-----------------------------------|-----------------------|
| Engine | 56 | Aircraft Rescue Firefighting Unit | 3 |
| Wildland Engine | 43 | Ambulance | 39 |
| Ladder Truck | 8 | Dozer | 2 |
| Hazmat Truck | 2 | Rescue Boat | 3 |
| Rescue Truck | 2 | Helicopter | 2 |
| Water Tender | 6 | Support/Other Vehicles | 165 |
| Decontamination Unit | 1 | | |

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

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

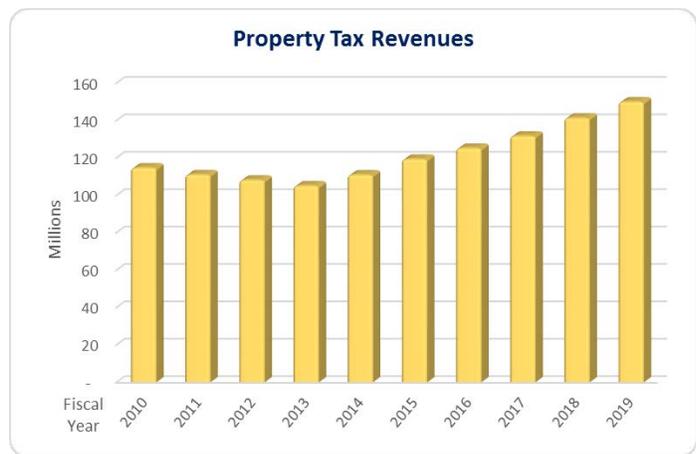
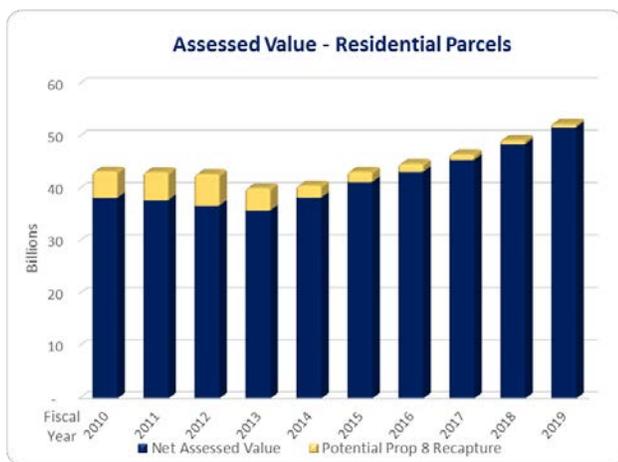
ECONOMIC OUTLOOK

LOCAL ECONOMY

Metro Fire’s primary source of funding is property tax revenue and, as such, the resources available to support its operations are driven by assessed property values, with residential property accounting for more than three quarters of the net taxable value within the District’s jurisdiction. The recovery of the housing market from the last recession has contributed to growth in assessed values, with the median price of detached single family residences within the District now above the pre-recession peak.

Fiscal year 2018/19 total assessed property value within the District’s jurisdiction increased by \$4.1 billion which was 6.5% higher than the prior year. The largest factor contributing to the increase (2.4%) was the assessed value changes resulting from transfer of ownership in the prior year which accounted for 36% of all growth experienced in the District. The increase in assessed value translated to an increase of about 5.5% in property tax revenues in fiscal year 2018/19.

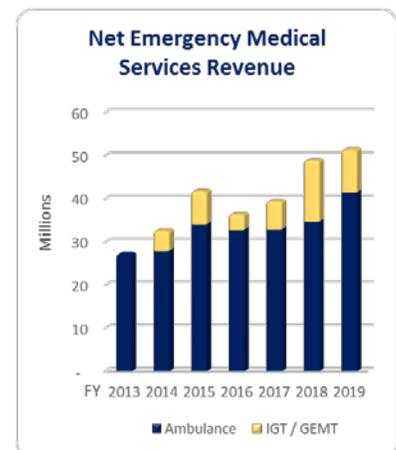
In 1978 California voters approved Proposition 8 that allows county assessors to reduce the value of properties below their Proposition 13 taxable values when the real estate market declines. Such reductions are to be restored as the real estate market improves. After five years of declining and six years of improved real estate values, the Sacramento County Assessor has restored approximately 89% of property values that were lowered during the recession under Proposition 8. This means that the impact of future increases is expected to be smaller. Looking ahead, Metro Fire is projecting a 5.47% increase in property tax revenues for the upcoming year based on published assessed values. Metro Fire will continue to monitor trends that impact property values to develop realistic projections of property tax revenues upon which budgeting and service level decisions can be made.



Another major source of funding for Metro Fire is cost recovery associated with providing emergency medical services. Metro Fire bills approximately \$147 million annually for these services, with a collection rate of close to 25%, which is typical for these services due to lower reimbursement rates for patients covered by Medi-Cal and Medicare. As property tax revenues declined during the recession, greater emphasis was placed on cost recovery, and this revenue source has steadily increased in recent years.

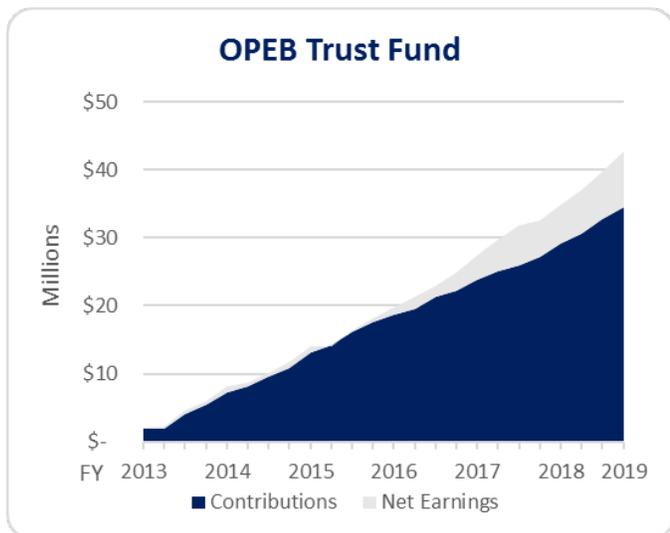
Metro Fire led a statewide effort, enacted into State law in 2011, to increase the cost recovery associated with emergency medical transport services by sponsoring state legislation allowing ground emergency medical transporters (GEMT) in California to seek additional reimbursement from the federal government related to fee-for-service Medi-Cal patients. In addition, Metro Fire has participated in an Inter-Governmental Transfer (IGT) program that allows Metro Fire to receive federal matching funds for medical transports related to Medi-Cal Managed Care beneficiaries. For FY 2018/19, net revenue from these two sources totaled about \$10 million.

During FY 2018/19, a new program known as the Ground Emergency Medical Transport Quality Assurance Fee (GEMT QAF) was implemented by the State following federal approval. Under the GEMT QAF in FY 2018/19, the District was required to pay a QAF rate of \$25.23 for every ambulance transport and received a reimbursement rate add-on of \$220.80 for every Medi-Cal transport, resulting in additional net revenue to the District.



LONG-TERM FINANCIAL PLANNING AND SUSTAINABILITY

The Board of Directors, command staff and employees have a track record of working together to not only address the immediate fiscal challenges that were presented by the most recent economic recession, but also to establish and maintain policies and practices to ensure Metro Fire's long-term financial sustainability. Metro Fire's long-term financial planning efforts have identified key issues that, if left unaddressed, would create fiscal uncertainty and likely result in a disruption in future service delivery. Two of these critical issues are the liabilities associated with retiree medical benefits and pensions, including the retirement of the remaining \$35 million of pension obligation bonds originally issued in 2004.



Accounting standards require the reporting of the net liability relating to retiree medical or other post-employment benefits (OPEB). Metro Fire's OPEB funding plan involves a combination of contributions to a trust and cost-saving measures agreed to by Metro Fire employees that both lower the long-term cost of OPEB and provides for funding the actuarially determined contribution associated with the explicit rate subsidy for retiree medical premiums. To help finance future costs with investment earnings, Metro Fire makes contributions to California Employers' Benefit Trust (CERBT) Fund managed by California Public Employees' Retirement System (CalPERS).

Metro Fire continues to make the required pension contributions to CalPERS each year to fund both the normal cost and amortization of the unfunded liability for its miscellaneous and safety plans. While required pension contributions continue to increase each year, these contributions are expected to result in improvement to the funded ratio, which was 67.7% for the District's safety plan as of June 30, 2019.

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

Another key component of Metro Fire's long-term financial sustainability is looking ahead and planning for the needs of future development. Based on information provided by regional planning departments about current and future development plans, Metro Fire is actively planning for the facility and service needs of those future developments. The cost of future capital needs will be funded with revenue generated from a Capital Facilities Fee that was implemented in fiscal year 2014/15 specifically to address the impacts of new development and to date has generated nearly \$5.8 million in available funding. To the extent that property tax revenues expected to be generated by new development would not be sufficient to fund the expected operating cost to provide service, Metro Fire will explore alternative funding mechanisms to ensure that adequate service is provided and to avoid any degradation of service to existing communities.

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

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Metro Fire for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2018. This is the fifth consecutive year that Metro Fire has achieved this prestigious award. In order to be awarded a Certificate of Achievement, Metro Fire had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements. A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. However, we believe that our current CAFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Metro Fire received its first ever Award for Outstanding Achievement in Popular Financial Reporting from the GFOA for its *Community Annual Report* for the fiscal year ended June 30, 2018. This prestigious national award recognizes conformance with the highest standards for the preparation of creative popular annual financial reports specifically designed to be easily understandable to the general public. In addition, Metro Fire also received the California Society of Municipal Finance Officers (CSMFO) Meritorious Award for its 2018-19 operating budget. The award recognizes high quality budget documents that reflect CSMFO's recommended practices on budgeting.

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

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

Respectfully submitted,



Todd Harms
Fire Chief



Amanda Thomas
Chief Financial Officer



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Sacramento Metropolitan Fire District
California**

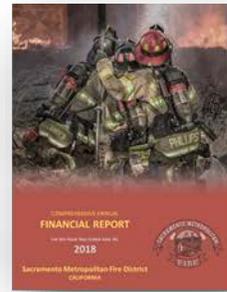
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

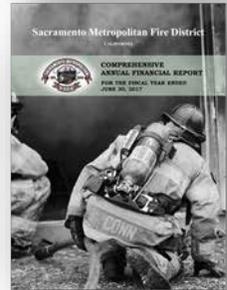
Christopher P. Morrell

Executive Director/CEO

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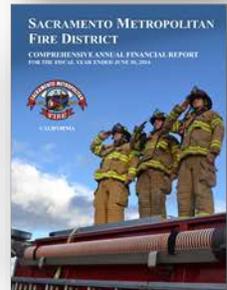
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Directory of Officials

As of June 30, 2019

Board of Directors

PRESIDENT



Gay Jones
Division 8

VICE-PRESIDENT



Jennifer Sheetz
Division 5

SECRETARY



Matt Kelly
Division 7



Cinthia Saylor
Division 1



Grant B. Goold
Division 2



Randy Orzalli
Division 3



Ted Wood
Division 4



D'Elman Clark
Division 6



Jim Barnes
Division 9

Executive Staff

FIRE CHIEF



Todd Harms

**DEPUTY CHIEF
ADMINISTRATION**
Greg Casentini

**DEPUTY CHIEF
SUPPORT SERVICES**
Brian Shannon

**DEPUTY CHIEF
OPERATIONS**
Eric Bridge

**CHIEF FINANCIAL
OFFICER**
Amanda Thomas

Assistant Chiefs

A SHIFT
Randall Hein

EMS
Barbara Law

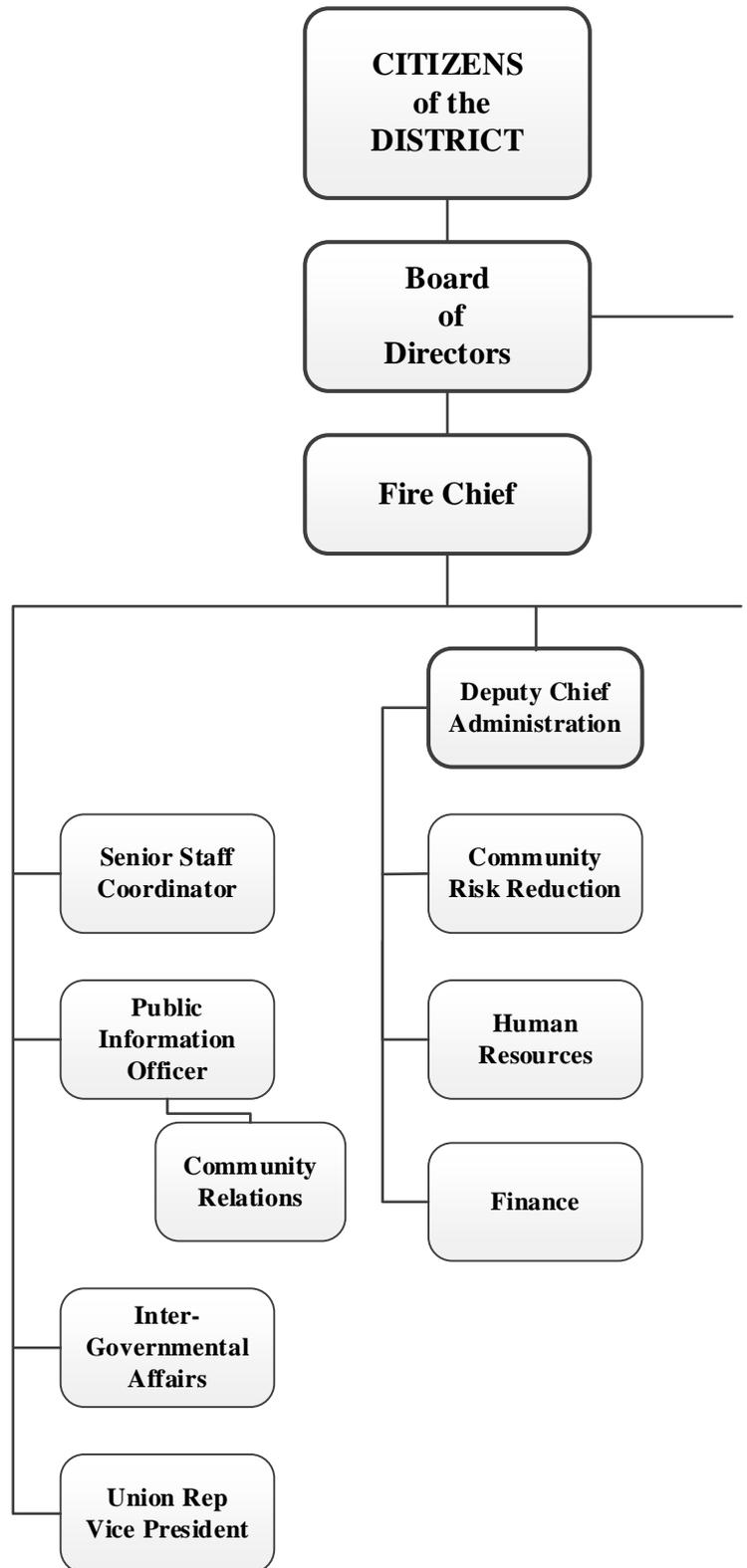
B SHIFT
Tyler Wagaman

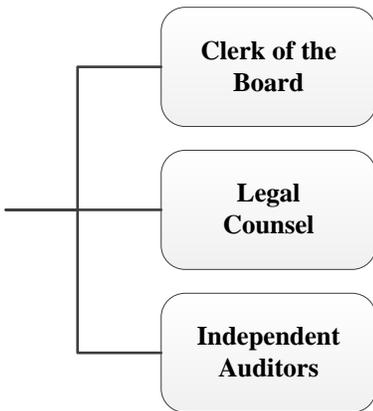
FIRE MARSHAL
Lisa Barsdale

C SHIFT
Thomas Neville

TRAINING
Adam House

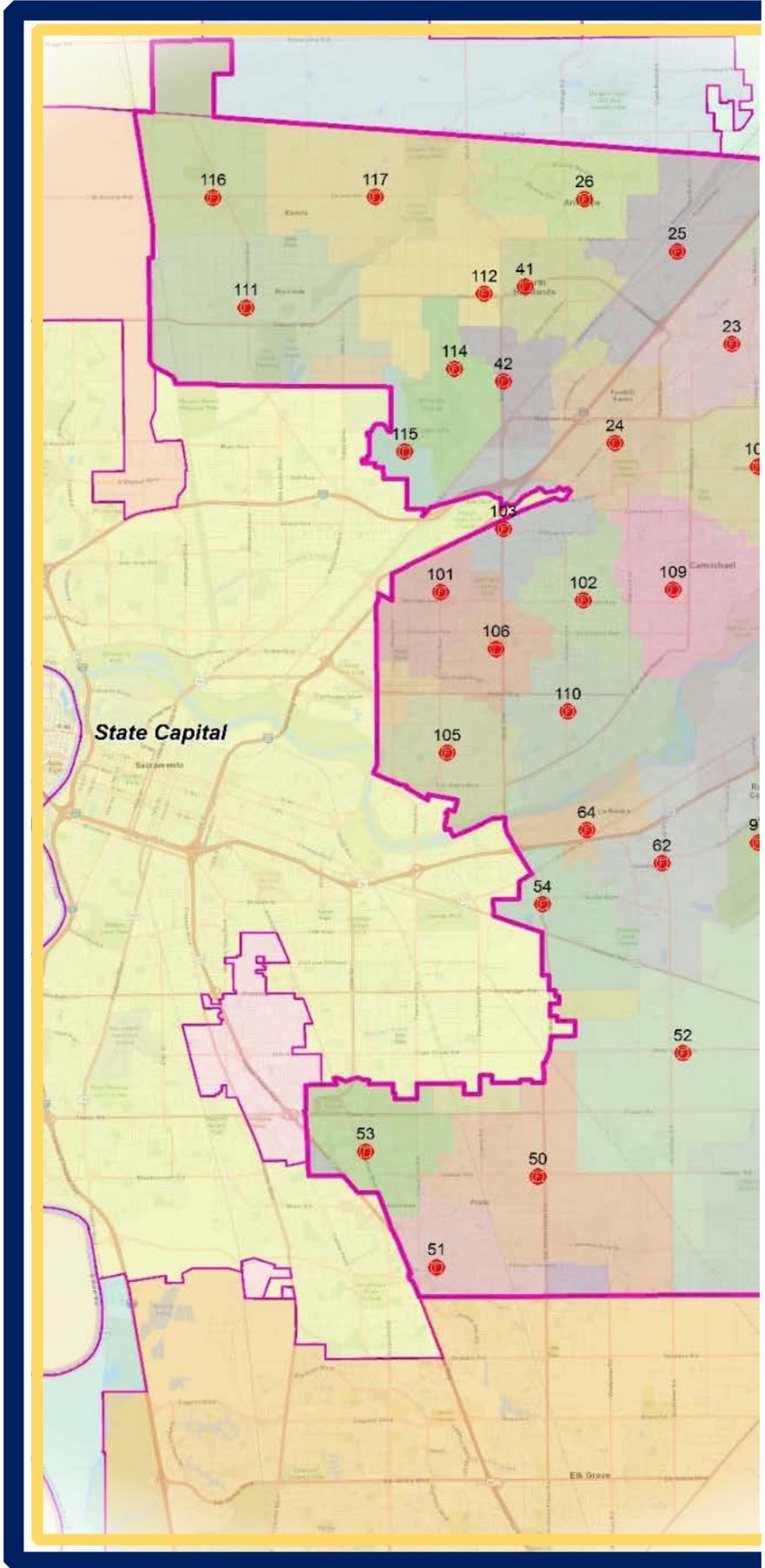
Organizational Chart

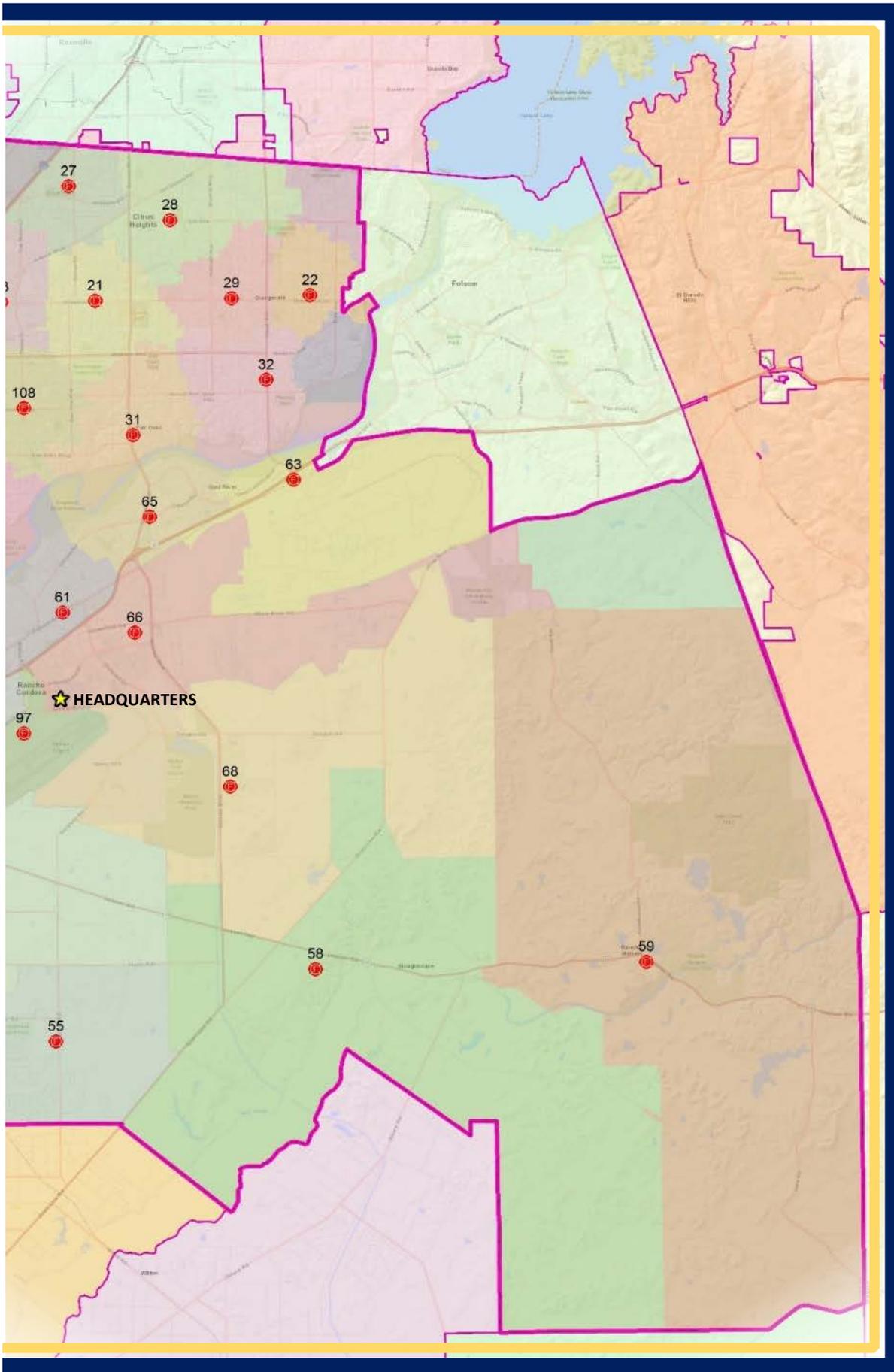




District Map

FIRE STATIONS





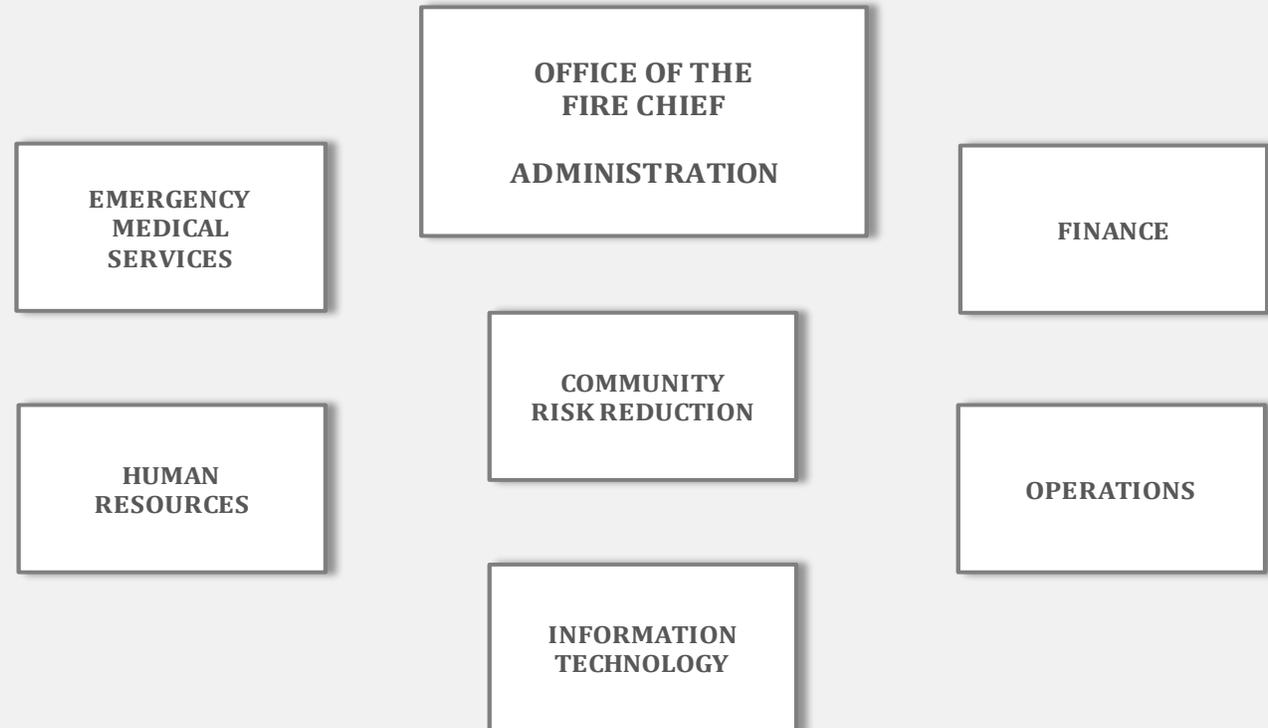
Stations and Facilities



HEADQUARTERS

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

HEADQUARTERS DIVISIONS



COMMUNICATIONS/FACILITIES/FLEET
4425 Dudley Blvd.
McClellan



LOGISTICS/TRAINING/SAFETY
3012 Gold Canal Drive
Rancho Cordova



STATION #21
7641 Greenback Lane
Citrus Heights



STATION #22
6248 Chestnut Avenue
Orangevale



STATION #23
6421 Greenback Lane
Citrus Heights



STATION #24
4942 College Oak Drive
Sacramento



STATION #25
7352 Roseville Road
Sacramento



STATION #26
8000 Palmerson Drive
Antelope



STATION #27
7474 Grand Oaks Blvd.
Citrus Heights



STATION #28
8189 Oak Avenue
Citrus Heights



STATION #29
8681 Greenback Lane
Orangevale



STATION #31
7950 California Avenue
Fair Oaks



STATION #32
8890 Roediger Lane
Fair Oaks



STATION #41
6900 Thomas Drive
North Highlands



STATION #42
5608 North Haven
North Highlands



STATION #50
8880 Gerber Road
Sacramento



STATION #51
8210 Meadowhaven Drive
Sacramento



STATION #53
6722 Fleming Avenue
Sacramento



STATION #54
8900 Fredic Avenue
Sacramento



STATION #55
7776 Excelsior Road
Sacramento



STATION #58
7250 Sloughhouse Road
Elk Grove



STATION #59
7210 Murieta Drive
Rancho Murieta



STATION #61
10595 Folsom Blvd.
Rancho Cordova



STATION #62
3646 Bradshaw Road
Sacramento



STATION #63
12395 Folsom Blvd.
Rancho Cordova



STATION #64
9116 Vancouver Drive
Sacramento



STATION #65
11201 Coloma Road
Rancho Cordova



STATION #66
3180 Kilgore Road
Rancho Cordova



STATION #68
4381 Anatolia Drive
Rancho Cordova



STATION #101
3000 Fulton Avenue
Sacramento



STATION #102
4501 Marconi Avenue
Sacramento



STATION #103
3824 Watt Avenue
Sacramento



STATION #105
2691 Northrop Avenue
Sacramento



STATION #106
2200 Park Towne Circle
Sacramento



STATION #108
6701 Winding Way
Fair Oaks



STATION #109
5634 Robertson Avenue
Carmichael



STATION #110
1432 Eastern Avenue
Sacramento



STATION #111
6609 Rio Linda Blvd.
Rio Linda



STATION #112
6801 34th Street
North Highlands



STATION #114
5824 Kelly Way
McClellan



STATION #115
4727 Kilzer Avenue
McClellan



STATION #116
7995 Elwyn Avenue
Elverta



STATION #117
7961 Cherry Brook Drive
Elverta

District History

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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





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Financial Section



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Sacramento Metropolitan Fire District (Metro Fire) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Metro Fire's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Metro Fire as of June 30, 2019 and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Metro Fire's basic financial statements. The introductory section, other supplementary information and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedule for the Capital Facilities, Impact Fee and Grant Funds and combining and individual nonmajor governmental funds financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 20, 2019 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 20, 2019



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Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Sacramento Metropolitan Fire District (Metro Fire) provides the reader with a narrative overview of Metro Fire's financial position and performance for the fiscal year ended June 30, 2019. 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 \$235,257,418 in taxes and other revenues from governmental activities, which was \$20,230,988 more than related expenses. As a result, overall financial position has improved by \$20 million compared to prior year.
- ❖ Metro Fire's net position as of the end of the year is a net *deficit* of \$569,972,013 mainly due to unfunded pension and other post-employment benefits obligations. Offsetting these amounts are net investments in capital assets of \$74,968,695.
- ❖ Overall outstanding long-term liabilities decreased by \$111 million during the year. This was mainly the result of early retirement of a pension bond series and the change in discount rate that lowered the net other postemployment benefit (OPEB) liability.

Fund level:

- ❖ Metro Fire's governmental funds reported combined fund balances of \$60,459,053, a decrease of \$11,472,759 in comparison with the prior year largely due to the early retirement of a pension bond series amounting to \$25.5 million. Had it not been for this special item, fund balances would have increased by \$14 million mainly due to recoveries for emergency medical services and general savings on services and supplies.
- ❖ Unassigned fund balance for the general fund was \$41 million or approximately 19.5% of total general fund expenditures. This amount is available for spending at Metro Fire's discretion.

ANNUAL REPORT OVERVIEW

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Financial statement notes are an important part of the basic financial statements and provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 27-56 of this report.

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

FINANCIAL ACTIVITIES OF METRO FIRE AS A WHOLE

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

GENERAL AND PROGRAM REVENUES

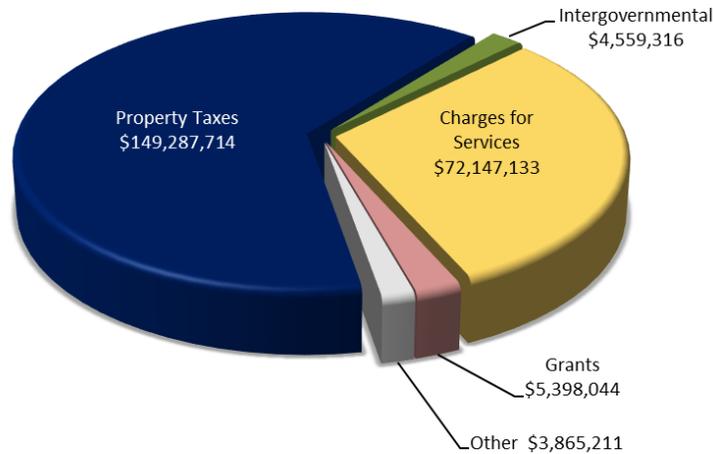
The primary source of funding for the services provided by Metro Fire comes from property taxes, which comprised about 63% of total revenues for the year. A summary of revenue sources for the fiscal years ended June 30, 2019 and 2018 is presented on the next page.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 1
Condensed Schedule of Revenues
(in thousands)

| | 2019 | 2018 | \$ Change | % Change |
|------------------------------------|-------------------|-------------------|-----------------|---------------|
| General revenues | | | | |
| Property taxes | \$ 149,288 | \$ 141,519 | \$ 7,769 | 5.5% |
| Intergovernmental | 4,559 | 4,234 | 325 | 7.7% |
| Rentals and other income | 2,025 | 425 | 1,600 | 376.5% |
| Gain on Sale of Capital Assets | 188 | - | 188 | - |
| Miscellaneous | 1,652 | 1,624 | 28 | 1.7% |
| Total general revenues | 157,712 | 147,802 | 9,910 | 6.7% |
| Program revenues | | | | |
| Charges for services | 72,147 | 80,537 | (8,390) | (10.4%) |
| Operating grants and contributions | 398 | 1,794 | (1,396) | (77.8%) |
| Capital grants and contributions | 5,000 | - | 5,000 | - |
| Total program revenues | 77,545 | 82,331 | (4,786) | (5.8%) |
| Total revenues | \$ 235,257 | \$ 230,133 | \$ 5,124 | 2.2% |

Revenue Sources

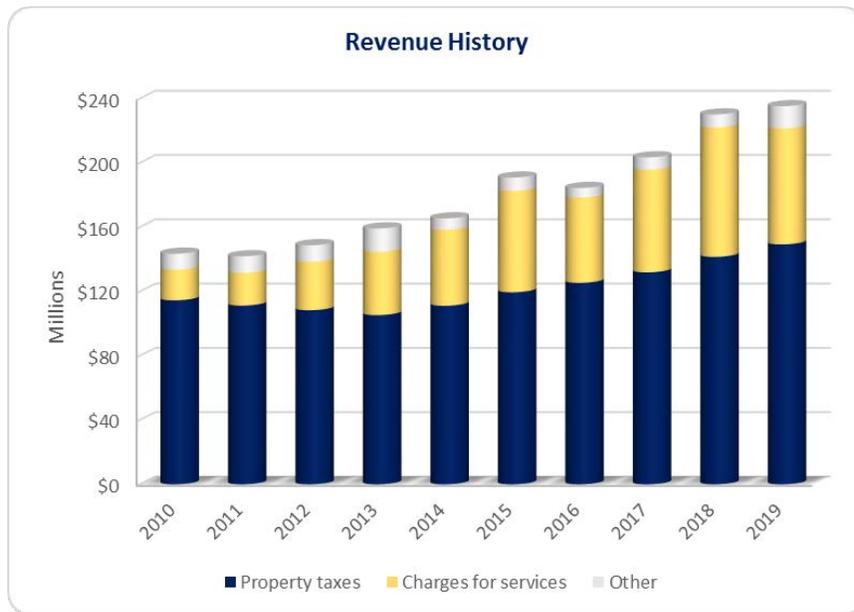


General Revenues

Metro Fire monitors property valuation closely with a property tax consultant to identify trends and develop forecasts of this critical revenue source. In fiscal year 2008/09, assessed property values in Metro Fire’s service area reached a high point of \$57.8 billion. The real estate market in the region since then was hit hard by the recession, and assessed property values within Metro Fire’s boundaries steadily declined to \$49.5 billion in 2012/13; a reduction of \$8.3 billion, or 14%. Annual property tax revenue during this time declined from its peak of \$129 million to \$105 million in 2012/13; a drop of \$24 million, or 19%. Since then, Metro Fire experienced 6 straight years of growth in assessed property values, increasing by \$4.1 billion in the most recent fiscal year to a total of \$67.2 billion. Property tax revenue in 2018/19 grew by \$7.8 million, or 5.5%.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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



As reflected in the chart, non-property tax related revenue grew from \$33 million in 2009/10 to \$86 million in 2018/19; an increase of \$53 million. The introduction of the Single-Role Paramedic Program (SRPP), supplemental medical transport cost reimbursements as discussed below, and other changes relative to delivery of emergency medical transport services have resulted in a substantial increase in cost recovery for emergency medical services. As a result of the efforts mentioned above, charges for services amounting to \$72 million now comprise 31% of total revenues compared to just 12% in 2009/10; however, it should be noted that additional IGT expenditures of \$7.3 million result in a net charges for services amount of \$64.7 million.

Metro Fire benefitted from the current investment bull market which returned investment earnings of \$1.2 million higher than prior year.

Program Revenues

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 Fee for Service beneficiaries. This program accounts for approximately 6% of the medical patients seen by Metro Fire. For the past 5 fiscal years, Metro Fire was able to receive additional federal funds for the rest of its Medi-Cal patients consisting of managed care beneficiaries through a mechanism called Rate Range Intergovernmental Transfer (IGT). The GEMT and IGT programs provided *gross* reimbursement of about \$16 million before related fees, or close to \$10 million net of related fees. This is about \$4 million lower than the prior fiscal year because that year had reimbursements that covered activity for two years. Additionally, the GEMT Quality Assurance Fee (GEMT QAF) program was implemented by the State in FY 2018/19. Under this program, Metro Fire received an additional \$220.80 per Medi-Cal transport and paid a QAF rate of \$25.23 for every ambulance transport.

During the year, operating and capital grants increased by \$3.6 million compared to the prior year. The increase is mainly due to the donation of two helicopters from the US State Department.

MANAGEMENT'S DISCUSSION AND ANALYSIS

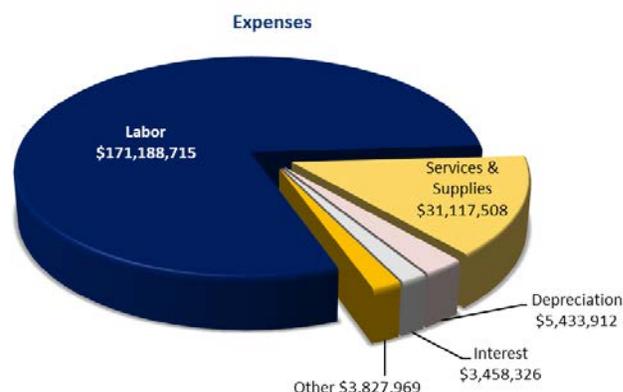
EXPENSES

As a public safety provider, the majority of Metro Fire's operating expense relates to labor costs, which comprise about 80% of total expenses. A summary of Metro Fire's expenses for the fiscal years ended June 30, 2019 and 2018 is presented below:

Table 2
Condensed Schedule of Expenses
(in thousands)

| | 2019 | 2018 | \$ Change | % Change |
|---|-------------------|-------------------|--------------------|--------------|
| Public protection | | | | |
| Salaries and benefits | \$ 171,189 | \$ 187,118 | \$ (15,929) | (9%) |
| Services and supplies | 31,118 | 43,486 | (12,368) | (28%) |
| Other | 3,827 | 2,227 | 1,600 | 72% |
| Subtotal | <u>206,134</u> | <u>232,831</u> | <u>(26,697)</u> | <u>(11%)</u> |
| Interest | 3,458 | 4,197 | (739) | (18%) |
| Loss on disposal of capital assets | - | 91 | (91) | (100%) |
| Depreciation | <u>5,434</u> | <u>4,628</u> | <u>806</u> | <u>17%</u> |
| TOTAL EXPENSES | <u>\$ 215,026</u> | <u>\$ 241,747</u> | <u>\$ (26,721)</u> | <u>(11%)</u> |

Public protection expenses for the year were \$206 million, or 11% less than the prior year. The majority of the expenses relates to salaries and benefits which decreased by about 9%, primarily due to the decrease in net pension liability and OPEB liability and the related deferred outflows and inflows. The pension expense used for financial reporting is usually larger than the required employer contributions and will likely be more volatile from year-to-year as both favorable and unfavorable results flow through the statements on an accelerated basis.



The other significant program expense is services and supplies which amounted to \$31.1 million, a decrease of \$12.3 million or 28% from the prior year. The decrease is mainly due to lower costs associated with the IGT program which resulted from the fact that the prior year actually covered two years of activity. The program required Metro Fire to transfer \$6 million to the State of California for its matching contribution to fund the IGT plus the State's fee, compared to \$18 million in the prior year. The State drew down the federal share of matching funds for payment to the Managed Care Plans. The Plans then distributed \$15 million to Metro Fire for a net revenue of \$9 million. Finally, as mentioned in the previous page, QAF payments amounted to \$1.3 million which accounted for the majority of the increase in the "Other" category of 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 seek out new sources of revenue and cost-saving opportunities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

ANALYSIS OF NET POSITION

This analysis focuses on the net position and changes in net position of Metro Fire's Governmental Activities, as presented below in the government-wide Statement of Net Position and Statement of Activities as of and for the years ended June 30, 2019 and 2018.

Table 3
Condensed Schedule of Net Position
(in thousands)

| | 2019 | 2018 | \$ Change | % Change |
|---------------------------------------|---------------------|---------------------|------------------|--------------|
| Assets: | | | | |
| Cash and investments | \$ 58,605 | \$ 71,403 | \$ (12,798) | (18%) |
| Other current assets | 22,923 | 19,931 | 2,992 | 15% |
| Capital assets | 98,476 | 92,860 | 5,616 | 6% |
| Total Assets | <u>180,004</u> | <u>184,194</u> | <u>(4,190)</u> | <u>(2%)</u> |
| Deferred outflows of resources | <u>109,810</u> | <u>129,314</u> | <u>(19,504)</u> | <u>(15%)</u> |
| Liabilities: | | | | |
| Current and other liabilities | 12,757 | 11,530 | 1,227 | 11% |
| Long-Term liabilities | 735,785 | 846,666 | (110,881) | (13%) |
| Total Liabilities | <u>748,542</u> | <u>858,196</u> | <u>(109,654)</u> | <u>(13%)</u> |
| Deferred inflows of resources | <u>111,244</u> | <u>45,515</u> | <u>65,729</u> | <u>144%</u> |
| Net position: | | | | |
| Net investment in capital assets | 74,969 | 69,839 | 5,129 | 7% |
| Restricted | 7,919 | 5,667 | 2,253 | 40% |
| Unrestricted | (652,860) | (665,709) | 12,849 | 2% |
| Total net position | <u>\$ (569,972)</u> | <u>\$ (590,203)</u> | <u>\$ 20,231</u> | <u>3%</u> |

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

| | 2019 | 2018 | \$ Change | % Change |
|-------------------------------------|---------------------|---------------------|------------------|-------------|
| Total revenues | \$ 235,257 | \$ 230,133 | \$ 5,124 | 2% |
| Total expenses | (215,026) | (241,747) | 26,721 | 11% |
| Excess (Deficiency) | <u>20,231</u> | <u>(11,614)</u> | <u>31,845</u> | <u>274%</u> |
| Beginning net position | (590,203) | (356,429) | (233,774) | (66%) |
| Prior period adjustment | - | (222,160) | 222,160 | |
| Beginning net position, as restated | <u>(590,203)</u> | <u>(578,589)</u> | <u>(11,614)</u> | <u>(2%)</u> |
| Ending net position | <u>\$ (569,972)</u> | <u>\$ (590,203)</u> | <u>\$ 20,231</u> | <u>3%</u> |

MANAGEMENT'S DISCUSSION AND ANALYSIS

Metro Fire's net position increased by \$20 million during the year mainly due to the aforementioned effects of favorable decreases in the net pension liability and OPEB liability.

Net Investment in Capital Assets

Metro Fire uses capital assets to deliver firefighting and medical services to the citizens and as such these are not available for future spending. Metro Fire's investment in capital assets of \$75 million is shown net of related debt of \$24 million. This represents an increase of \$5 million from the prior year mainly due to the purchase of new capital assets and the donation received of capital equipment. Although reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources since the capital assets themselves cannot be used to repay this debt.

Restricted Net Position

Restricted net position of \$7.9 million represents resources that are subject to external restrictions on their use. These resources can be used mainly for capital acquisition, debt payments, and for grant approved expenditures.

Unrestricted Net Position

Unrestricted net position, which can be used to finance day-to-day operations without constraints, is a negative \$653 million, an increase of \$13 million from the prior year. This increase is mainly caused by the favorable effect of changes the net pension liability and OPEB liability. Metro Fire's net position for the past ten years is shown on page 74.



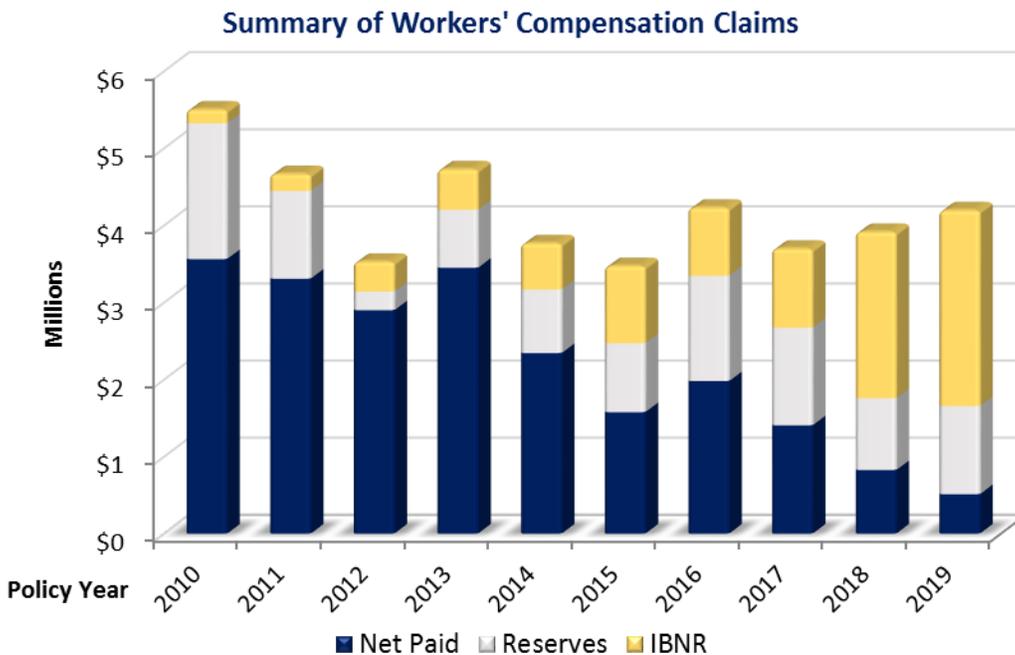
MANAGEMENT'S DISCUSSION AND ANALYSIS

ASSETS AND LIABILITIES

As shown in Table 3, Metro Fire's total assets decreased by about \$4 million due to the payment to retire one of its pension bond series which is partially offset by unspent proceeds from a new capital lease, increase in amounts set aside from development fees, and positive operating cash flows from the general fund.

Liabilities also decreased by \$110 million or 13% mainly due to decreases in long-term liabilities. These liabilities include capital leases, bonds, compensated absences, workers' compensation liability, net OPEB liability, and net pension liability. Capital leases and bonds are discussed in Note 5. As previously discussed, Metro Fire retired one of its pension bond series for \$25.5 million. In addition, net pension liability decreased by \$18 million mainly due to investment gains while OPEB liability decreased by \$65 million due to changes in the discount rate used to value the liability.

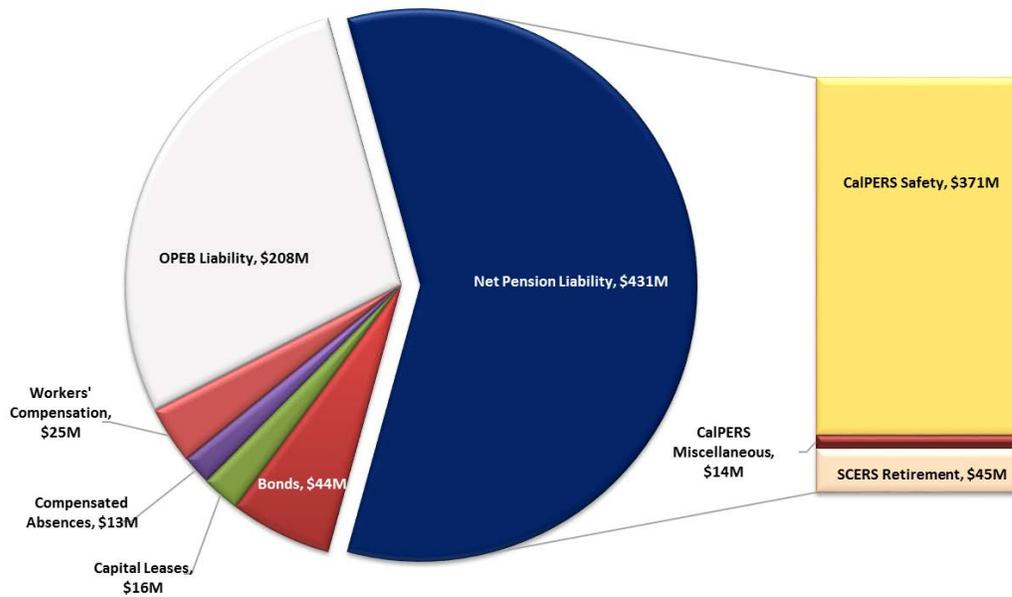
Metro Fire is self-insured for workers' compensation claims and the liability is actuarially determined. Claim liabilities and related expenditures are reported when it is probable that a loss has occurred and the loss amount can be reasonably estimated. The liability for workers' compensation claims on June 30, 2019 was \$25 million which increased slightly by \$1 million from the prior year. Below is a chart depicting Metro Fire's claim losses by policy year since 2010, which also reflects how much remains outstanding for each year (i.e. reserves and Incurred but not reported-IBNR).



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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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



DEFERRED OUTFLOWS & INFLOWS OF RESOURCES

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

GOVERNMENTAL FUND BALANCE AND BUDGETARY HIGHLIGHTS

GENERAL FUND

The General Fund is the 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 (\$149 million), which accounts for 66% of Metro Fire's operating revenues. Charges for ambulance transport services, deployments, and other services (\$70 million) account for 31% of operating revenues. General Fund revenues remained largely unchanged when compared to prior year. Property taxes increased by \$8 million as result of higher assessed property values while revenues from the use of money and property increased by \$1 million due mainly to the leasing of the first floor of Metro Fire's Headquarters. These increases were offset by a reduction in charges for services of \$9 million due to the fact that the IGT program in the prior year covered two years of activity.

General Fund expenditures decreased by \$2 million or 1% compared to the prior year. Services and supplies decreased by close to \$14 million which is mainly related to the aforementioned changes in the IGT program which resulted in lower fees compared to the prior year. This was offset by increases in salaries and benefits of \$13 million as result of a 2.2% across the board wage increase as well as increases in required employer pension contributions.

GENERAL FUND BUDGETARY HIGHLIGHTS

Budgetary fund variances are monitored by the Board of Directors during regular Finance and Audit Committee meetings. As necessary, the Board revises the budget when new information is available. For budgeting purposes, Metro Fire accounts for the activities of its leased properties and IGT separately from its other general fund activities. For purposes of this report, those activities have been combined. The combined General Fund final *adopted* budget for fiscal year 2018/19 forecasted for a \$28 million deficit mostly due to the \$25.5 million bond retirement. Actual results had a lesser \$13 million deficit. Comparisons of Metro Fire’s original and final budget as well as the actual governmental fund results for the General Fund and the non-major funds appears on pages 26, 69, 70, and 71 of this report. Below is a summary of final budget and actual results for the General Fund for fiscal year ending June 30, 2019:

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

| | 2018-19 Final Budget | 2018-19 Actual | Variance |
|-------------------------------|-------------------------|--------------------|------------------|
| Total Revenues | \$ 218,792 | \$ 227,309 | \$ 8,517 |
| Total Expenditures | (216,161) | (209,800) | 6,361 |
| Financing Sources (Uses) | (5,175) | (5,174) | 1 |
| Special Item | (25,500) | (25,500) | - |
| Net Change in Fund Balance | <u>\$ (28,044)</u> | <u>\$ (13,165)</u> | <u>\$ 14,879</u> |

Actual revenues were higher than budgeted revenues, with \$6.5 million resulting mostly from higher than expected IGT transfers and medical transport reimbursements. In addition, actual investment earnings exceeded budget by almost \$1 million due to ongoing investment bull market. Actual expenditures were \$6.3 million lower than budget due to the following:

- ❖ \$2.9 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.
- ❖ The rest of the budget savings resulted from deferral of certain service expenditures into the next fiscal year, lower maintenance costs resulting from newer apparatus, and various other cost efficiencies.

During the year, Metro Fire made a planned \$25.5 million early retirement of one of its pension bond series which was treated as a special item. The final budget and original budget revenues and appropriations remained relatively the same.

OTHER GOVERNMENTAL FUNDS

The Capital Facilities Fund is used to account for capital lease proceeds and general operating transfers to fund capital purchases. The final budget projected a deficit of \$2.2 million while actual results ended with a more favorable \$458 thousand deficit due mainly to the deferral of certain capital outlays into the next fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Impact Fee Fund accounts for the proceeds from development impact fees which produced an actual \$1.7 million surplus versus a \$270 thousand budgeted deficit which was mainly due to the deferral into next year of a planned new fire station construction. The fund balance is restricted for use on capital outlay relating to construction of future fire stations and acquisition of apparatus to serve new developments.

The Grant Fund is used to account for various types of grants awarded to Metro Fire. Grant activity was lower during the most recent fiscal year due to the expiration of the SAFER grant which assisted Metro Fire in paying for nine firefighter positions in the prior year. In the current fiscal year, a grant for the purchase of new Self-Contained Breathing Apparatus (SCBA) for roughly \$4 million was deferred to the next fiscal year. The remaining fund balances can only be used for purposes authorized in the grant awards.

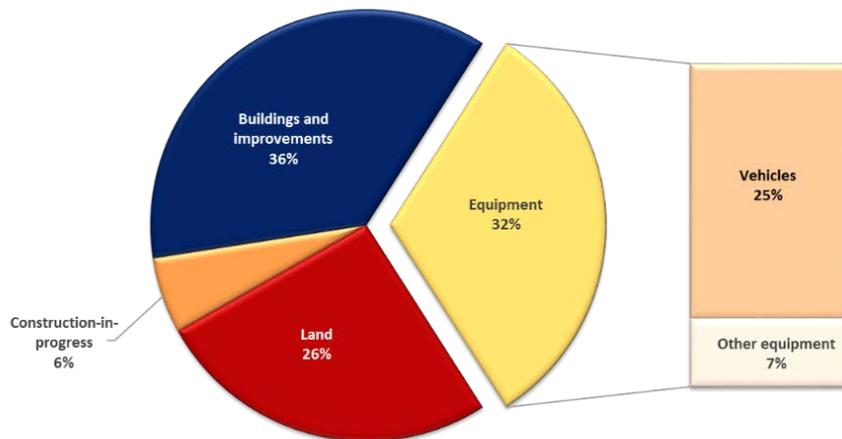
CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

Metro Fire owns 42 fire stations: 41 of which are currently providing fire suppression/EMS responses. Metro Fire also owns its headquarters building, a logistics warehouse building, a training facility, a fleet maintenance building, a radio shop building, and two surplus office buildings. Resources include hundreds of vehicles and equipment consisting of fire engines, fire trucks, ambulances, a hazardous materials unit, heavy rescue units, two firefighting rescue helicopters, two bulldozers, rescue boats, a decontamination unit, and multiple support staff vehicles.

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

| | 2019 | 2018 | \$ Change | % Change |
|----------------------------|------------------|------------------|-----------------|-----------|
| Land | \$ 25,497 | \$ 25,569 | \$ (72) | (0%) |
| Construction-in-progress | 5,634 | 5,023 | 611 | 12% |
| Buildings and improvements | 35,951 | 37,419 | (1,468) | (4%) |
| Equipment | 31,394 | 24,849 | 6,545 | 26% |
| Totals | \$ 98,476 | \$ 92,860 | \$ 5,616 | 6% |



MANAGEMENT'S DISCUSSION AND ANALYSIS

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

At the end of the current fiscal year, Metro Fire had over \$98 million invested in a broad range of capital assets, including buildings, fire stations, and various pieces of equipment. During the current year, Metro Fire invested about \$11.1 million in capital assets in accordance with its capital replacement plan. This increase was offset by \$1.5 million in disposals and depreciation of \$5.4 million. Additional detail regarding capital assets is located in Note 3 of the financial statements.

DEBT ADMINISTRATION

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

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

| | 2019 | 2018 | \$ Change | % Change |
|-----------------------------|------------------|------------------|--------------------|--------------|
| Pension bonds payable | \$ 35,090 | \$ 62,371 | \$ (27,281) | (44%) |
| Lease revenue bonds payable | 8,929 | 9,157 | (228) | (2%) |
| Capital Leases | 16,234 | 15,608 | 626 | 4% |
| Totals | \$ 60,252 | \$ 87,136 | \$ (26,884) | (31%) |

Metro Fire retired its Series C Pension Bonds for \$25.5 million which accounted for most of the decrease in outstanding debt. 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 in 2025. In conjunction with the pension bond debt, Moody's Investor Service rated Metro Fire's credit as a favorable A2 with a stable outlook, and during the year S&P Global Ratings upgraded its ratings from AA- to AA. S&P Global Ratings assigned a rating of AA- in conjunction with the lease revenue bond debt. Additional detail regarding long-term debt is located in Note 5 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The chart to the right provides a history of the assessed value of properties within Metro Fire's jurisdiction in the last 10 fiscal years. Property values have now increased for 6 consecutive years and are projected to grow by 5.4% next fiscal year. The assessed value increase between 2018/19 and 2019/20 is estimated at \$3.6 billion, with the largest share of that amount (approximately \$1.8 billion) resulting from increases in assessed value due to transfers of ownership in the prior year.

While the District was forced to reduce service as a result of property tax revenue reductions during the recession, improved revenues in recent years have gradually permitted the restoration of service. The final budget for FY 2019/20 reflects a General Fund overall planned deficit (including leased property and IGT activities) of \$835 thousand. The deficit is due to the anticipated use of reserves to fund one-time expenses associated with the replacement of Self-Contained Breathing Apparatus (SCBA) supplies. The final budget provides for increased ongoing spending requirements resulting from labor cost escalation, including salary increases and an increase in required pension contributions, and additional debt service payments resulting from substantial capital replacement and other equipment purchases financed in recent years.

The final budget for 2019/20 keeps Metro Fire on track with respect to addressing the long-term financial obligations associated with the commitment to current employees and retirees to pay medical benefits after retirement by funding the OPEB funding policy contribution as well as maintaining the funding plan for the outstanding pension obligation bonds. Establishing and maintaining adequate reserves remains an important goal for Metro Fire.

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

OBTAINING ADDITIONAL INFORMATION

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



Basic Financial Statements

Sacramento Metropolitan Fire District
Statement of Net Position
June 30, 2019

| | |
|---|-------------------------|
| ASSETS | |
| Cash and investments | \$ 49,268,570 |
| Receivables, net of allowance for uncollectibles: | |
| Medic fees receivable | 12,795,956 |
| Taxes receivable | 1,231,206 |
| Other receivables | 1,462,385 |
| Due from other governments | 4,004,982 |
| Inventory | 3,342,075 |
| Prepaid expenses and other assets | 86,555 |
| Restricted cash and investments | 9,336,232 |
| Capital assets: | |
| Not being depreciated | 31,130,900 |
| Being depreciated, net | 67,345,581 |
| Total Assets | <u>180,004,442</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows related to pension | 91,696,602 |
| Deferred outflows related to OPEB | 18,112,898 |
| Total Deferred Outflows of Resources | <u>109,809,500</u> |
| LIABILITIES | |
| Accounts payable and accrued expenses | 6,861,233 |
| Salaries and benefits payable | 5,322,071 |
| Accrued interest payable | 573,620 |
| Long-term liabilities: | |
| Due within one year - others | 14,928,421 |
| Due in more than one year - OPEB liability | 207,541,867 |
| Due in more than one year - net pension liability | 430,721,933 |
| Due in more than one year - others | 82,592,657 |
| Total Liabilities | <u>748,541,802</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows related to pension | 29,366,532 |
| Deferred inflows related to OPEB | 81,877,621 |
| Total Deferred Inflows of Resources | <u>111,244,153</u> |
| NET POSITION | |
| Net investment in capital assets | 74,968,695 |
| Restricted for: | |
| Capital acquisition | 5,825,429 |
| Debt service | 691,357 |
| Grants | 1,124,588 |
| Other purposes | 277,970 |
| Unrestricted | (652,860,052) |
| Total Net Position | <u>\$ (569,972,013)</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, 2019

| | |
|---|--------------------------------|
| EXPENSES | |
| Public protection | |
| Salaries, benefits, services and supplies | \$ 206,134,192 |
| Interest and financing costs | 3,458,326 |
| Depreciation | 5,433,912 |
| Total Expenses | <u>215,026,430</u> |
| PROGRAM REVENUES | |
| Charges for services | |
| Emergency medical services | 57,372,284 |
| Reimbursements from other agencies | 5,546,276 |
| Development fees and other charges | 9,228,573 |
| Operating grants and contributions | 398,044 |
| Capital grants and contributions | 5,000,000 |
| Total Program Revenues | <u>77,545,177</u> |
| Net Program Expense | <u>(137,481,253)</u> |
| GENERAL REVENUES | |
| Property taxes | 149,287,714 |
| Intergovernmental | 4,559,316 |
| Rentals and other income | 2,024,660 |
| Gain on sale of capital assets | 188,202 |
| Miscellaneous | 1,652,349 |
| Total General Revenues | <u>157,712,241</u> |
| Change in Net Position | 20,230,988 |
| Net position, Beginning of Year | <u>(590,203,001)</u> |
| Net Position, End of Year | <u><u>\$ (569,972,013)</u></u> |

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

**Sacramento Metropolitan Fire District
Governmental Funds Balance Sheet
June 30, 2019**

| | General Fund | Total Nonmajor Funds | Total Governmental Funds |
|---|----------------------|----------------------------|--------------------------------|
| ASSETS | | | |
| Cash and investments | \$ 47,572,005 | \$ 1,696,565 | \$ 49,268,570 |
| Receivables, net of allowance for uncollectibles: | | | |
| Medic fees receivable | 12,795,956 | - | 12,795,956 |
| Taxes receivable | 1,231,206 | - | 1,231,206 |
| Other receivables | 1,363,049 | 99,336 | 1,462,385 |
| Due from other governments | 4,004,982 | - | 4,004,982 |
| Due from other funds | 146,801 | 228,714 | 375,515 |
| Inventory | 3,342,075 | - | 3,342,075 |
| Prepaid costs and other assets | 86,555 | - | 86,555 |
| Restricted cash and investments | 277,970 | 9,058,262 | 9,336,232 |
| Total Assets | \$ 70,820,599 | \$ 11,082,877 | \$ 81,903,476 |
| LIABILITIES | | | |
| Accounts payable and accrued expenditures | \$ 5,774,422 | \$ 1,258,408 | \$ 7,032,830 |
| Salaries and benefits payable | 5,322,071 | - | 5,322,071 |
| Due to other funds | 228,714 | 146,801 | 375,515 |
| Total Liabilities | 11,325,207 | 1,405,209 | 12,730,416 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue | 8,714,007 | - | 8,714,007 |
| FUND BALANCES | | | |
| Nonspendable | 3,429,130 | - | 3,429,130 |
| Restricted | 277,970 | 8,768,156 | 9,046,126 |
| Committed | 6,060,594 | 909,512 | 6,970,106 |
| Unassigned | 41,013,691 | - | 41,013,691 |
| Total Fund Balances | 50,781,385 | 9,677,668 | 60,459,053 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 70,820,599 | \$ 11,082,877 | \$ 81,903,476 |

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, 2019**

| | | |
|--|--------|---------------------------------|
| Total fund balances reported on the governmental funds balance sheet | \$ | 60,459,053 |
| <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. | | 98,476,481 |
| <u>Deferred Outflows of Resources</u> | | |
| Deferred outflows applicable to future periods and, therefore, are not reported in the funds, related to the following: | | |
| Pensions | | 91,696,602 |
| Other Postemployment Benefits | | 18,112,898 |
| <u>Long-term Liabilities</u> | | |
| Long-term liabilities applicable to Metro Fire's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position. | | |
| Accrued interest payable on long-term debt | | (573,620) |
| Bonds payable | | (44,018,774) |
| Capital lease obligations | | (16,233,713) |
| Compensated absences | | (12,646,696) |
| Workers' compensation liability | | (24,450,298) |
| Liability for other post-employment benefits | | (207,541,867) |
| Net pension liability | | (430,721,933) |
| <u>Deferred Inflows of Resources</u> | | |
| Certain receivables are not available to pay current period expenditures and therefore are unavailable in the governmental funds. | | 8,714,007 |
| Deferred inflows applicable to future periods and, therefore, are not reported in the funds, related to the following: | | |
| Pensions | | (29,366,532) |
| Other Postemployment Benefits | | (81,877,621) |
| Net Position of Governmental Activities | \$ | <u><u>(569,972,013)</u></u> |

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

Sacramento Metropolitan Fire District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

| | General Fund | Total Nonmajor Funds | Total Governmental Funds |
|--|----------------------|----------------------------|--------------------------------|
| REVENUES | | | |
| Property taxes | \$ 149,456,508 | \$ - | \$ 149,456,508 |
| Charges for services | 70,077,572 | - | 70,077,572 |
| Intergovernmental | 4,559,174 | 459,630 | 5,018,804 |
| Development fees | - | 1,600,941 | 1,600,941 |
| Use of money and property | 1,478,789 | 276,125 | 1,754,914 |
| Miscellaneous | 1,737,266 | - | 1,737,266 |
| Total Revenues | <u>227,309,309</u> | <u>2,336,696</u> | <u>229,646,005</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Public protection | 204,277,146 | 589,275 | 204,866,421 |
| Capital outlay | - | 6,142,170 | 6,142,170 |
| Debt service: | | | |
| Principal | 3,100,347 | 4,195,359 | 7,295,706 |
| Interest and financing costs | 2,422,455 | 403,408 | 2,825,863 |
| Total Expenditures | <u>209,799,948</u> | <u>11,330,212</u> | <u>221,130,160</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>17,509,361</u> | <u>(8,993,516)</u> | <u>8,515,845</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| Issuance of capital leases | - | 5,231,839 | 5,231,839 |
| Sale of capital assets | - | 279,557 | 279,557 |
| Transfers in | - | 5,174,086 | 5,174,086 |
| Transfers out | (5,174,086) | - | (5,174,086) |
| Total Other Financing Sources (Uses) | <u>(5,174,086)</u> | <u>10,685,482</u> | <u>5,511,396</u> |
| Net Change in Fund Balances Before Special Items | 12,335,275 | 1,691,966 | 14,027,241 |
| Special Item | (25,500,000) | - | (25,500,000) |
| Net Change in Fund Balances | (13,164,725) | 1,691,966 | (11,472,759) |
| Fund Balance, Beginning of Year | <u>63,946,110</u> | <u>7,985,702</u> | <u>71,931,812</u> |
| Fund Balance, End of Year | <u>\$ 50,781,385</u> | <u>\$ 9,677,668</u> | <u>\$ 60,459,053</u> |

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

**Sacramento Metropolitan Fire District
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2019**

Net Change in Fund Balance - Total Governmental Funds \$(11,472,759)

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 | 6,142,170 |
| Depreciation expense | (5,433,912) |

Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources. 5,000,000

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. (91,355)

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. (5,231,839)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities and has no effect on net position. 32,795,706

Other bond related items that do not require the use of current financial resources but affects net position.

| | |
|---|-----------|
| Bond accretion | (683,910) |
| Amortization of bond premiums and discounts | 2,921 |

Measurement Focus

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

| | |
|--|--------------|
| Change in accrued interest payable, bond premiums, and discounts | 48,526 |
| Change in compensated absences | 1,765,454 |
| Change in workers' compensation | (1,233,398) |
| Change in net pension liability | 18,455,194 |
| Change in net deferrals relating to pension | (29,135,899) |
| Change in OPEB liability | 64,978,524 |
| Change in net deferrals relating to OPEB | (56,097,646) |

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. 423,211

Change in Net Position of Governmental Activities \$ 20,230,988

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, 2019**

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|--|------------------------|------------------------|------------------------|-------------------------------|
| REVENUES | | | | |
| Property taxes | \$146,372,000 | \$148,935,800 | \$149,456,508 | \$ 520,708 |
| Charges for services | 60,361,771 | 63,561,771 | 70,077,572 | 6,515,801 |
| Intergovernmental | 4,486,000 | 4,386,000 | 4,559,174 | 173,174 |
| Use of money and property | 703,907 | 377,574 | 1,478,789 | 1,101,215 |
| Miscellaneous | 1,090,200 | 1,531,184 | 1,737,266 | 206,082 |
| Total Revenues | <u>213,013,878</u> | <u>218,792,329</u> | <u>227,309,309</u> | <u>8,516,980</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public protection | | | | |
| Salaries and benefits | 166,968,073 | 169,561,088 | 169,537,306 | 23,782 |
| Services and supplies | 33,442,261 | 34,608,048 | 30,911,871 | 3,696,177 |
| Other | 2,593,244 | 4,148,399 | 3,827,969 | 320,430 |
| Debt service: | | | | |
| Principal | 5,420,198 | 5,420,198 | 3,100,347 | 2,319,851 |
| Interest and financing costs | 2,416,233 | 2,423,132 | 2,422,455 | 677 |
| Total Expenditures | <u>210,840,009</u> | <u>216,160,865</u> | <u>209,799,948</u> | <u>6,360,917</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>2,173,869</u> | <u>2,631,464</u> | <u>17,509,361</u> | <u>14,877,897</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | <u>(4,656,354)</u> | <u>(5,174,865)</u> | <u>(5,174,086)</u> | <u>779</u> |
| Net Change in Fund Balances Before Special Items | (2,482,485) | (2,543,401) | 12,335,275 | 14,878,676 |
| Special Item | <u>(25,500,000)</u> | <u>(25,500,000)</u> | <u>(25,500,000)</u> | <u>-</u> |
| Net Change in Fund Balance | <u>\$ (27,982,485)</u> | <u>\$ (28,043,401)</u> | <u>\$ (13,164,725)</u> | <u>\$ 14,878,676</u> |

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. SCOPE OF FINANCIAL REPORTING ENTITY

Metro Fire was established under Health & Safety Code Section 13800 on December 1, 2000, as a result of the merger between the American River and Sacramento County Fire Protection Districts. It is governed by a nine member Board of Directors elected by geographic division. Metro Fire’s boundaries cover approximately 359 square miles that includes portions of Sacramento and Placer counties with an estimated population of 756,000 residents. Metro Fire provides fire protection services including fire suppression, fire prevention, inspection, plan checking, and public education programs. It also provides emergency medical services, including advanced life support; hazardous materials response; and rescue services. It employs close to 700 personnel and operates 41 fire stations, an administration building, a supply warehouse, a training facility, a fleet shop, and several other support buildings.

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

Joint Powers Authorities or Jointly Governed Organizations

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

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

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

During the year, Metro Fire contributed the following amounts: \$4,031,154 to SRFECC, \$729,218 to SDRMA, and \$45,000 to CFRTA. Metro Fire also paid CFRTA \$302,754 for training costs. Metro Fire currently has a ground lease agreement with CFRTA whereby it leased 15.6 acres of land to CFRTA for over 50 years at a minimum rental fee of \$30,000 per year. In addition, Metro Fire leases office space to CFRTA at an annual base rate of \$33,367.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF ACCOUNTING AND PRESENTATION

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Metro Fire considers all revenues, except property taxes, to be available if they are collected within 90 days of the end of the current fiscal period. Property taxes are recognized if received within 60 days of the end of the current fiscal period. Property taxes, charges for services, intergovernmental revenues, rental income, and investment earnings associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source. All other revenue items are considered to be measurable and available only when cash is received by Metro Fire.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and workers compensation claims, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Metro Fire reports the following major governmental funds:

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

Metro Fire reports the following nonmajor governmental funds:

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

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

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

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

C. BUDGETARY PRINCIPLES

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

A Statements of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual is presented for all funds on pages 26, 69, 70, and 71. It is presented at the legal level except for debt service and other expenditures in which *debt service* is presented separately from *other expenditures*. Reclassifications were made in the budgeted amounts to be consistent with the presentation of the actual balances.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

For the year ended June 30, 2019, no instances existed in which expenditures exceeded appropriations.

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

1. Cash and Investments

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

Investments are reported at fair value.

2. Medic Fees Receivable

The medic fees receivable balance arises from billings to insurance companies and patients for medic services. Metro Fire has a receivable balance of \$12,795,956 which is net of allowance for doubtful accounts of \$5,947,973 at June 30, 2019. The allowance includes an estimate for future uncollectible debt and insurance write-offs.

3. Deferred Outflows and Inflows of Resources

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

4. Inventory and Prepaid Items

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Capital Assets

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

| Asset Class | Years |
|----------------------------|----------|
| Buildings and Improvements | 25 to 50 |
| Equipment | 5 to 25 |

In addition, software is amortized on a straight-line basis over the service life of the asset in accordance with contractual provisions. Costs of assets sold or retired (and related amounts of accumulated depreciation) are eliminated from the accounts in the year of sale or retirement and the resulting gain or loss is included in the operating statement of the related fund. In governmental funds, the sale of general capital assets is included in the statement of revenues, expenditures and changes in fund balances as proceeds from sale.

6. Restricted Assets

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

7. Long-term Obligations

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

8. Fund Balance Flow Assumptions

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Net Position Flow Assumption

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

E. REVENUES AND EXPENDITURES/EXPENSES

1. Property Taxes

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

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

The County uses the alternative method of property tax apportionment known as the "Teeter Plan." Under this method of property tax apportionment, the County purchases the delinquent secured taxes at June 30 of each fiscal year. These taxes are accrued as intergovernmental receivables; they are recognized as governmental fund revenues only if they are received from the County within 60 days after year-end. For government-wide presentation, they are accrued when earned regardless of the timing of the related cash flows.

2. Charges for Services

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

3. Compensated Absences

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

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

4. Pensions

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Other Postemployment Benefits Obligation (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Sacramento Metropolitan Fire District Retiree Healthcare Plan (“Plan”) and additions to/deductions from Plan’s fiduciary net position have been determined on the same basis as they are reported by the trustee for the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value. Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflow and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The net difference between projected and actual earnings on investments is spread over 5 years while the expected average remaining service life (EARSL, 7.18 years at June 30, 2019) is used for all other amounts. See Note 7 for additional information.

6. Special Items

Special items are transactions or other events within the control of management that are significant and either unusual in nature or infrequent in occurrence. Metro Fire treats the early retirement of its bonds as a special item which appears after Other Financing Sources (Uses) section of the Statement of Revenues, Expenditures, and Changes in Fund Balances. See Note 5-A for additional information.

F. USE OF ESTIMATES

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

G. NEW ACCOUNTING PRONOUNCEMENTS

GASB issued Statement No. 88, “Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements”. This Statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. Metro Fire has implemented this pronouncement in the current financial statements.

NOTE 2 – CASH AND INVESTMENTS

At June 30, 2019, Metro Fire’s cash, cash equivalents, and investments are comprised of the following:

| | |
|--|----------------------|
| Cash on hand and in banks | \$ 2,562,008 |
| Investments: | |
| Money market mutual funds | 2,050,504 |
| Sacramento County Pooled Investment Fund | 51,943,521 |
| U.S. government issues | 2,048,769 |
| Total Investments | <u>56,042,794</u> |
| Total Cash and Investments | <u>\$ 58,604,802</u> |

NOTE 2 – CASH AND INVESTMENTS (Continued)

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

| | |
|---------------------------------|----------------------|
| Cash and investments | \$ 49,268,570 |
| Restricted cash and investments | <u>9,336,232</u> |
| Total Cash and Investments | <u>\$ 58,604,802</u> |

Investments amounting to \$2,060,594 held by a fiscal agent is committed to the planned early retirement of Metro Fire’s pension bond obligation.

A. DEPOSIT AND INVESTMENT POLICIES

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

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

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

B. INVESTMENT IN POOLED FUNDS

Metro Fire’s investments in the Sacramento County pooled investment fund is managed by the Sacramento County Treasurer and is stated at fair value or amortized cost, which approximates fair value. The total amount invested by all public agencies as of June 30, 2019 was \$4,327,235,862. The investment pool is actively managed with a weighted average maturity of 320 days. Metro Fire’s share of the pool is stated at market value in its financial statements. Sacramento County does not invest in any derivative financial products directly. The value of pooled shares in Sacramento County that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of Metro Fire’s position in the pool. The Sacramento County Treasury Investment Oversight Committee (Committee) has oversight responsibility for the County’s cash and investment pool.

NOTE 2 – CASH AND INVESTMENTS (Continued)

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 year-end:

| Type of Investment | Total | Effective Duration | | |
|--|---------------|--------------------|-----------|--------------|
| | | < 1 year | 1-2 years | 3-5 years |
| Sacramento county pooled investment fund | \$ 51,943,521 | \$ 51,943,521 | \$ - | \$ - |
| Money market mutual funds | 2,050,504 | 2,050,504 | - | - |
| U.S. government issues | 2,048,769 | - | - | 2,048,769 |
| Total | \$ 56,042,794 | \$ 53,994,025 | \$ - | \$ 2,048,769 |

D. CREDIT RISK

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

| Type of Investment | Total | Ratings as of Year End | | |
|--|---------------|------------------------|--------------|---------------|
| | | AAA/Aaa | AA+/Aa1 | Unrated |
| Sacramento county pooled investment fund | \$ 51,943,521 | \$ - | \$ - | \$ 51,943,521 |
| Money market mutual funds | 2,050,504 | 2,050,504 | - | - |
| U.S. government issues | 2,048,769 | - | 2,048,769 | - |
| Total | \$ 56,042,794 | \$ 2,050,504 | \$ 2,048,769 | \$ 51,943,521 |

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 year-end, there were no investments in any one issuer (other than investments in external investment pools) that represented 5% or more of total district-wide investments.

F. CUSTODIAL CREDIT RISK

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

NOTE 2 – CASH AND INVESTMENTS (Continued)

The California Government Code 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, 2019, Metro Fire’s bank balance was \$2,690,242 of which \$500,000 was covered by federal depository insurance while \$2,190,242 was collateralized with securities held by the pledging or financial institution’s trust department or agent, but not in Metro Fire’s name.

G. FAIR VALUE MEASUREMENTS

Metro Fire categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Metro Fire has the following recurring fair value measurements as of June 30, 2019:

| | Amount | Fair Value Measurements Using | | |
|---|----------------------|--|---|--|
| | | Quoted Prices in Active Markets for Identical assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments by fair value level: | | | | |
| U.S. government issues | \$ 2,048,769 | \$ - | \$ 2,048,769 | \$ - |
| Investments measured at the net asset value (NAV): | | | | |
| Money market mutual funds | 2,050,504 | | | |
| Investments not subject to fair value hierarchy: | | | | |
| Sacramento County Investment Pool | 51,943,521 | | | |
| Total investments measured at fair value | <u>\$ 56,042,794</u> | | | |

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

NOTE 3 – CAPITAL ASSETS

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

| | July 1, 2018 | Increases | Decreases | Transfers | June 30, 2019 |
|---|---------------|--------------|-------------|-------------|---------------|
| Capital assets, not being depreciated: | | | | | |
| Land and Land Improvements | \$ 25,568,640 | \$ 2,457 | \$ (73,767) | \$ - | \$ 25,497,330 |
| Construction-in-progress | 5,023,351 | 5,802,662 | - | (5,192,443) | 5,633,570 |
| Total capital assets, not being depreciated | 30,591,991 | 5,805,119 | (73,767) | (5,192,443) | 31,130,900 |
| Capital assets, being depreciated: | | | | | |
| Buildings and improvements | 61,054,617 | - | (86,178) | | 60,968,439 |
| Equipment | 61,014,719 | 5,337,051 | (1,304,617) | 5,192,443 | 70,239,596 |
| Total capital assets, being depreciated | 122,069,336 | 5,337,051 | (1,390,795) | 5,192,443 | 131,208,035 |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | (23,635,604) | (1,454,628) | 72,820 | - | (25,017,412) |
| Equipment | (36,166,145) | (3,979,284) | 1,300,387 | - | (38,845,042) |
| Total accumulated depreciation | (59,801,749) | (5,433,912) | 1,373,207 | - | (63,862,454) |
| Total capital assets being depreciated, net | 62,267,587 | (96,861) | (17,588) | 5,192,443 | 67,345,581 |
| Total capital assets | \$ 92,859,578 | \$ 5,708,258 | \$ (91,355) | \$ - | \$ 98,476,481 |

Depreciation expense of \$5,433,912 was charged to public protection for the year ended June 30, 2019. Included in construction-in-progress is the cost of the enterprise resource planning software amounting to \$1,819,786 which is still in the process of being implemented as of year-end.

In the current year, Metro Fire executed an exchange agreement with City of Rancho Cordova for real properties located within the boundaries of the City. In the agreement, 2.8 acres of land owned by Metro Fire with a book value of \$1,124,208 was exchanged with 2.37 acres of land owned by the City with the understanding that the land received by Metro Fire will be used as the site of a new fire station. The transaction was treated as a nonmonetary exchange of similar assets and accounted for using recorded book values with no gain or loss recognized in the exchange.

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, 2019 consisted of the following:

| Due to | Due from | | |
|--------------------|--------------|------------|------------|
| | General Fund | Grant Fund | Total |
| General Fund | \$ - | \$ 146,801 | \$ 146,801 |
| Capital Facilities | 228,714 | - | 228,714 |
| | \$ 228,714 | \$ 146,801 | \$ 375,515 |

NOTE 4 – INTERFUND TRANSACTIONS (Continued)

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, 2019, consisted of the following amounts:

| Transfer to | Transfer from | | |
|-------------------------|---------------|------------|--------------|
| | General Fund | Grant Fund | Total |
| General Fund | \$ - | | \$ - |
| Grant Fund | 377,597 | - | 377,597 |
| Capital Facilities Fund | 4,796,489 | - | 4,796,489 |
| Total | \$ 5,174,086 | \$ - | \$ 5,174,086 |

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

NOTE 5 – LONG-TERM LIABILITIES

The following is a summary of long-term obligation transactions for the fiscal year ended June 30, 2019:

| | July 1, 2018 | Additions | Reductions | Balance June 30, 2019 | Due Within One Year |
|--|-----------------------|-----------------------|-------------------------|--------------------------|------------------------|
| Bonds and notes from direct placements and direct borrowings | \$ 87,135,365 | \$ 5,915,749 | \$ (32,798,627) | \$ 60,252,487 | \$ 7,838,612 |
| Compensated absences | 14,412,264 | 3,309,556 | (5,075,124) | 12,646,696 | 3,524,000 |
| Workers' compensation liability | 23,420,602 | 4,120,519 | (2,919,226) | 24,621,895 | 3,565,809 |
| OPEB Liability | 272,520,391 | 25,394,590 | (90,373,114) | 207,541,867 | - |
| Net Pension Liability | 449,177,127 | 110,729,162 | (129,184,356) | 430,721,933 | - |
| | <u>\$ 846,665,749</u> | <u>\$ 149,469,576</u> | <u>\$ (260,350,447)</u> | <u>\$ 735,784,878</u> | <u>\$ 14,928,421</u> |

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

A. PENSION BONDS FROM DIRECT PLACEMENTS

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

NOTE 5 – LONG-TERM LIABILITIES (Continued)

The bond indentures provide for optional redemption of the Series B and Series C Bonds by their initial auction dates. On November 15, 2018, Metro Fire exercised this option and redeemed all Series C Bonds for a total amount equal to its accreted value as of that date of \$25,500,000. By policy, Metro Fire is setting aside funds annually for the purpose of fully retiring the Series B bond on its initial auction date.

The bond indenture contains a provision, that in the event of default, the outstanding principal balance and accrued interest may be declared due and payable immediately. In the following maturity schedule, an interest rate of 5% is assumed at the point in time where the rates change to auction rates.

| Fiscal year ending June 30, | Principal | Interest | Total |
|--------------------------------|----------------------|----------------------|----------------------|
| 2020 | \$ 2,250,000 | \$ 1,876,888 | \$ 4,126,888 |
| 2021 | 2,430,000 | 1,757,188 | 4,187,188 |
| 2022 | 2,880,000 | 1,627,912 | 4,507,912 |
| 2023 | 2,075,000 | 1,474,696 | 3,549,696 |
| 2024 | 2,520,000 | 1,364,306 | 3,884,306 |
| 2025 - 2029 | 18,035,000 | 4,198,611 | 22,233,611 |
| 2030 - 2034 | 4,900,000 | 245,000 | 5,145,000 |
| | <u>\$ 35,090,000</u> | <u>\$ 12,544,601</u> | <u>\$ 47,634,601</u> |

B. LEASE REVENUE BONDS FROM DIRECT PLACEMENTS

On November 15, 2011, Metro Fire sold tax-exempt Lease Revenue Bonds with interest rates ranging from 3% to 5.125% and a face value of \$12,960,000 at a premium of \$85,926, of which \$11,786,000 was available to replenish reserves used to fund the headquarters building, building improvements, purchase of firefighting and computer equipment and to pay off the note payable of \$74,509. Portions of the bonds mature annually until May 15, 2041. Standard & Poor's Rating Agency rated the bonds at AA-.

The bond indenture contains a provision, that in the event of default, the outstanding principal balance and accrued interest may be declared due and payable immediately. Three fire stations with a net book value of \$9,516,704 as of June 30, 2019 were used as security for the bonds. At the end of the year, the bond maturities (excluding unamortized premiums of \$63,774) were as follows:

| Fiscal year ending June 30, | Principal | Interest | Total |
|--------------------------------|---------------------|---------------------|----------------------|
| 2020 | \$ 240,000 | \$ 436,056 | \$ 676,056 |
| 2021 | 250,000 | 424,056 | 674,056 |
| 2022 | 260,000 | 411,556 | 671,556 |
| 2023 | 275,000 | 401,806 | 676,806 |
| 2024 | 285,000 | 390,806 | 675,806 |
| 2025 - 2029 | 1,615,000 | 1,756,069 | 3,371,069 |
| 2030 - 2034 | 2,060,000 | 1,316,094 | 3,376,094 |
| 2035 - 2039 | 2,630,000 | 738,000 | 3,368,000 |
| 2040 - 2044 | 1,250,000 | 96,863 | 1,346,863 |
| | <u>\$ 8,865,000</u> | <u>\$ 5,971,306</u> | <u>\$ 14,836,306</u> |

NOTE 5 – LONG-TERM LIABILITIES (Continued)

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

C. NOTES FROM DIRECT BORROWINGS (CAPITAL LEASES)

Metro Fire has entered into certain capital lease arrangements under which the related asset will become the property of Metro Fire when all terms of the lease agreements are met. These lease agreements qualify as capital leases and have been recorded at the present value of future minimum lease payments as of the inception date.

In the current year, Metro Fire entered into two 5-year lease agreements as lessee for financing the acquisition of fire equipment and purchase and implementation of an enterprise resource planning (ERP) software for \$3,331,839 and \$1,900,000, with interest rates of 2.36% and 3.43%, respectively. Other capital leases still outstanding have lease terms that expire from 2020 through 2023 with interest rates ranging from 1.568% to 3.14%. Future minimum lease payments under the capital leases are as follows:

| Fiscal year ending June 30, | Principal | Interest | Total |
|--------------------------------|----------------------|-------------------|----------------------|
| 2020 | \$ 5,348,612 | \$ 375,713 | \$ 5,724,325 |
| 2021 | 5,126,498 | 249,425 | 5,375,923 |
| 2022 | 3,152,473 | 131,111 | 3,283,584 |
| 2023 | 1,703,267 | 60,582 | 1,763,849 |
| 2024 | 902,863 | 15,892 | 918,755 |
| | <u>\$ 16,233,713</u> | <u>\$ 832,723</u> | <u>\$ 17,066,436</u> |

The following is a schedule of capital assets acquired through capital leases as of June 30, 2019:

| | |
|--------------------------------|----------------------|
| Construction-in-progress | \$ 5,628,277 |
| Equipment | <u>24,128,701</u> |
| Total capital assets, gross | 29,756,978 |
| Less: accumulated depreciation | <u>(8,145,163)</u> |
| Total capital assets, net | <u>\$ 21,611,815</u> |

NOTE 6 – RETIREMENT PLANS

A. PLAN DESCRIPTIONS

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

NOTE 6 – RETIREMENT PLANS (Continued)

Metro Fire contributes to the following defined benefit pension plans:

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

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

B. BENEFITS PROVIDED

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

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

The Plans’ provisions and benefits in effect at June 30, 2019, are summarized as follows:

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

NOTE 6 – RETIREMENT PLANS (Continued)

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

C. EMPLOYEES COVERED

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

| | CalPERS | | SCERS |
|--|---------|---------------|-------|
| | Safety | Miscellaneous | |
| Inactive or their beneficiaries currently receiving benefits | 753 | 127 | 126 |
| Inactive entitled to but not yet receiving benefits | 193 | 85 | 4 |
| Active | 578 | 85 | 14 |
| Total covered employees | 1,524 | 297 | 144 |

The information above was based on the most recent actuarial information available as of June 30, 2018.

D. CONTRIBUTIONS

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. For each of the CalPERS plans, the contractually required contribution rate for the year ended June 30, 2019, was a specified percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year; and a fixed dollar amount contribution for any unfunded accrued liability for past service.

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

Required normal cost contributions were made each pay period based on required contribution rates as shown below. Unfunded liability contributions were made in July 2018 for Miscellaneous Classic and PEPRA separately and for Safety Classic and PEPRA combined. In addition to their employee contributions, classic safety employees contribute 3% of their pay towards employer contributions. Required contributions of active plan members and of Metro Fire for fiscal year ended June 30, 2019 were as follows:

| | Safety Plan | | Miscellaneous Plan | |
|--------------------------------------|---------------|--------------|--------------------|------------|
| | Classic | PEPRA | Classic | PEPRA |
| Required employer normal cost rates | 18.039% | 18.039% | 14.714% | 7.363% |
| Unfunded Liability Contribution | \$ 20,817,314 | | \$ 741,270 | \$ 636 |
| Required employee contribution rates | 9.000% | 10.500% | 8.000% | 6.750% |
| Actual employer contributions made | \$ 28,524,225 | \$ 2,715,529 | \$ 1,479,131 | \$ 161,791 |
| Actual employee contributions made | \$ 6,260,576 | \$ 1,610,872 | \$ 402,427 | \$ 148,636 |

NOTE 6 – RETIREMENT PLANS (Continued)

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. In July 2018, Metro Fire and SCERS entered into a new payment agreement extending to July 2037. 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, 2019, Metro Fire paid \$3,141,977.

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, 2018 based on the results of the actuarial calculation performed as of June 30, 2017 for the CalPERS plans and as of June 30, 2018 for the SCERS plan. Fiduciary net position is based on fair value of investments as of June 30, 2018. As of June 30, 2019, Metro Fire reported the following net pension liabilities:

| | |
|----------------------------|-----------------------|
| CalPERS Safety Plan | \$ 371,041,289 |
| CalPERS Miscellaneous Plan | 14,311,580 |
| SCERS Plan | 45,369,064 |
| Total NPL | <u>\$ 430,721,933</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. The changes in the NPL for the Safety Plan is as follows:

| | Increase (Decrease) | | |
|---|----------------------------|--------------------------------|--------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| CalPERS Safety Plan | | | |
| Balances at June 30, 2017 | \$ 1,131,195,345 | \$ 741,630,225 | \$ 389,565,120 |
| Changes recognized for the measurement period | | | |
| Service cost | 17,332,236 | - | 17,332,236 |
| Interest on the total pension liability | 78,005,367 | - | 78,005,367 |
| Changes in assumptions | (4,267,031) | - | (4,267,031) |
| Differences between actual and expected experience | (15,628,482) | - | (15,628,482) |
| Contributions from employer | - | 27,135,840 | (27,135,840) |
| Contributions from employee | - | 7,682,574 | (7,682,574) |
| Net investment income | - | 62,499,606 | (62,499,606) |
| Benefit payments | (57,963,578) | (57,963,578) | - |
| Administrative Expense | - | (1,155,664) | 1,155,664 |
| Other miscellaneous expense | - | (2,194,626) | 2,194,626 |
| Plan to plan resource movement | - | (1,809) | 1,809 |
| Net changes | <u>17,478,512</u> | <u>36,002,343</u> | <u>(18,523,831)</u> |
| Balances at June 30, 2018 | <u>\$ 1,148,673,857</u> | <u>\$ 777,632,568</u> | <u>371,041,289</u> |

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

NOTE 6 – RETIREMENT PLANS (Continued)

Metro Fire’s proportionate share of the net pension liability is as follows:

| | |
|------------------------------|----------|
| Proportion - June 30, 2017 | 0.36951% |
| Proportion - June 30, 2018 | 0.37975% |
| Change - Increase (Decrease) | 0.01024% |

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

Pension Expenses and Deferred Outflows/Inflows of Resources: Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. For the year ended June 30, 2019, Metro Fire recognized pension expense as follows:

| | |
|----------------------------|----------------------|
| CalPERS Safety Plan | \$ 39,799,711 |
| CalPERS Miscellaneous Plan | 1,563,062 |
| SCERS Plan | 5,673,698 |
| Total Pension Expense | <u>\$ 47,036,471</u> |

Metro Fire reported deferred outflows and inflows of resources related to pensions from the following sources:

| | CalPERS Safety | CalPERS Miscellaneous | SCERS | Total |
|---|----------------------|--------------------------|---------------------|----------------------|
| <u>Deferred Outflows</u> | | | | |
| Differences between actual and expected experience | \$ 3,787,244 | \$ 549,110 | \$ 2,341,107 | \$ 6,677,461 |
| Changes of assumptions | 41,357,649 | 1,631,563 | 3,996,355 | 46,985,567 |
| Net differences between projected and actual earnings on plan investments | 1,533,203 | 70,753 | - | 1,603,956 |
| Adjustments due to differences in proportions | - | 406,964 | - | 406,964 |
| Pension contributions subsequent to measurement date | 31,239,755 | 1,640,922 | 3,141,977 | 36,022,654 |
| Total | <u>\$ 77,917,851</u> | <u>\$ 4,299,312</u> | <u>\$ 9,479,439</u> | <u>\$ 91,696,602</u> |
| <u>Deferred Inflows</u> | | | | |
| Differences between actual and expected experience | \$ 20,517,648 | \$ 186,859 | \$ 13,367 | \$ 20,717,874 |
| Changes of assumptions | 7,026,029 | 399,864 | - | 7,425,893 |
| Net differences between projected and actual earnings on plan investments | - | - | 326,117 | 326,117 |
| Adjustments due to differences in proportions | - | 896,648 | - | 896,648 |
| Total | <u>\$ 27,543,677</u> | <u>\$ 1,483,371</u> | <u>\$ 339,484</u> | <u>\$ 29,366,532</u> |

NOTE 6 – RETIREMENT PLANS (Continued)

The \$36,022,654 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Year ending June 30, | CalPERS Safety | CalPERS Miscellaneous | SCERS | Total |
|-------------------------|----------------------|--------------------------|---------------------|----------------------|
| 2020 | \$ 12,711,999 | \$ 1,119,403 | \$ 2,878,313 | \$ 16,709,715 |
| 2021 | 9,657,199 | 622,022 | 2,255,435 | 12,534,656 |
| 2022 | (1,177,107) | (437,681) | 795,081 | (819,707) |
| 2023 | (931,507) | (128,725) | 69,149 | (991,083) |
| 2022 | (1,126,165) | - | - | (1,126,165) |
| | <u>\$ 19,134,419</u> | <u>\$ 1,175,019</u> | <u>\$ 5,997,978</u> | <u>\$ 26,307,416</u> |

F. ACTUARIAL ASSUMPTIONS

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

| | CalPERS Plans | SCERS Plans |
|----------------------------------|--|---|
| Actuarial Cost Method | Entry Age Normal Cost | Entry Age Actuarial Cost |
| Amortization Method | Level Percent of Payroll | Level Percent of Payroll |
| Asset Valuation Method | Market Value | Market Value |
| Actuarial Assumptions: | | |
| Investment Rate of Return | 7.15% | 7.00% |
| Inflation | 2.50% | 3.00% |
| Payroll Growth | Varies by Entry Age and Service | Varies by Entry Age and Service |
| Mortality Rate table | Derived using CalPERS' membership data for all funds. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. | Derived using Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table projected generationally with two-dimensional scale MP-2016 set back four years for males and females. |
| Post Retirement Benefit Increase | Contract COLA up to 2.0% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.5% thereafter | COLA up to 3.0% depending on retiree classification. |

Discount Rate

The long-term expected rate of return on pension plan investments for CalPERS Plans was determined using a building-block method in which expected future real rates of returns are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

NOTE 6 – RETIREMENT PLANS (Continued)

The expected real rates of return by asset class are as followed:

| Asset Class | Target Allocation | Real Return Years 1 - 10 | Real Return Years 11 + |
|------------------|-------------------|--------------------------|------------------------|
| Global Equity | 50.00 % | 4.80 % | 5.98 % |
| Fixed income | 28.00 | 1.00 | 2.62 |
| Inflation Assets | - | 0.77 | 1.81 |
| Private Equity | 8.00 | 6.30 | 7.23 |
| Real Asstes | 13.00 | 3.75 | 4.93 |
| Liquidity | 1.00 | - | (0.92) |

To produce the long-term expected rate of return, SCERS weighted the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin.

The target allocation and projected real rates of return for each major asset class are as follows:

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

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

| Net Pension Liability | 1% decrease | Current Discount Rate (7.15%/7.00%) | 1% increase |
|-------------------------------|----------------|-------------------------------------|----------------|
| CalPERS Safety (7.15%) | \$ 527,501,685 | \$ 371,041,289 | \$ 242,752,587 |
| CalPERS Miscellaneous (7.15%) | 22,843,574 | 14,311,580 | 7,268,559 |
| SCERS Plan (7.00%) | 56,697,399 | 45,369,064 | 36,073,702 |

G. PENSION PLAN FIDUCIARY NET POSITION

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

NOTE 6 – RETIREMENT PLANS (Continued)

H. DEFERRED COMPENSATION PLAN

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

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS

A. PLAN DESCRIPTION

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

B. BENEFITS PROVIDED

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

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

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

C. EMPLOYEES COVERED

Based on the most recent actuarial information available, the following employees were covered by the benefit terms of the Plan:

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

D. CONTRIBUTIONS

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

In accordance with its annual budget, Metro Fire contributes to CERBT an amount that, together with the payment of retiree medical premiums, will fully fund the explicit portion of the actuarially determined contribution and will fund the implicit subsidy liability on a pay-as-you-go basis. An "implicit subsidy" exists when the premiums charged for retiree coverage are lower than the expected retiree claims for that coverage. Pre-Medicare retirees able to continue medical coverage at the same premium rates as are charged for active employees creates this implicit benefit. Employees are not required to contribute to the Plan. For the fiscal year ended June 30, 2019, Metro Fire's contributions were as follows:

| | |
|---|----------------------|
| Employer Cash Contributions to the trust | \$ 5,373,571 |
| Employer Contributions in the form of | |
| Direct Benefit Payments (not reimbursed by the Trust) | 9,674,340 |
| Estimated Implicit Subsidy | <u>3,064,987</u> |
| Total contributions | <u>\$ 18,112,898</u> |

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

Net OPEB Liability: Metro Fire's net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. Metro Fire's net OPEB liability is measured as the Plan's total OPEB liability, less the Plan's fiduciary net position.

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

The changes in the Net OPEB liability are as follows:

| | Increase (Decrease) | | |
|---|-------------------------|--------------------------------|-----------------------|
| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability |
| Balances at June 30, 2017 | \$ 299,826,169 | \$ 27,305,778 | \$ 272,520,391 |
| Changes Recognized for the Measurement Period | | | |
| Service Cost | 11,032,356 | | 11,032,356 |
| Interest Cost | 14,310,340 | | 14,310,340 |
| Expected Investment Income | | 2,171,724 | (2,171,724) |
| Employer Contributions | | 18,116,370 | (18,116,370) |
| Administrative Expenses | | (15,755) | 15,755 |
| Benefit Payments | (12,766,407) | (12,766,407) | - |
| Assumption Changes | (70,000,614) | | (70,000,614) |
| Investment Experience | | 84,406 | (84,406) |
| Other Expenses | | (36,139) | 36,139 |
| Net Changes | (57,424,325) | 7,554,199 | (64,978,524) |
| Balances at June 30, 2018 | \$ 242,401,844 | \$ 34,859,977 | \$ 207,541,867 |

OPEB Expense and Deferred Outflows/Inflows of Resources: For the year ended June 30, 2019, Metro Fire recognized OPEB expense of \$9,232,020. At year-end, Metro Fire reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Changes of assumptions | \$ - | \$ 81,363,625 |
| Net differences between projected and actual earnings on OPEB plan investments | - | 513,996 |
| OPEB contributions subsequent to measurement date | 18,112,898 | - |
| Total | \$ 18,112,898 | \$ 81,877,621 |

The \$18,112,898 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, 2020. 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, | |
|-------------------------|-----------------|
| 2020 | \$ (13,990,846) |
| 2021 | (13,990,845) |
| 2022 | (13,990,846) |
| 2023 | (13,842,023) |
| 2024 | (13,825,141) |
| Thereafter | (12,237,920) |
| | \$ (81,877,621) |

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

F. ASSUMPTIONS

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

| | |
|----------------------------|---|
| Long-Term Return on Assets | 7.25%, net of plan investments expenses and including inflation |
| Discount Rates | 4.7% as of June 30, 2017; 7.25% for explicit liabilities and 3.62% for implicit subsidy liabilities as of June 30, 2018 |
| Municipal Bond Index Rates | 3.56% as of June 30, 2017 and 3.62% as of June 30, 2018 |
| Inflation | 2.75% |
| Payroll Growth | 3.25% per year; since benefits do not depend on pay, this is used only to allocate the cost of benefits between service years |
| Mortality | MacLeod Watts Scale 2017 applied generationally and developed by blending data and methodologies from the Society of Actuaries Mortality Improvement Scale MP-2016 and assumptions used in the 2016 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust funds. |
| Healthcare Trend | 7.0% for 2020, decreasing 0.5% per year to an ultimate rate of 5.0% for 2024 and later years. |

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return for time periods 1-10 years and 11-60 years by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Real Return Years 1 - 10 | Real Return Years 11 - 60 |
|---|-------------------|--------------------------|---------------------------|
| Global Equity | 57.00 % | 7.75 % | 8.71 % |
| Fixed Income | 27.00 | 4.29 | 5.40 |
| Global Real Estate (REITs) | 8.00 | 5.75 | 10.88 |
| Treasury Inflation Protected Securities | 5.00 | 3.50 | 5.25 |
| Commodities | 3.00 | 2.84 | 7.95 |

Discount Rate: The discount rate was changed from a blended rate of 4.70% used to develop the combined total OPEB liability as of June 30, 2017 to the following rates as of June 30, 2018:

- 7.25%, the assumed long-term trust rate of return, to calculate the explicit subsidy liability
- 3.62%, the Fidelity Municipal Bond AA 20 Year Maturity Yield rate (3.62% as of June 30, 2018) to calculate the implicit subsidy liability.

For the fiscal year ended June 30, 2018 (measured as of June 30, 2017), a blended discount rate was applied to determine both the explicit and implicit portions of the Total OPEB Liability. That approach requires preparation of a long-term forecast of projected benefit payments, trust assets and employer contributions (a.k.a. “Crossover Test”) including many assumptions relating to potential future employees and contributions as a percentage of payroll. For the fiscal year ended June 30, 2019 (measured as of June 30, 2018), the split discount rate approach described above correlates more directly with Metro Fire’s OPEB funding policy.

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

| | 1% decrease | Current Discount Rate | 1% increase |
|--------------------|----------------|--------------------------|----------------|
| Net OPEB Liability | \$ 238,387,256 | \$ 207,541,867 | \$ 181,990,216 |

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate: The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

| | 1% decrease | Current Healthcare Cost Trend Rate | 1% increase |
|--------------------|----------------|--|----------------|
| Net OPEB Liability | \$ 176,514,204 | \$ 207,541,867 | \$ 247,983,300 |

NOTE 8 – RISK MANAGEMENT

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

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

| | 2019 | 2018 |
|---|----------------------|----------------------|
| Claims Reserve | \$ 14,121,592 | \$ 12,993,711 |
| Incurred but not reported (IBNR) | 9,922,262 | 10,007,369 |
| Unallocated loss adjustment expenses (ULAE) | 578,041 | 419,522 |
| Total unpaid claims and claim adjustment expenses | <u>\$ 24,621,895</u> | <u>\$ 23,420,602</u> |

NOTE 8 – RISK MANAGEMENT (Continued)

Changes in Metro Fire’s claims liabilities for the fiscal year ended June 30, 2019 and 2017 were as follows:

| | <u>2019</u> | <u>2018</u> |
|---|----------------------|----------------------|
| Unpaid claims and claim adjustment expenses at beginning of fiscal year | <u>\$ 23,420,602</u> | <u>\$ 23,308,505</u> |
| Incurred claims and claim adjustment expenses: | | |
| Provision for insured events of current fiscal year | 4,194,000 | 4,177,000 |
| Decreases in provision for insured events of prior fiscal years | <u>(73,481)</u> | <u>(1,415,434)</u> |
| Total incurred claims and claim adjustment expenses | <u>4,120,519</u> | <u>2,761,566</u> |
| Payments: | | |
| Claim and claim adjustment expenses attributable to insured events of the current fiscal year | 511,881 | 334,991 |
| Claim and claim adjustment expenses attributable to insured events of the prior fiscal years | <u>2,407,345</u> | <u>2,314,478</u> |
| Total payments | <u>2,919,226</u> | <u>2,649,469</u> |
| Total unpaid claims and claim adjustment expenses | <u>\$ 24,621,895</u> | <u>\$ 23,420,602</u> |

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:

| <u>Coverage</u> | <u>Amount</u> | <u>Deductible</u> |
|--------------------------------|---------------|-------------------|
| General liability | \$ 10,000,000 | \$ 500 |
| Auto liability | 10,000,000 | 5,000 |
| Property damage | 1,000,000,000 | 1,000 |
| Boiler and machinery | 100,000,000 | 1,000 |
| Errors and omissions | 10,000,000 | 25,000 |
| Employment practices liability | 10,000,000 | 25,000 |
| Employee dishonesty | 1,000,000 | - |
| Aviation | 10,000,000 | 1,000 to 30,000 |
| Cyber | 2,000,000 | 25,000 |
| Pollution | 2,000,000 | 75,000 |

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 reduced by accumulated depreciation and the outstanding balances of debt, net of unspent proceeds, which are attributable to the acquisition, construction or improvement of these assets.

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

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

B. FUND BALANCES

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

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

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

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

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

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

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

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

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

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

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

NOTE 9 – NET POSITION AND FUND BALANCES (Continued)

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

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

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

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

The following are components of fund balances as of June 30, 2019:

| | General Fund | Nonmajor Funds | Total |
|---------------------------------|----------------------|---------------------|----------------------|
| Nonspendable: | | | |
| Inventory | \$ 3,342,075 | \$ - | \$ 3,342,075 |
| Prepaid items | 86,555 | - | 86,555 |
| Petty cash | 500 | - | 500 |
| Total nonspendable fund balance | <u>3,429,130</u> | <u>-</u> | <u>3,429,130</u> |
| Restricted for: | | | |
| Capital acquisition | - | 5,825,429 | 5,825,429 |
| Debt service reserve | - | 691,357 | 691,357 |
| Workers compensation claims | 277,970 | - | 277,970 |
| Grant-approved expenditures | - | 1,124,588 | 1,124,588 |
| Equipment purchases | - | 1,126,782 | 1,126,782 |
| Total restricted fund balance | <u>277,970</u> | <u>8,768,156</u> | <u>9,046,126</u> |
| Committed to: | | | |
| Capital acquisition | - | 909,512 | 909,512 |
| Workers compensation claims | 4,000,000 | - | 4,000,000 |
| Pension bond retirement | 2,060,594 | - | 2,060,594 |
| Total committed fund balance | <u>6,060,594</u> | <u>909,512</u> | <u>6,970,106</u> |
| Unassigned | <u>41,013,691</u> | <u>-</u> | <u>41,013,691</u> |
| Total fund balance | <u>\$ 50,781,385</u> | <u>\$ 9,677,668</u> | <u>\$ 60,459,053</u> |

As of June 30, 2019, restricted cash and investments amounted to \$9,336,232 while the restricted fund balance is \$9,046,126. The difference of \$290,106 represents payables from restricted assets net of government-wide adjustments reported in the Statement of Net Position.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. COMMITMENTS

Metro Fire has an active project relating to the implementation of the district-wide Enterprise Resource Planning (ERP) system. At year-end, Metro Fire has a remaining commitment of \$586,200. As discussed in Note 1-C, the encumbrances and related appropriation lapse at the end of the year, but are re-appropriated and become part of the subsequent year's budget because performance under the executory contract is expected in the next year.

B. GRANTS

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

C. LITIGATION

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

NOTE 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 25. These borrowings are permitted until the last Monday of April each year. The amount available as of December 10, 2018 and April 25, 2019 were \$122,831,424 and \$61,415,712, 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, 2019:

| Beginning Balance | Draws | Repayments | Ending Balance |
|----------------------|---------------|-----------------|-------------------|
| \$ - | \$ 95,866,895 | \$ (95,866,895) | \$ - |

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 EVENT

In the current year, Metro Fire was awarded a \$3,450,000 regional grant with a 15% matching requirement from the Department of Homeland Security under the Assistance to Firefighters Grant. The grant is for the purchase of new Self-Contained Breathing Apparatus (SCBAs) which is a device worn by firefighters to provide breathable air during dangerous conditions. The SCBAs were purchased and delivered after year-end so the expenses and corresponding reimbursement revenue were recognized in the subsequent year.

Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION

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

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

(UNAUDITED)

| <u>Total Pension Liability</u> | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|-------------------------|-------------------------|-------------------------|-----------------------|-----------------------|
| Service Cost | \$ 17,332,236 | \$ 18,488,530 | \$ 16,072,085 | \$ 15,837,720 | \$ 17,164,358 |
| Interest on total pension liability | 78,005,367 | 76,681,729 | 74,892,269 | 71,337,251 | 68,648,516 |
| Changes in assumptions | (4,267,031) | 64,990,592 | - | (17,820,492) | - |
| Differences between expected and actual experience | (15,628,482) | (10,900,231) | 8,521,299 | (4,507,130) | - |
| Benefit payments, including refunds of employee contributions | (57,963,578) | (54,404,805) | (51,145,410) | (47,539,831) | (43,704,931) |
| Net change in total pension liability | 17,478,512 | 94,855,815 | 48,340,243 | 17,307,518 | 42,107,943 |
| Total pension liability - beginning | 1,131,195,345 | 1,036,339,530 | 987,999,287 | 970,691,769 | 928,583,826 |
| Total pension liability - ending (1) | <u>\$ 1,148,673,857</u> | <u>\$ 1,131,195,345</u> | <u>\$ 1,036,339,530</u> | <u>\$ 987,999,287</u> | <u>\$ 970,691,769</u> |
| <u>Plan fiduciary net position</u> | | | | | |
| Contributions from employer | \$ 27,135,840 | \$ 24,771,710 | \$ 18,891,148 | \$ 15,870,191 | \$ 14,207,176 |
| Contributions from employee | 7,682,574 | 7,261,402 | 12,024,009 | 12,603,971 | 13,104,801 |
| Net investment income | 62,499,606 | 77,241,891 | 3,609,980 | 15,773,470 | 106,764,514 |
| Benefit payments, including refunds of employee contributions | (57,963,578) | (54,404,805) | (51,145,410) | (47,539,831) | (43,704,931) |
| Administrative expense | (1,155,664) | (1,015,454) | (429,554) | (797,878) | - |
| Other miscellaneous expense | (2,194,626) | | | | |
| Plan to plan resource movement | (1,809) | - | 391 | 33,463 | - |
| Net change in plan fiduciary net position | 36,002,343 | 53,854,744 | (17,049,436) | (4,056,614) | 90,371,560 |
| Plan fiduciary net position - beginning | 741,630,225 | 687,775,481 | 704,824,917 | 708,881,531 | 618,509,971 |
| Plan fiduciary net position - ending (2) | <u>\$ 777,632,568</u> | <u>\$ 741,630,225</u> | <u>\$ 687,775,481</u> | <u>\$ 704,824,917</u> | <u>\$ 708,881,531</u> |
| Net pension liability - ending (1)-(2) | <u>\$ 371,041,289</u> | <u>\$ 389,565,120</u> | <u>\$ 348,564,049</u> | <u>\$ 283,174,370</u> | <u>\$ 261,810,238</u> |
| Plan fiduciary net position as a percentage of the total pension liability | <u>67.70%</u> | <u>65.56%</u> | <u>66.37%</u> | <u>71.34%</u> | <u>73.03%</u> |
| Covered payroll | <u>\$ 89,614,453</u> | <u>\$ 84,874,556</u> | <u>\$ 79,593,547</u> | <u>\$ 84,053,108</u> | <u>\$ 74,082,665</u> |
| Net pension liability as percentage of covered payroll | <u>414.04%</u> | <u>458.99%</u> | <u>437.93%</u> | <u>336.90%</u> | <u>353.40%</u> |
| Measurement Date | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |

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

REQUIRED SUPPLEMENTARY INFORMATION

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

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

(UNAUDITED)

| | CalPERS Miscellaneous Plans | | | | |
|--|-----------------------------|---------------|---------------|---------------|---------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| District's proportion of the net pension liability | 0.37975% | 0.36951% | 0.35752% | 0.33301% | 0.31403% |
| District's proportionate share of the net pension liability | \$ 14,311,580 | \$ 14,566,410 | \$ 12,419,649 | \$ 9,135,887 | \$ 7,761,287 |
| District's covered payroll | 7,356,408 | 6,682,508 | 6,437,464 | 5,967,598 | 5,682,089 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 194.55% | 217.98% | 192.93% | 153.09% | 136.59% |
| District's proportionate share of the fiduciary net position as a Percentage of the District's total pension liability | 77.31% | 76.34% | 77.97% | 82.95% | 84.86% |
| Measurement Date | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |
| | SCERS Plan | | | | |
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| District's proportion of the net pension liability | 2.26088% | 2.10315% | 2.16878% | 2.71553% | 3.58479% |
| District's proportionate share of the net pension liability | \$ 45,369,064 | \$ 45,045,597 | \$ 38,910,909 | \$ 32,096,516 | \$ 28,663,664 |
| District's covered payroll | (a) | (a) | (a) | (a) | (a) |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | (a) | (a) | (a) | (a) | (a) |
| District's proportionate share of the fiduciary net position as a Percentage of the District's total pension liability | 49.87% | 48.98% | 53.23% | 58.36% | 62.29% |
| Measurement Date | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |

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

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

REQUIRED SUPPLEMENTARY INFORMATION

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

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

(UNAUDITED)

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| CalPERS Safety Plan | | | | | |
| Actuarially determined contribution ^(b) | \$ 31,239,755 | \$ 27,135,840 | \$ 24,771,710 | \$ 18,891,148 | \$ 15,870,191 |
| Contributions in relation to the actuarially determined contributions | <u>31,239,755</u> | <u>27,135,840</u> | <u>24,771,710</u> | <u>18,891,148</u> | <u>15,870,191</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| District's covered payroll | \$ 94,748,833 | \$ 89,614,453 | \$ 84,874,556 | \$ 79,593,547 | \$ 84,053,108 |
| Contributions as a percentage of covered payroll | 32.97% | 30.28% | 29.19% | 23.73% | 18.88% |
| CalPERS Miscellaneous Plan | | | | | |
| Actuarially determined contribution ^(b) | \$ 1,640,922 | \$ 1,400,265 | \$ 1,252,247 | \$ 1,034,835 | \$ 959,424 |
| Contributions in relation to the actuarially determined contributions | <u>1,640,922</u> | <u>1,400,265</u> | <u>1,252,247</u> | <u>1,034,835</u> | <u>959,424</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| District's covered payroll | \$ 7,605,501 | \$ 7,356,408 | \$ 6,682,508 | \$ 6,437,464 | \$ 5,967,598 |
| Contributions as a percentage of covered payroll | 21.58% | 19.03% | 18.74% | 16.08% | 16.08% |
| Valuation Date | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 | June 30, 2013 |
| SCERS Plan | | | | | |
| Agreed upon contribution ^{(a)(b)} | \$ 3,141,977 | \$ 3,300,000 | \$ 2,000,000 | \$ 1,136,000 | \$ 1,136,000 |
| Contributions in relation to the agreed upon contributions | <u>3,141,977</u> | <u>3,300,000</u> | <u>2,000,000</u> | <u>1,136,000</u> | <u>1,136,000</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| District's covered payroll | (a) | (a) | (a) | (a) | (a) |
| Contributions as a percentage of covered payroll | (a) | (a) | (a) | (a) | (a) |

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

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

(b) Based on employer's fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

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

| Measurement Period | 2018 | 2017 |
|--|-----------------------|-----------------------|
| Total OPEB Liability | | |
| Service Cost | \$ 11,032,356 | \$ 12,634,019 |
| Interest on total OPEB liability | 14,310,340 | 13,077,526 |
| Assumption Changes | (70,000,614) | (29,263,904) |
| Benefit payments | <u>(12,766,407)</u> | <u>(12,187,992)</u> |
| Net change in total OPEB liability | (57,424,325) | (15,740,351) |
| Total OPEB liability - beginning | <u>299,826,169</u> | <u>315,566,520</u> |
| Total OPEB liability - ending (1) | <u>\$ 242,401,844</u> | <u>\$ 299,826,169</u> |
| Plan fiduciary net position | | |
| Contributions from employer | \$ 18,116,370 | \$ 17,534,354 |
| Net investment income | 2,256,130 | 2,359,359 |
| Benefit payments | (12,766,407) | (12,187,992) |
| Administrative expense | (15,755) | (11,856) |
| Other expense | <u>(36,139)</u> | <u>-</u> |
| Net change in plan fiduciary net position | 7,554,199 | 7,693,865 |
| Plan fiduciary net position - beginning | <u>27,305,778</u> | <u>19,611,913</u> |
| Plan fiduciary net position - ending (2) | <u>\$ 34,859,977</u> | <u>\$ 27,305,778</u> |
| Net OPEB Liability - ending (1)-(2) | <u>\$ 207,541,867</u> | <u>\$ 272,520,391</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | <u>14.38%</u> | <u>9.11%</u> |
| Covered-employee payroll | <u>\$ 96,970,861</u> | <u>\$ 91,557,064</u> |
| Net OPEB liability as percentage of covered-employee payroll | <u>214.02%</u> | <u>297.65%</u> |

*Omitted years: GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported. See Notes to Schedule on page 63. Refer to Note 7-A for plan description.

REQUIRED SUPPLEMENTARY INFORMATION

SACRAMENTO METROPOLITAN FIRE DISTRICT OTHER POSTEMPLOYMENT BENEFITS PLAN

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

(UNAUDITED)

| | 2019 | 2018 |
|--|--------------------|-------------------|
| Actuarially determined contribution ^(a) | \$ 19,597,240 | \$ 20,839,933 |
| Contributions in relation to the actuarially determined contributions | 18,112,898 | 18,116,370 |
| Contribution deficiency (excess) | \$ 1,484,342 | \$ 2,723,563 |
| District's Covered - employee payroll | \$ 102,354,334 | \$ 96,970,861 |
| Contributions as a percentage of covered-employee payroll | 17.70% | 18.68% |

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

(a) Actuarially determined contribution rate is calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. The amounts are based on the employer's fiscal year. See Notes to Schedule on page 63 for actuarial methods and assumptions.

REQUIRED SUPPLEMENTARY INFORMATION

NOTES TO PENSION PLANS

Notes to Schedule of Employer Contributions

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

| | CalPERS Plans | SCERS Plans |
|---------------------------|--|---|
| Actuarial Cost Method | Entry Age Normal Cost | Entry Age Actuarial Cost |
| Amortization Method | Level Percent of Payroll | Level Percent of Payroll |
| Asset Valuation Method | Market Value | Market Value |
| Actuarial Assumptions: | | |
| Investment Rate of Return | 7.15% | 7.00% |
| Inflation | 2.50% | 3.00% |
| Payroll Growth | Varies by Entry Age and Service | Varies by Entry Age and Service |
| Mortality Rate table | Derived using CalPERS' membership data for all funds. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. | Derived using Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table projected generationally with two-dimensional scale MP-2016 set back four years for males and females. |

NOTES TO OPEB PLANS

Schedule of Changes in Net OPEB Liability

Changes in Assumptions: For the fiscal year ended June 30, 2018, the discount rate used was a 4.7% blended rate. For the fiscal year ended June 30, 2019, split discount rates of 7.25% and 3.62% were used for calculating the explicit subsidy liability and the implicit subsidy liability, respectively.

Notes to Schedule of Employer Contributions

The **Actuarially Determined Contribution (ADC)** is determined based on the assumed long-term return on trust assets and consists of two basic components, which are adjusted with interest to each fiscal year end: 1) the amounts attributed to service performed in the current fiscal year (the normal cost) and 2) amortization of the unfunded actuarial accrued liability (UAAL). The ADC includes amortization of the unfunded AAL over a closed 30-year period initially effective July 1, 2012 with a remaining period of 24 years. Amortization payments are determined on a level percent of pay basis. Below are the methods and assumptions used to calculate the actuarially determined contributions:

| | |
|----------------------------|---|
| Actuarial Cost Method | Entry Age Normal Cost, level percent of pay |
| Asset Valuation Method | Market value of assets |
| Actuarial Assumptions: | |
| Long-Term Return on Assets | 7.25%, net of plan investments expenses and including inflation |
| Discount Rate | 7.25%, net of plan investments expenses and including inflation |
| Inflation | 2.75% |
| Payroll Growth | 3.25% per year; since benefits do not depend on pay, this is used only to allocate the cost of benefits between service years |
| Mortality | MacLeod Watts Scale 2017 applied generationally and developed by blending data and methodologies from the Society of Actuaries Mortality Improvement Scale MP-2016 and assumptions used in the 2016 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust funds. |
| Healthcare Trend | 7.0% for 2020, decreasing 0.5% per year to an ultimate rate of 5.0% for 2024 and later years. |



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Other Supplementary Information

Nonmajor Governmental Funds

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

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

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

**Sacramento Metropolitan Fire District
Combining Balance Sheets
Nonmajor Governmental Funds
June 30, 2019**

| | Special | Capital Projects Fund | | Total Nonmajor Funds |
|--|-------------------------------|-----------------------|---------------------|----------------------------|
| | Revenue Fund Grant Fund | Capital Facilities | Impact Fee Fund | |
| ASSETS | | | | |
| Cash and investments | \$ - | \$ 1,696,565 | \$ - | \$ 1,696,565 |
| Receivables, net of allowance for uncollectibles: | | | | |
| Other receivables | 21,694 | 14,664 | 62,978 | 99,336 |
| Due from other funds | - | 228,714 | - | 228,714 |
| Restricted cash and investments | 1,249,695 | 2,038,679 | 5,769,888 | 9,058,262 |
| Total Assets | \$ 1,271,389 | \$ 3,978,622 | \$ 5,832,866 | \$ 11,082,877 |
| LIABILITIES | | | | |
| Accounts payable and accrued expenditures | \$ - | \$ 1,250,971 | \$ 7,437 | \$ 1,258,408 |
| Due to other funds | 146,801 | - | - | 146,801 |
| Total Liabilities | 146,801 | 1,250,971 | 7,437 | 1,405,209 |
| FUND BALANCES | | | | |
| Restricted | 1,124,588 | 1,818,139 | 5,825,429 | 8,768,156 |
| Committed | - | 909,512 | - | 909,512 |
| Total Fund Balances | 1,124,588 | 2,727,651 | 5,825,429 | 9,677,668 |
| Total Liabilities and Fund Balances | \$ 1,271,389 | \$ 3,978,622 | \$ 5,832,866 | \$ 11,082,877 |

Sacramento Metropolitan Fire District
Combining Statements of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

| | Special Revenue Fund | Capital Projects Fund | | Total Nonmajor Funds |
|--|-------------------------|-----------------------|---------------------|----------------------------|
| | Grant Funds | Capital Facilities | Impact Fee Fund | |
| REVENUES | | | | |
| Intergovernmental | \$ 459,488 | \$ 142 | \$ - | \$ 459,630 |
| Development fees | - | - | 1,600,941 | 1,600,941 |
| Use of money and property | 27,556 | 92,454 | 156,115 | 276,125 |
| Total Revenues | <u>487,044</u> | <u>92,596</u> | <u>1,757,056</u> | <u>2,336,696</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public protection | 387,238 | 137,315 | 64,722 | 589,275 |
| Capital outlay | 12,580 | 6,122,153 | 7,437 | 6,142,170 |
| Debt service: | | | | |
| Principal | - | 4,195,359 | - | 4,195,359 |
| Interest and financing costs | - | 403,408 | - | 403,408 |
| Total Expenditures | <u>399,818</u> | <u>10,858,235</u> | <u>72,159</u> | <u>11,330,212</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>87,226</u> | <u>(10,765,639)</u> | <u>1,684,897</u> | <u>(8,993,516)</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Issuance of capital leases | - | 5,231,839 | - | 5,231,839 |
| Sale of capital assets | - | 279,557 | - | 279,557 |
| Transfers in | 377,597 | 4,796,489 | - | 5,174,086 |
| Total Other Financing Sources (Uses) | <u>377,597</u> | <u>10,307,885</u> | <u>-</u> | <u>10,685,482</u> |
| Net Change in Fund Balances | 464,823 | (457,754) | 1,684,897 | 1,691,966 |
| Fund Balance, Beginning of Year | <u>659,765</u> | <u>3,185,405</u> | <u>4,140,532</u> | <u>7,985,702</u> |
| Fund Balance, End of Year | <u>\$ 1,124,588</u> | <u>\$ 2,727,651</u> | <u>\$ 5,825,429</u> | <u>\$ 9,677,668</u> |

**Sacramento Metropolitan Fire District
Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
Grant Fund
For the Year Ended June 30, 2019**

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|--|--------------------|------------------|-------------------|-------------------------------|
| REVENUES | | | | |
| Intergovernmental | \$ 264,313 | \$ 4,226,236 | \$ 459,488 | \$ (3,766,748) |
| Use of money and property | - | - | 27,556 | 27,556 |
| Total Revenues | <u>264,313</u> | <u>4,226,236</u> | <u>487,044</u> | <u>(3,739,192)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public protection | | | | |
| Salaries and benefits | 253,507 | 413,396 | 387,238 | 26,158 |
| Services and supplies | - | 4,177,340 | - | 4,177,340 |
| Capital outlay | 10,806 | 13,876 | 12,580 | 1,296 |
| Total Expenditures | <u>264,313</u> | <u>4,604,612</u> | <u>399,818</u> | <u>4,204,794</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>-</u> | <u>(378,376)</u> | <u>87,226</u> | <u>465,602</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | 378,376 | 377,597 | (779) |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>378,376</u> | <u>377,597</u> | <u>(779)</u> |
| Net Change in Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 464,823</u> | <u>\$ 464,823</u> |

**Sacramento Metropolitan Fire District
Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
Capital Facilities Fund
For the Year Ended June 30, 2019**

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|--|-----------------------|-----------------------|---------------------|-------------------------------|
| REVENUES | | | | |
| Use of money and property | \$ - | \$ - | \$ 92,454 | \$ 92,454 |
| Intergovernmental | - | - | 142 | 142 |
| Total Revenues | <u>-</u> | <u>-</u> | <u>92,596</u> | <u>92,596</u> |
| EXPENDITURES | | | | |
| Public protection | | | | |
| Services and supplies | 30,973 | 147,316 | 137,315 | 10,001 |
| Capital outlay | 5,336,103 | 8,086,587 | 6,122,153 | 1,964,434 |
| Debt service: | | | | |
| Principal | 4,329,082 | 4,195,363 | 4,195,359 | 4 |
| Interest and financing costs | 418,299 | 403,409 | 403,408 | 1 |
| Total Expenditures | <u>10,114,457</u> | <u>12,832,675</u> | <u>10,858,235</u> | <u>1,974,440</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(10,114,457)</u> | <u>(12,832,675)</u> | <u>(10,765,639)</u> | <u>2,067,036</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Issuance of capital leases | 3,303,500 | 5,784,235 | 5,231,839 | (552,396) |
| Sale of capital assets | 600,000 | 100,000 | 279,557 | 179,557 |
| Transfers in | 4,656,354 | 4,796,489 | 4,796,489 | - |
| Total Other Financing Sources (Uses) | <u>8,559,854</u> | <u>10,680,724</u> | <u>10,307,885</u> | <u>(372,839)</u> |
| Net Change in Fund Balance | <u>\$ (1,554,603)</u> | <u>\$ (2,151,951)</u> | <u>\$ (457,754)</u> | <u>\$ 1,694,197</u> |

**Sacramento Metropolitan Fire District
Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
Impact Fee Fund
For the Year Ended June 30, 2019**

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|--|---------------------|---------------------|---------------------|-------------------------------|
| REVENUES | | | | |
| Development Fees | \$ 1,300,000 | \$ 1,300,000 | \$ 1,600,941 | \$ 300,941 |
| Use of money and property | - | - | 156,115 | 156,115 |
| Total Revenues | <u>1,300,000</u> | <u>1,300,000</u> | <u>1,757,056</u> | <u>457,056</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public protection | | | | |
| Services and supplies | 95,000 | 70,000 | 64,722 | 5,278 |
| Capital outlay | - | 1,500,000 | 7,437 | 1,492,563 |
| Total Expenditures | <u>95,000</u> | <u>1,570,000</u> | <u>72,159</u> | <u>1,497,841</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>1,205,000</u> | <u>(270,000)</u> | <u>1,684,897</u> | <u>1,954,897</u> |
| Net Change in Fund Balance | <u>\$ 1,205,000</u> | <u>\$ (270,000)</u> | <u>\$ 1,684,897</u> | <u>\$ 1,954,897</u> |



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Statistical Section

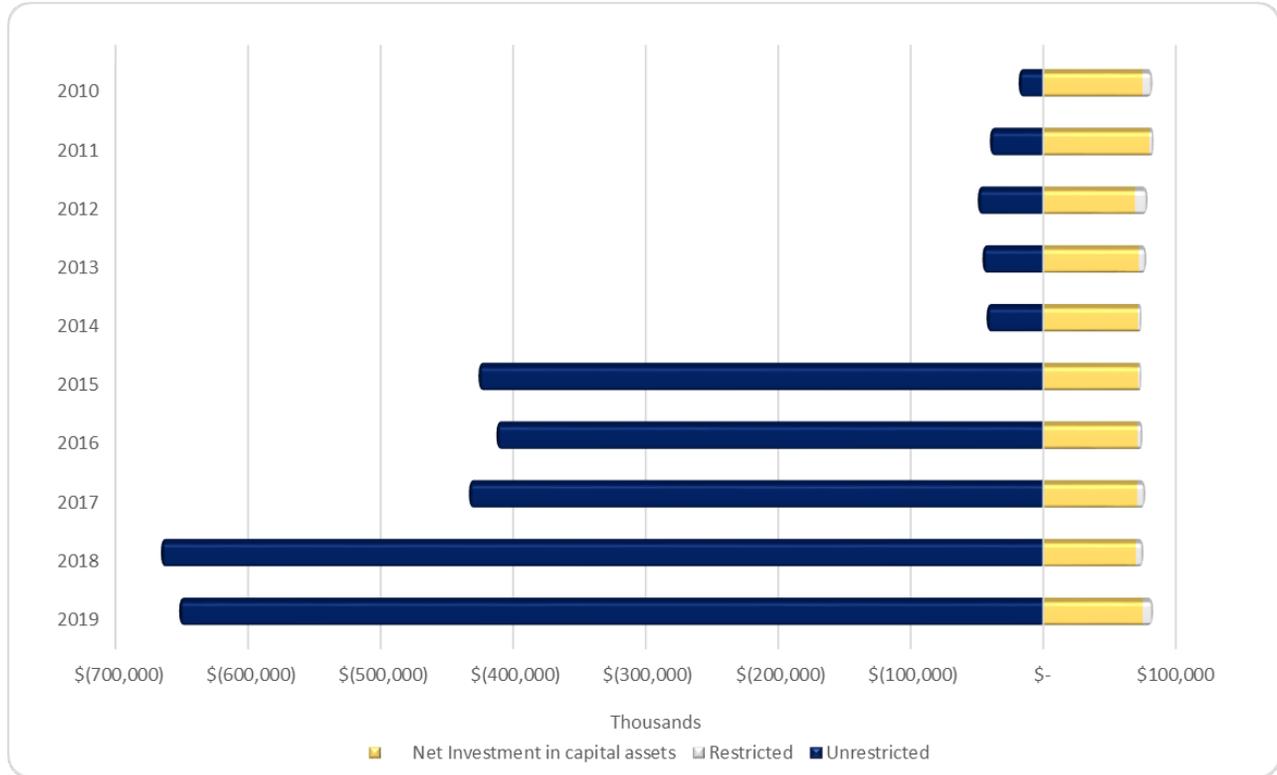


STATISTICAL SECTION

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> |
|---|---------------------|
| FINANCIAL TRENDS | 74-78 |
| These schedules contain trend information to help the reader understand how Metro Fire’s financial performance and well-being have changed over time. | |
| <ol style="list-style-type: none">1. Net Position by Component2. Changes in Net Position3. Fund Balances of Governmental Funds4. Changes in Fund Balances of Governmental Funds5. Expenditures by Function | |
| REVENUE CAPACITY | 79-84 |
| These schedules contain information to help the reader assess Metro Fire’s most significant local revenue source, the property tax. | |
| <ol style="list-style-type: none">1. General Revenues by Source2. Assessed Value of Taxable Property3. Assessed and Estimated Actual Value of Taxable Property4. Property Tax Levies and Collections5. Direct and Overlapping Property Tax Rates6. Principal Property Taxpayers | |
| DEBT CAPACITY | 85-88 |
| These schedules present information to help the reader assess the affordability of Metro Fire’s current level of outstanding debt and its ability to issue additional debt in the future. | |
| <ol style="list-style-type: none">1. Ratio of Outstanding Debt by Type2. Ratio of General Bonded Debt Outstanding3. Computation of District and Overlapping Debt4. Computation of Legal Bonded Debt Margin | |
| DEMOGRAPHIC AND ECONOMIC INFORMATION | 89-91 |
| These schedules present information to help the reader understand the environment within which Metro Fire’s financial activities take place. | |
| <ol style="list-style-type: none">1. Demographic Statistics2. Demographic and Economic Statistics3. Private Sector Principal Employers | |
| OPERATING INFORMATION | 92-99 |
| These schedules contain service and infrastructure data to help the reader understand how the information in Metro Fire’s financial report relates to the services it provides and the activities it performs. | |
| <ol style="list-style-type: none">1. Summary of District Activities2. Total Responses3. Emergency Response Detail Analysis4. Emergency Response – Percent of Total Response by Type5. Service-connected Injury/Illness Report6. Staffing Summary7. Capital Asset Statistics by Function | |

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



(IN THOUSANDS)

| | 2010 | 2011 | 2012 | 2013 | 2014 | (a) 2015 | 2016 | 2017 | (a) 2018 | 2019 |
|----------------------------------|-----------|-----------|-----------|-----------|-----------|--------------|--------------|--------------|--------------|--------------|
| Governmental Activities | | | | | | | | | | |
| Net Investment in capital assets | \$ 74,713 | \$ 80,148 | \$ 69,132 | \$ 71,966 | \$ 71,375 | \$ 71,615 | \$ 71,132 | \$ 70,897 | \$ 69,839 | \$ 74,969 |
| Restricted | 7,609 | 2,901 | 9,507 | 5,698 | 2,523 | 2,099 | 3,673 | 5,974 | 5,667 | 7,919 |
| Unrestricted | (18,476) | (40,160) | (49,310) | (45,775) | (42,691) | (426,074) | (412,546) | (433,299) | (665,709) | (652,860) |
| Total net position | \$63,846 | \$42,890 | \$29,328 | \$31,889 | \$31,207 | \$ (352,360) | \$ (337,741) | \$ (356,429) | \$ (590,203) | \$ (569,972) |

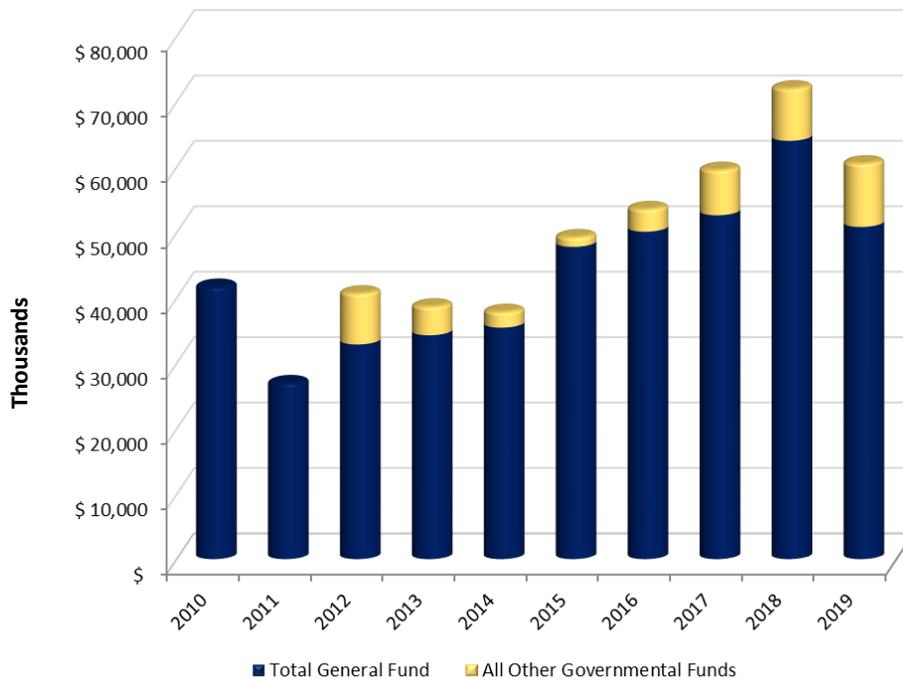
(a) In 2015, Metro Fire implemented GASB 68 which required the recognition of net pension liability and related deferrals in the Statement of Net Position instead of just providing a note disclosure. In 2018, GASB 75 was implemented which also required the recognition of the net OPEB liability and related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

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

(IN THOUSANDS)

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|------------|------------|------------|------------|------------|--------------|--------------|--------------|--------------|--------------|
| EXPENSES | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Public Protection | \$ 152,208 | \$ 154,796 | \$ 154,206 | \$ 147,677 | \$ 157,119 | \$ 171,186 | \$ 160,884 | \$ 213,097 | \$ 232,831 | \$ 206,134 |
| Interest on Long-Term Debt | 3,872 | 4,139 | 4,580 | 4,484 | 4,412 | 4,383 | 4,338 | 4,271 | 4,198 | 3,458 |
| Depreciation | 3,841 | 3,864 | 3,507 | 4,461 | 4,612 | 3,930 | 4,070 | 4,721 | 4,628 | 5,434 |
| Loss on disposal of assets | - | 132 | 46 | 448 | - | 688 | 448 | - | 91 | - |
| Total Government Activities | 159,920 | 162,930 | 162,339 | 157,070 | 166,143 | 180,186 | 169,740 | 222,089 | 241,747 | 215,026 |
| PROGRAM REVENUES | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Charges for Services | 19,571 | 20,356 | 30,149 | 39,473 | 47,286 | 63,061 | 53,124 | 63,902 | 80,537 | 72,147 |
| Operating Grants and Contributions | 4,288 | 5,170 | 5,469 | 4,007 | 920 | 2,737 | 333 | 1,037 | 1,794 | 398 |
| Capital Grants and Contributions | 83 | 1,909 | - | 3,940 | 1,380 | 857 | 206 | 370 | - | 5,000 |
| Total Program Revenues | 23,942 | 27,435 | 35,618 | 47,420 | 49,586 | 66,655 | 53,663 | 65,309 | 82,331 | 77,545 |
| NET (EXPENSES)/REVENUE | | | | | | | | | | |
| Total Net Expense | (135,978) | (135,495) | (126,721) | (109,650) | (116,557) | (113,532) | (116,076) | (156,779) | (159,416) | (137,481) |
| GENERAL REVENUES (EXPENSES) | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Property Taxes | 114,845 | 111,182 | 108,310 | 105,260 | 111,089 | 119,475 | 125,343 | 131,875 | 141,519 | 149,288 |
| Intergovernmental | 4,171 | 3,366 | 3,972 | 5,545 | 2,698 | 3,532 | 3,554 | 4,107 | 4,234 | 4,559 |
| Rent and others | 327 | 101 | 718 | 1,012 | 985 | 1,048 | 1,353 | 951 | 425 | 2,025 |
| Miscellaneous | 197 | (109) | 158 | 394 | 1,103 | 137 | 446 | 1,158 | 1,624 | 1,841 |
| Total General Revenues | 119,539 | 114,539 | 113,159 | 112,211 | 115,874 | 124,192 | 130,695 | 138,092 | 147,802 | 157,712 |
| CHANGE IN NET POSITION | | | | | | | | | | |
| Governmental Activities | (16,439) | (20,956) | (13,561) | 2,560 | (682) | 10,660 | 14,619 | (18,688) | (11,615) | 20,231 |
| Net Position | 80,285 | 63,846 | 42,890 | 29,328 | 31,889 | 31,207 | (352,360) | (337,741) | (356,429) | (590,203) |
| Prior period Adjustment | - | - | - | - | - | (394,227) | - | - | (222,160) | - |
| Net Position, Beginning of year-as restated | 80,285 | 63,846 | 42,890 | 29,328 | 31,889 | (363,020) | (352,360) | (337,741) | (578,588) | (590,203) |
| Net Position, End of year | \$ 63,846 | \$ 42,890 | \$ 29,328 | \$ 31,889 | \$ 31,207 | \$ (352,360) | \$ (337,741) | \$ (356,429) | \$ (590,203) | \$ (569,972) |

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



(IN THOUSANDS)

| | 2010 | (a) 2011 | (b) 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| GENERAL FUND | | | | | | | | | | |
| Reserved | \$ 9,980 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unreserved | 31,620 | - | - | - | - | - | - | - | - | - |
| Nonspendable | - | 2,866 | 2,836 | 2,710 | 3,061 | 3,183 | 2,914 | 2,406 | 2,830 | 3,429 |
| Restricted | - | 2,901 | 1,726 | 468 | 113 | 369 | 311 | 171 | 124 | 278 |
| Committed | - | 13,622 | 17,050 | 15,882 | 19,129 | 21,031 | 23,977 | 26,248 | 28,860 | 6,061 (c) |
| Unassigned | - | 7,470 | 11,207 | 15,161 | 13,084 | 23,156 | 22,854 | 23,744 | 32,132 | 41,014 |
| Total General Fund | \$ 41,600 | \$ 26,858 | \$ 32,819 | \$ 34,220 | \$ 35,387 | \$ 47,739 | \$ 50,056 | \$ 52,569 | \$ 63,946 | \$ 50,781 |
| ALL OTHER GOVERNMENTAL | | | | | | | | | | |
| Nonspendable | | | \$ 3 | \$ 671 | \$ - | \$ - | \$ 17 | \$ - | \$ 953 | \$ - |
| Restricted | | | 7,781 | 3,920 | 2,363 | 1,680 | 3,409 | 6,900 | 6,266 | 8,768 |
| Committed | | | - | - | - | - | - | - | 767 | 910 |
| Unassigned | | | (22) | (225) | - | (238) | - | - | - | - |
| Total all other Governmental funds | | | \$ 7,761 | \$ 4,366 | \$ 2,363 | \$ 1,442 | \$ 3,426 | \$ 6,900 | \$ 7,986 | \$ 9,678 |

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

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

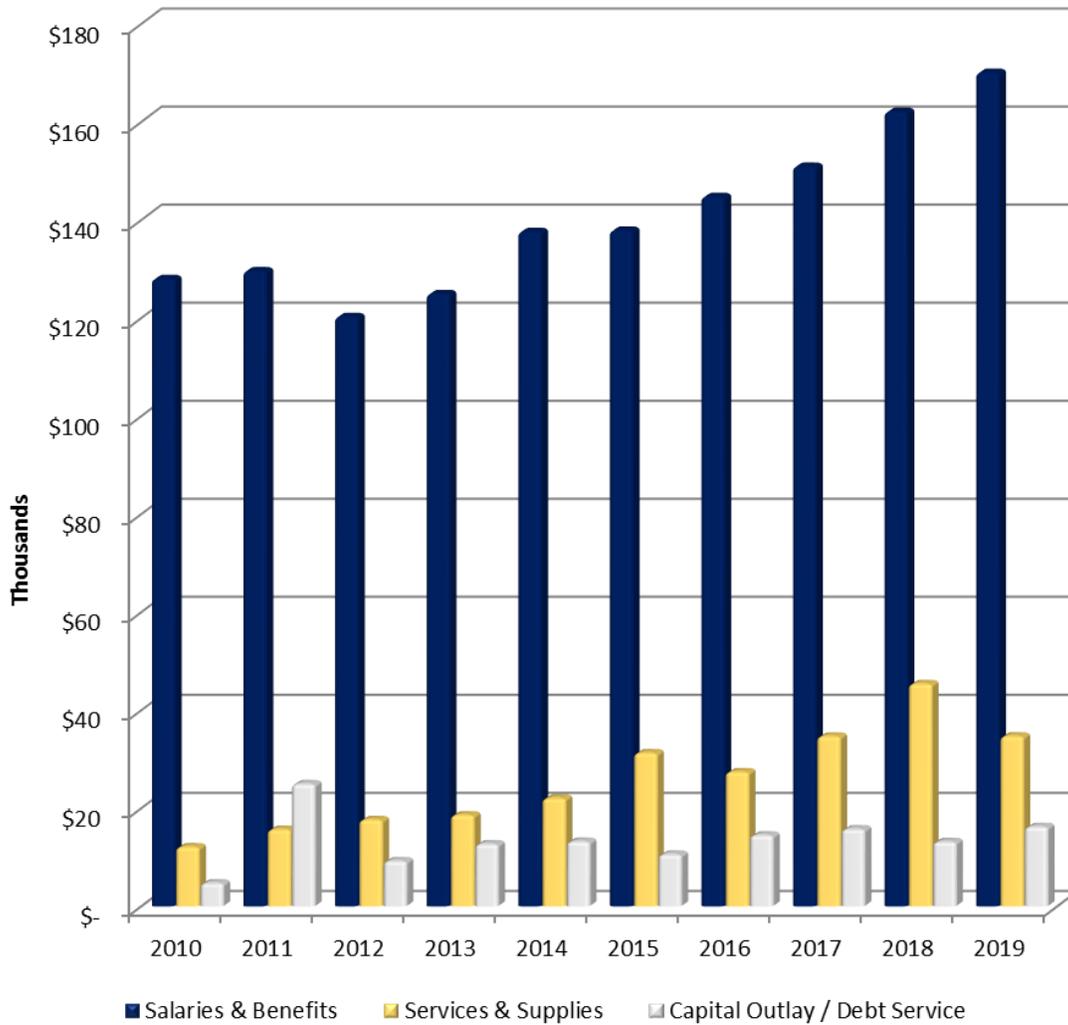
(c) As discussed in Note 5-A, Metro Fire retired its Series C Pension Bonds for \$25,500,000 in the current fiscal year. The funds used to pay its bondholders came from committed funds in the general fund.

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

(IN THOUSANDS)

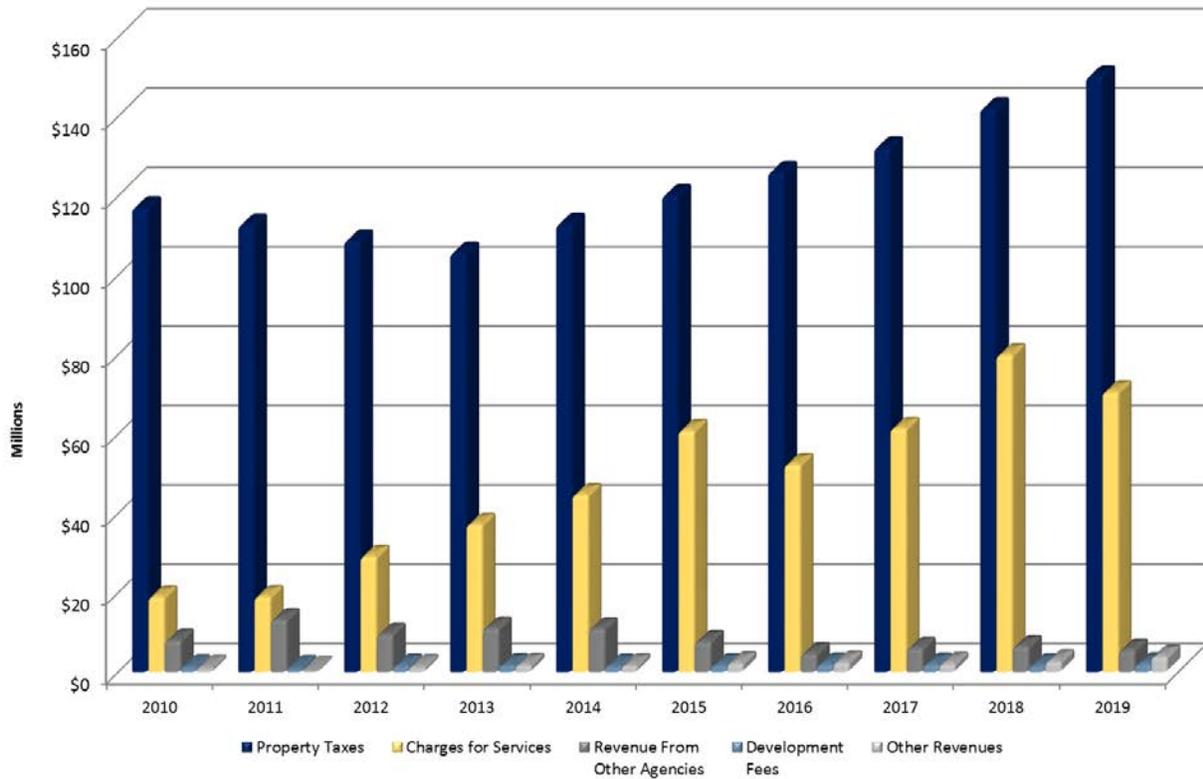
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|-----------------|--------------------|------------------|-------------------|-----------------|------------------|-----------------|-----------------|------------------|--------------------|
| REVENUES | | | | | | | | | | |
| Property taxes | \$ 116,509 | \$ 112,080 | \$ 108,149 | \$ 105,058 | \$ 112,297 | \$ 119,575 | \$ 125,443 | \$ 131,575 | \$ 141,419 | \$ 149,457 |
| Intergovernmental revenues | 7,503 | 12,730 | 9,019 | 10,562 | 10,415 | 7,199 | 4,141 | 5,520 | 5,966 | 5,019 |
| Charges for services | 18,464 | 18,521 | 28,646 | 36,711 | 44,208 | 60,343 | 51,788 | 60,911 | 79,380 | 70,078 |
| Development Fees | 893 | 671 | 1,153 | 1,326 | 1,092 | 1,257 | 1,528 | 1,506 | 1,232 | 1,601 |
| Use of money and property | 327 | 101 | 522 | 1,015 | 1,019 | 1,084 | 1,433 | 994 | 425 | 1,755 |
| Miscellaneous | 454 | 159 | 452 | 401 | 234 | 777 | 632 | 724 | 1,861 | 1,737 |
| Total Revenues | 144,150 | 144,262 | 147,940 | 155,072 | 169,265 | 190,235 | 184,965 | 201,230 | 230,283 | 229,646 |
| EXPENDITURES | | | | | | | | | | |
| Current: | | | | | | | | | | |
| Public protection | 140,182 | 145,363 | 137,989 | 143,613 | 159,725 | 169,216 | 172,225 | 185,675 | 207,553 | 204,866 |
| Capital outlay | 740 | 20,790 | 2,735 | 5,665 | 5,912 | 2,593 | 5,793 | 7,250 | 3,188 | 6,142 |
| Debt service: | | | | | | | | | | |
| Principal repayment | 1,045 | 1,236 | 2,965 | 3,556 | 3,964 | 4,732 | 5,587 | 5,513 | 7,078 | 7,296 |
| Interest and fiscal charges | 2,988 | 2,974 | 3,587 | 3,516 | 3,380 | 3,297 | 3,155 | 3,027 | 2,938 | 2,826 |
| Total Expenditures | 144,954 | 170,362 | 147,276 | 156,349 | 172,982 | 179,837 | 186,760 | 201,465 | 220,756 | 221,130 |
| Excess (deficiency) of revenues over (under) expenditures | (804) | (26,100) | 664 | (1,277) | (3,716) | 10,398 | (1,794) | (235) | 9,527 | 8,516 |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | |
| Proceeds from debt | - | - | 13,046 | - | - | - | - | - | - | - |
| Issuance of capital leases | - | 11,226 | - | - | 2,880 | 849 | 6,005 | 6,207 | 2,925 | 5,232 |
| Sale of capital assets | 631 | 133 | 13 | 46 | - | 184 | 91 | 13 | 12 | 280 |
| Transfers in | - | - | - | 86 | 504 | 538 | 3,266 | 5,022 | 3,842 | 5,174 |
| Transfers out | - | - | - | (86) | (504) | (538) | (3,266) | (5,022) | (3,842) | (5,174) |
| Total other financing sources (uses) | 631 | 11,359 | 13,059 | 46 | 2,880 | 1,033 | 6,096 | 6,220 | 2,937 | 5,511 |
| SPECIAL ITEM | | | | | | | | | | |
| Early retirement of debt | - | - | - | - | - | - | - | - | - | (25,500) |
| Net Change in fund balances | \$ (173) | \$ (14,741) | \$ 13,722 | \$ (1,230) | \$ (836) | \$ 11,431 | \$ 4,302 | \$ 5,985 | \$ 12,464 | \$ (11,473) |
| Debt service as a percentage of noncapital expenditures | 2.8% | 2.8% | 4.5% | 4.7% | 4.4% | 4.5% | 4.8% | 4.4% | 4.6% | 4.7% |

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



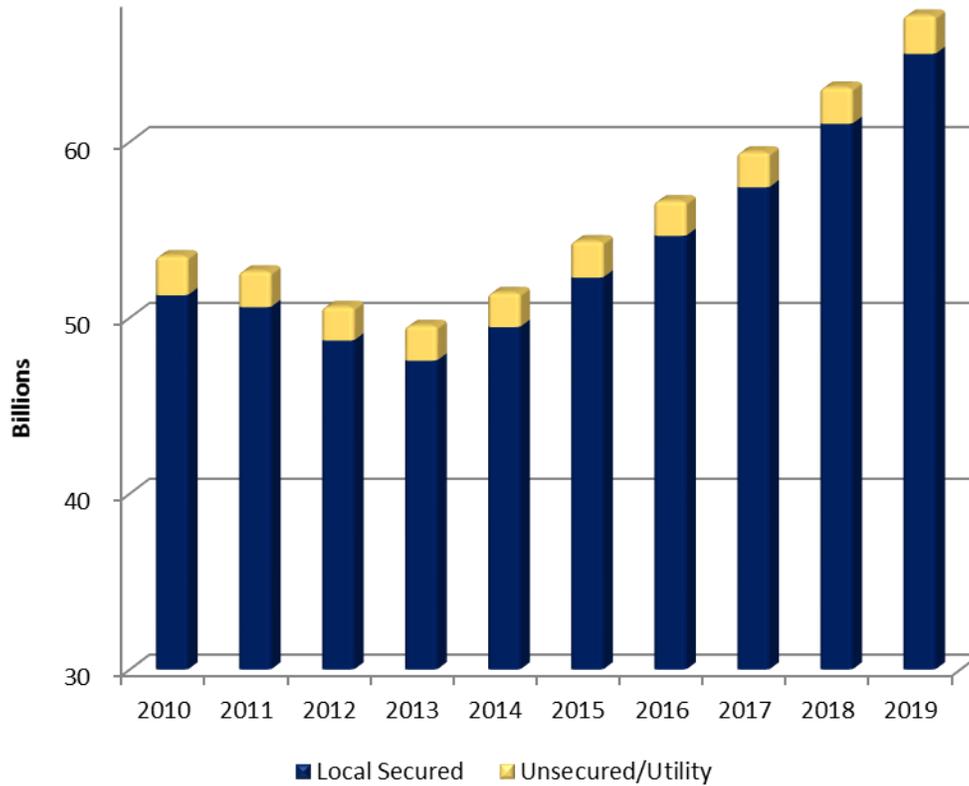
| <u>Fiscal Year</u> | <u>Salaries & Benefits</u> | <u>Services & Supplies</u> | <u>Capital Outlay / Debt Service</u> | <u>Total</u> |
|--------------------|--------------------------------|--------------------------------|--------------------------------------|----------------|
| 2010 | \$ 128,045,471 | \$ 12,136,337 | \$ 4,772,250 | \$ 144,954,058 |
| 2011 | 129,650,797 | 15,711,906 | 24,999,569 | 170,362,272 |
| 2012 | 120,307,666 | 17,681,749 | 9,286,859 | 147,276,274 |
| 2013 | 124,975,145 | 18,637,441 | 12,736,479 | 156,349,065 |
| 2014 | 137,655,149 | 22,070,292 | 13,256,316 | 172,981,757 |
| 2015 | 137,900,260 | 31,315,336 | 10,621,731 | 179,837,327 |
| 2016 | 144,787,467 | 27,437,632 | 14,534,802 | 186,759,901 |
| 2017 | 150,963,327 | 34,712,039 | 15,789,537 | 201,464,903 |
| 2018 | 162,144,725 | 45,407,883 | 13,203,330 | 220,755,938 |
| 2019 | 170,126,581 | 34,739,840 | 16,263,739 | 221,130,160 |

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



| Fiscal Year | Property Taxes | Charges for Services | Revenue From Other Agencies | Development Fees | Other Revenues | Total |
|-------------|----------------|----------------------|-----------------------------|------------------|----------------|----------------|
| 2010 | \$ 116,508,904 | \$ 18,464,189 | \$ 7,503,415 | \$ 893,121 | \$ 780,699 | \$ 144,150,328 |
| 2011 | 112,080,077 | 18,521,065 | 12,730,378 | 670,997 | 259,364 | 144,261,881 |
| 2012 | 108,148,609 | 28,645,724 | 9,019,099 | 1,152,633 | 973,898 | 147,939,963 |
| 2013 | 105,058,038 | 36,710,780 | 10,561,785 | 1,326,406 | 1,415,487 | 155,072,496 |
| 2014 | 112,297,471 | 44,207,768 | 10,415,420 | 1,092,120 | 1,252,528 | 169,265,307 |
| 2015 | 119,575,421 | 60,343,284 | 7,198,784 | 1,257,063 | 1,860,770 | 190,235,322 |
| 2016 | 125,442,598 | 51,788,463 | 4,141,009 | 1,528,101 | 2,065,316 | 184,965,487 |
| 2017 | 131,575,144 | 60,910,756 | 5,519,514 | 1,506,440 | 1,718,002 | 201,229,856 |
| 2018 | 141,419,059 | 79,380,313 | 5,966,037 | 1,231,621 | 2,285,744 | 230,282,774 |
| 2019 | 149,456,508 | 70,077,572 | 5,018,804 | 1,600,941 | 3,492,180 | 229,646,005 |

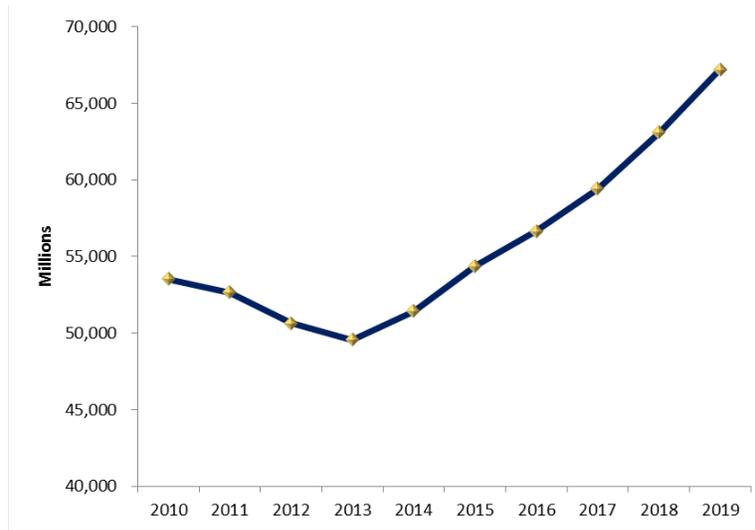
**SACRAMENTO METROPOLITAN FIRE DISTRICT
ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**



| <u>Fiscal Year</u> | <u>Local Secured</u> | <u>Unsecured</u> | <u>Utility</u> | <u>Total Assessed Value</u> |
|--------------------|----------------------|------------------|----------------|-----------------------------|
| 2010 | \$ 51,286,454,165 | \$ 2,222,237,544 | \$ 2,935,847 | \$ 53,511,627,556 |
| 2011 | 50,609,340,722 | 2,004,513,815 | 27,666,847 | 52,641,521,384 |
| 2012 | 48,712,749,798 | 1,901,522,231 | 10,268,185 | 50,624,540,214 |
| 2013 | 47,566,618,901 | 1,966,760,711 | 12,397,271 | 49,545,776,883 |
| 2014 | 49,477,107,848 | 1,929,129,291 | 12,293,600 | 51,418,530,739 |
| 2015 | 52,288,258,939 | 2,056,903,763 | 12,374,963 | 54,357,537,665 |
| 2016 | 54,665,273,502 | 1,958,102,943 | 14,281,090 | 56,637,657,535 |
| 2017 | 57,422,958,579 | 1,975,992,652 | 14,666,412 | 59,413,617,643 |
| 2018 | 61,032,287,650 | 2,046,388,502 | 15,203,547 | 63,093,879,699 |
| 2019 | 65,006,172,245 | 2,168,642,105 | 17,833,905 | 67,192,648,255 |

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 | Residential Property | Commercial Property | Industrial Property | Other | Total |
|-------------|----------------------|---------------------|---------------------|------------------|-------------------|
| 2010 | \$ 38,267,668,930 | \$ 8,644,902,951 | \$ 2,485,846,802 | \$ 1,890,971,329 | \$ 51,289,390,012 |
| 2011 | 37,865,205,638 | 8,547,572,892 | 2,425,431,997 | 1,798,797,042 | 50,637,007,569 |
| 2012 | 36,810,616,937 | 7,964,084,210 | 2,437,897,478 | 1,510,419,358 | 48,723,017,983 |
| 2013 | 35,881,502,392 | 7,836,158,353 | 2,438,471,837 | 1,422,883,590 | 47,579,016,172 |
| 2014 | 38,324,932,712 | 7,457,564,962 | 2,322,976,102 | 1,383,927,672 | 49,489,401,448 |
| 2015 | 41,305,538,059 | 7,306,871,726 | 2,239,426,342 | 1,448,797,775 | 52,300,633,902 |
| 2016 | 43,266,191,121 | 7,542,297,469 | 2,302,158,204 | 1,568,907,798 | 54,679,554,592 |
| 2017 | 45,560,923,825 | 7,865,309,908 | 2,375,680,303 | 1,635,710,955 | 57,437,624,991 |
| 2018 | 48,540,703,558 | 8,268,423,631 | 2,505,362,207 | 1,733,001,801 | 61,047,491,197 |
| 2019 | 51,775,767,454 | 8,660,293,077 | 2,697,351,672 | 1,890,593,947 | 65,024,006,150 |

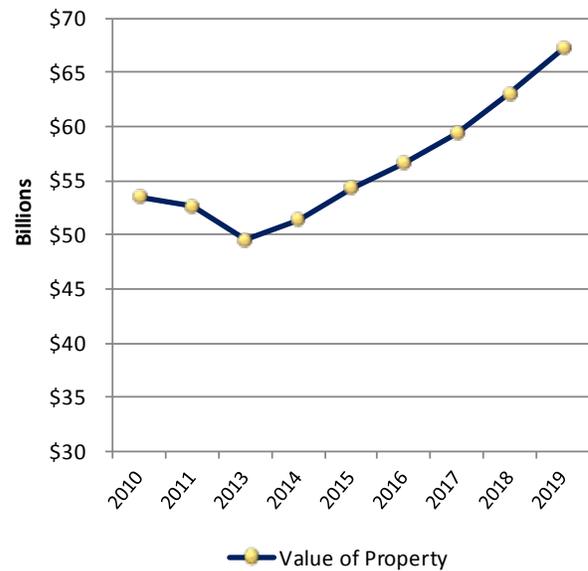
Total Assessed Values

| Fiscal Year | Total Real Secured Property | Unsecured Property | Total Assessed (a) | Estimated Full Market (a) | Total Direct Tax Rate (b) |
|-------------|-----------------------------|--------------------|--------------------|---------------------------|---------------------------|
| 2010 | \$ 51,289,390,012 | \$ 2,222,237,544 | \$ 53,511,627,556 | \$ 53,511,627,556 | 1% |
| 2011 | 50,637,007,569 | 2,004,513,815 | 52,641,521,384 | 52,641,521,384 | 1% |
| 2012 | 48,723,017,983 | 1,901,522,231 | 50,624,540,214 | 50,624,540,214 | 1% |
| 2013 | 47,579,016,172 | 1,966,760,711 | 49,545,776,883 | 49,545,776,883 | 1% |
| 2014 | 49,489,401,448 | 1,929,129,291 | 51,418,530,739 | 51,418,530,739 | 1% |
| 2015 | 52,300,633,902 | 2,056,903,763 | 54,357,537,665 | 54,357,537,665 | 1% |
| 2016 | 54,679,554,592 | 1,958,102,943 | 56,637,657,535 | 56,637,657,535 | 1% |
| 2017 | 57,437,624,991 | 1,975,992,652 | 59,413,617,643 | 59,413,617,643 | 1% |
| 2018 | 61,047,491,197 | 2,046,388,502 | 63,093,879,699 | 63,093,879,699 | 1% |
| 2019 | 65,024,006,150 | 2,168,642,105 | 67,192,648,255 | 67,192,648,255 | 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 |
|-------------|----------------|---------------------|---|---|
| 2010 | \$ 116,508,904 | \$ 116,508,904 | 100% | \$ 53,511,627,556 |
| 2011 | 112,080,077 | 112,080,077 | 100% | 52,641,521,384 |
| 2012 | 108,148,609 | 108,148,609 | 100% | 50,624,540,214 |
| 2013 | 105,058,038 | 105,058,038 | 100% | 49,545,776,883 |
| 2014 | 112,297,471 | 112,297,471 | 100% | 51,418,530,739 |
| 2015 | 119,575,421 | 119,575,421 | 100% | 54,357,537,665 |
| 2016 | 125,442,598 | 125,442,598 | 100% | 56,637,657,535 |
| 2017 | 131,575,144 | 131,575,144 | 100% | 59,413,617,643 |
| 2018 | 141,419,059 | 141,419,059 | 100% | 63,093,879,699 |
| 2019 | 149,456,508 | 149,456,058 | 100% | 67,192,648,255 |

(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 TEN 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 |
| 2016 | 1.0000 | 0.0091 | 0.1547 | 1.1638 |
| 2017 | 1.0000 | 0.0141 | 0.1522 | 1.1663 |
| 2018 | 1.0000 | 0.0130 | 0.2115 | 1.2245 |
| 2019 | 1.0000 | 0.0131 | 0.1993 | 1.2124 |

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.

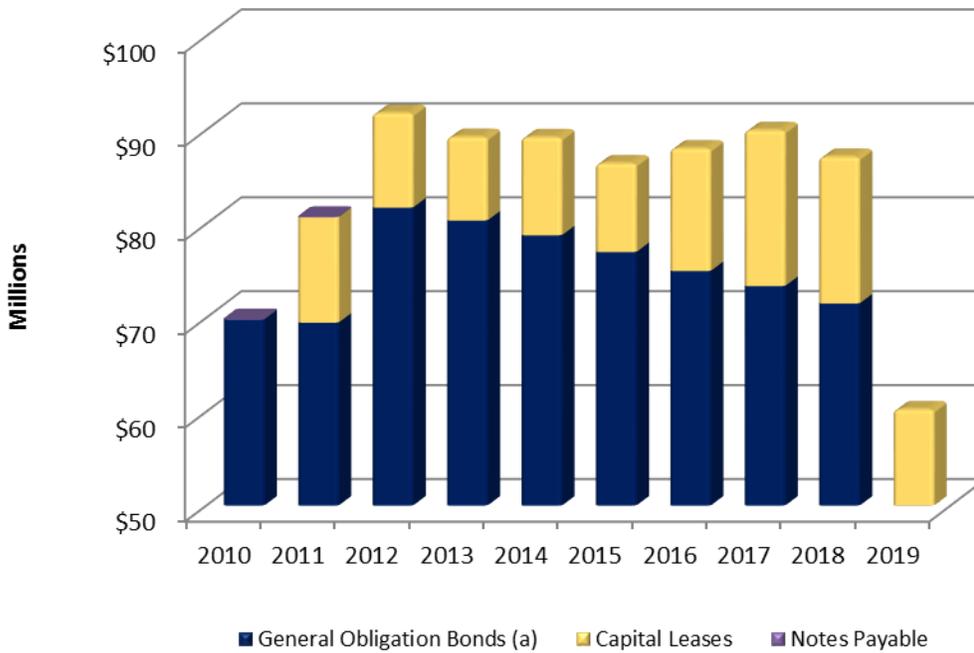
Source: California Municipal Statistics, Inc.

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

| Taxpayer | 2019 | | | 2010 | | |
|-----------------------------------|-------------------------|------|------------------------------------|-------------------------|------|------------------------------------|
| | Taxable Assessed Value | Rank | Percentage of Total Assessed Value | Taxable Assessed Value | Rank | Percentage of Total Assessed Value |
| Ethan Conrad | \$ 211,361,530 | 1 | 0.31% | | | |
| Walmart Real Estate BSNS Trust | 190,582,667 | 2 | 0.28% | \$ 127,713,451 | 4 | 0.24% |
| Aerojet Rocketdyne Inc | 187,355,211 | 3 | 0.28% | 152,505,519 | 3 | 0.28% |
| Mp Holdings LLC | 178,148,843 | 4 | 0.27% | 123,811,627 | 5 | |
| California-American Water Company | 149,687,104 | 5 | 0.22% | | | |
| Comcast | 129,369,757 | 6 | 0.19% | 123,525,383 | 6 | 0.23% |
| Ampac Fine Chemicals LLC | 107,914,457 | 7 | 0.16% | 185,092,347 | 1 | 0.35% |
| Oakmont Props | 103,649,850 | 8 | 0.15% | | | |
| A Teichert And Son Inc. | 96,744,802 | 9 | 0.14% | 112,310,482 | 9 | 0.21% |
| SY Howe Arden LLC | 86,841,904 | 10 | 0.13% | | | |
| Donahue Schriber Realty Group | | | | 161,574,395 | 2 | 0.30% |
| Xojet Inc | | | | 123,279,667 | 7 | 0.23% |
| Steadfast Sunrise LLC | | | | 114,174,050 | 8 | 0.21% |
| PGOCC LLC | | | | 109,203,464 | 10 | 0.20% |
| | <u>\$ 1,441,656,125</u> | | <u>2.13%</u> | <u>\$ 1,333,190,385</u> | | <u>2.25%</u> |

Source: Sacramento County Assessor 2009/10 and 2018/19 Tax Rolls

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



| Fiscal Year | Bonds ^(a) | Capital Leases | Notes Payable | Total Primary Government | Percentage of Personal Income ^(b) | Debt per Capita ^(b) |
|-------------|----------------------|----------------|---------------|--------------------------|--|--------------------------------|
| 2010 | \$ 69,810,255 | \$ - | \$ 85,000 | \$ 69,895,255 | 0.26% | \$ 97 |
| 2011 | 69,482,600 | 11,226,000 | 75,000 | 80,783,600 | 0.30% | 114 |
| 2012 | 81,734,401 | 10,076,000 | - | 91,810,401 | 0.32% | 129 |
| 2013 | 80,356,845 | 8,895,000 | - | 89,251,845 | 0.30% | 125 |
| 2014 | 78,790,389 | 10,430,752 | - | 89,221,141 | 0.28% | 124 |
| 2015 | 77,002,581 | 9,447,809 | - | 86,450,390 | 0.27% | 119 |
| 2016 | 74,982,507 | 13,061,097 | - | 88,043,604 | 0.26% | 119 |
| 2017 | 73,372,966 | 16,605,506 | - | 89,978,472 | 0.25% | 121 |
| 2018 | 71,527,785 | 15,607,580 | - | 87,135,365 | 0.23% | 116 |
| 2019 | 44,018,774 | 16,233,713 | - | 60,252,487 | 0.15% | 80 |

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

(b) See page 89 (Demographic Statistics) for population data and page 90 for personal income. Debt per capita decreased significantly due to the early retirement of a pension bond series amounting to \$25.5 million.

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

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

| Fiscal Year | General Obligation Bonds^(a) | Less: Amounts Restricted for Debt Service^(b) | Net General Bonded Debt | Ratio of Net General Bonded Debt to Estimated Actual Taxable Value of Property^(c) | Per Capita^(d) |
|--------------------|---|--|--------------------------------|---|---------------------------------|
| 2010 | \$ 69,810,255 | \$ - | \$ 69,810,255 | 0.13% | \$ 97 |
| 2011 | 69,482,600 | - | 69,482,600 | 0.13% | 98 |
| 2012 | 69,010,180 | - | 69,010,180 | 0.14% | 97 |
| 2013 | 68,375,545 | - | 68,375,545 | 0.14% | 96 |
| 2014 | 67,572,010 | - | 67,572,010 | 0.13% | 94 |
| 2015 | 66,582,123 | - | 66,582,123 | 0.12% | 92 |
| 2016 | 65,394,970 | - | 65,394,970 | 0.12% | 89 |
| 2017 | 63,998,350 | - | 63,998,350 | 0.11% | 86 |
| 2018 | 62,371,090 | - | 62,371,090 | 0.10% | 83 |
| 2019 | 35,090,000 | - | 35,090,000 | 0.05% | 46 |

(a) Comprised of Pension Obligation Bonds.

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

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

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

SACRAMENTO METROPOLITAN FIRE DISTRICT
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2019

| <u>2018-19 Assessed Valuation:</u> \$66,713,228,757 | Total Debt | | Amount Applicable |
|---|-------------------|-----------------------------|--|
| | Outstanding | % Applicable ⁽¹⁾ | to Metro Fire |
| OVERLAPPING TAX AND ASSESSMENT DEBT | | | |
| Los Rios Community College District | \$ 396,190,000 | 32.174% | \$ 127,470,171 |
| Center Joint Unified School District | 36,086,889 | 89.190% | 32,185,896 |
| Folsom Cordova USD School Facilities Improvement District Nos. 1, 2, 3 and 4 | 375,224,397 | 0.014-100% | 167,754,916 |
| Sacramento Unified School District | 470,327,966 | 10.632% | 50,005,269 |
| San Juan Unified School District | 606,880,956 | 96.466% | 585,433,783 |
| Twin Rivers Unified School District (former Grant Joint Union High School District Bonds) | 209,003,775 | 43.204% | 90,297,991 |
| Twin Rivers Unified School District (former Elementary School District Bonds) | 62,885,000 | 50.943% | 32,035,506 |
| Other School Districts | 705,229,094 | Various | 82,757,318 |
| Fair Oaks Recreation and Park District | 9,435,000 | 100.000% | 9,435,000 |
| Dry Creek Joint School District Community Facilities District No. 1 | 6,696,979 | 100.000% | 6,696,979 |
| Elk Grove Unified School District Community Facilities District No. 1 | 197,766,133 | 29.467% | 58,275,746 |
| City of Rancho Cordova Community Facilities District No. 2003-1, 2004-1 and 2005-1 | 97,605,000 | 100.000% | 97,605,000 |
| Other Community Facilities Districts | 77,750,000 | 100.000% | 77,750,000 |
| 1915 Act and Benefit Assessment Bonds | 278,614,190 | Various | 76,679,069 |
| TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT | | | \$ 1,494,382,644 |
| DIRECT AND OVERLAPPING GENERAL FUND DEBT | | | |
| Sacramento County General Fund Obligations | \$ 174,027,519 | 41.406% | \$ 72,057,835 |
| Sacramento County Pension Obligation Bonds | 885,670,052 | 41.406% | 366,720,542 |
| Sacramento County Board of Education Certificates of Participation | 3,975,000 | 41.406% | 1,645,889 |
| Folsom-Cordova Unified School District Certificates of Participation | 6,455,000 | 35.902% | 2,317,474 |
| Sacramento Unified School District Certificates of Participation | 63,120,000 | 10.632% | 6,710,918 |
| San Juan Unified School District Certificates of Participation | 126,302 | 96.466% | 121,838 |
| Twin Rivers Unified School District Certificates of Participation | 60,440,000 | 43.204% | 26,112,498 |
| Other School District Certificates of Participation | 16,769,544 | Various | 4,241,817 |
| City of Folsom General Fund Obligations | 1,930,991 | 0.722% | 13,942 |
| City of Rancho Cordova Certificates of Participation | 15,020,000 | 100.000% | 15,020,000 |
| City of Sacramento Certificates of Participation | 653,260,000 | 0.0004% | 2,613 |
| Sacramento Metropolitan Fire District Pension Obligation Bonds | 35,090,000 | 100.000% | 35,090,000 |
| Sacramento Metropolitan Fire District Lease Revenue Bonds | 8,928,774 | 100.000% | 8,928,774 |
| Sacramento Metropolitan Fire District Capital leases | 16,233,713 | 100.000% | 16,233,713 |
| Arcade Creek Recreation and Park District Certificates of Participation | 265,200 | 98.804% | 262,028 |
| Cordova Recreation and Park District Certificates of Participation | 7,514,131 | 100.000% | 7,514,131 |
| Fulton-El Camino Recreation and Park District Certificates of Participation | 1,190,000 | 82.910% | 986,629 |
| Sunrise Recreation and Park District Certificates of Participation | 5,685,000 | 100.000% | 5,685,000 |
| TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT | | | 569,665,641 |
| Less: City of Sacramento supported obligations | | | (7,058,696) |
| TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT | | | \$ 562,606,945 |
| OVERLAPPING TAX INCREMENT DEBT | | | |
| Successor Agency | \$ 65,445,000 | 100.00% | \$ 65,445,000 |
| TOTAL DIRECT DEBT | | | \$ 44,018,774 |
| TOTAL GROSS OVERLAPPING DEBT | | | \$ 2,085,474,512 ⁽²⁾ |
| TOTAL NET OVERLAPPING DEBT | | | \$ 2,078,415,816 |
| GROSS COMBINED TOTAL DEBT | | | \$ 2,129,493,286 |
| NET COMBINED TOTAL DEBT | | | \$ 2,122,434,590 |

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

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

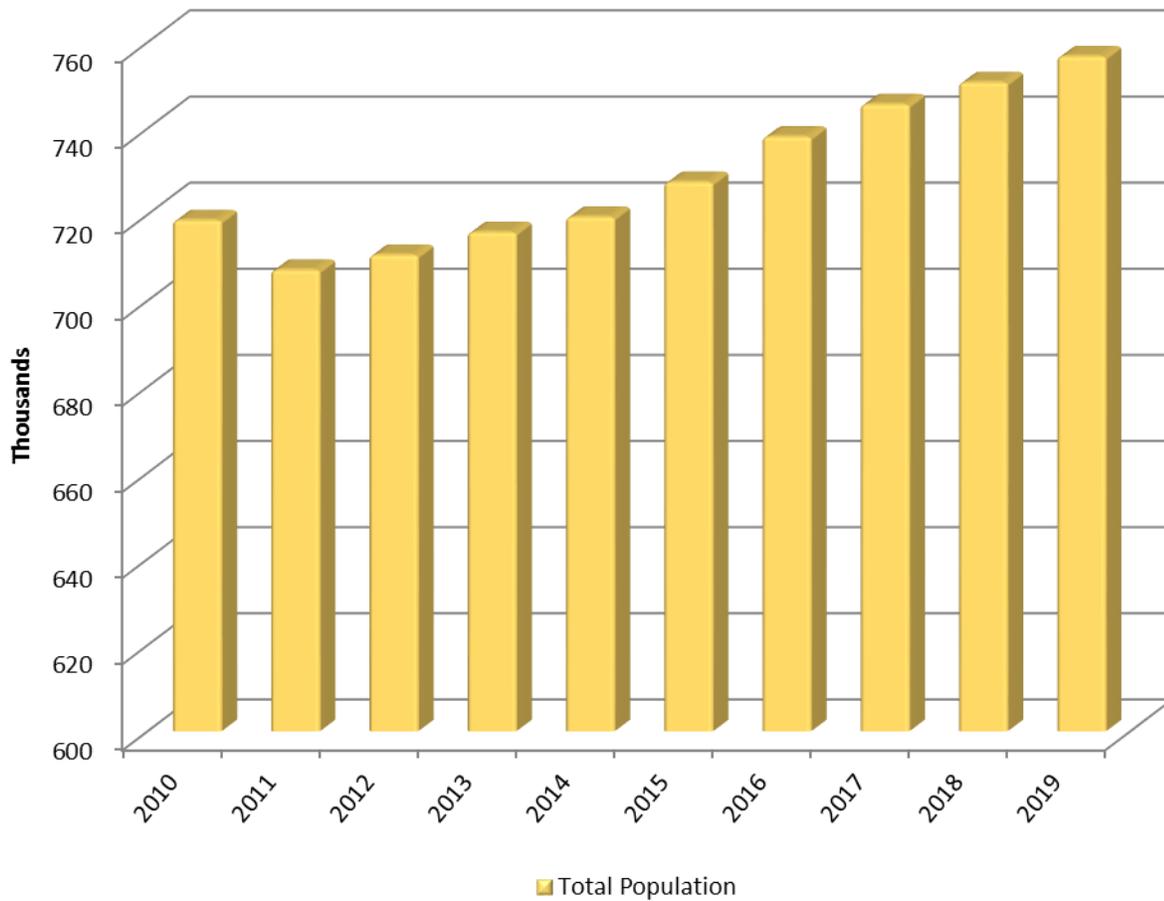
**SACRAMENTO METROPOLITAN FIRE DISTRICT
COMPUTATION OF LEGAL BONDED DEBT MARGIN
JUNE 30, 2019**

| | | |
|----------------------------------|---------------|-------------------|
| Assessed Valuation | | \$ 67,192,648,255 |
| Debt Margin Ratio ^(a) | | 2.50% |
| Bonded Debt Limit | | 1,679,816,206 |
| Outstanding Debt | | |
| Total Bonded Debt | \$ 44,018,774 | |
| Less Amounts in Sinking Fund | (2,751,951) | |
| Total Applicable Debt | | 41,266,823 |
| Legal Debt Margin | | \$ 1,638,549,383 |

| Fiscal Year | Debt Limit | Total Net Debt Applicable to Limit | Legal Debt Margin | Percentage of Legal Debt Margin Available |
|-------------|------------------|---------------------------------------|-------------------|---|
| 2010 | \$ 1,337,790,689 | \$ 62,043,174 | \$ 1,275,747,514 | 95.36% |
| 2011 | 1,316,038,035 | 61,715,718 | 1,254,322,317 | 95.31% |
| 2012 | 1,265,613,505 | 71,250,940 | 1,194,362,566 | 94.37% |
| 2013 | 1,238,644,422 | 67,520,602 | 1,171,123,820 | 94.55% |
| 2014 | 1,285,463,268 | 62,731,619 | 1,222,731,649 | 95.12% |
| 2015 | 1,358,938,442 | 59,068,787 | 1,299,869,655 | 95.65% |
| 2016 | 1,415,941,438 | 54,130,874 | 1,361,810,564 | 96.18% |
| 2017 | 1,485,340,441 | 50,446,930 | 1,434,893,511 | 96.60% |
| 2018 | 1,577,346,992 | 45,986,590 | 1,531,360,402 | 97.08% |
| 2019 | 1,679,816,206 | 41,266,823 | 1,638,549,383 | 97.54% |

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

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

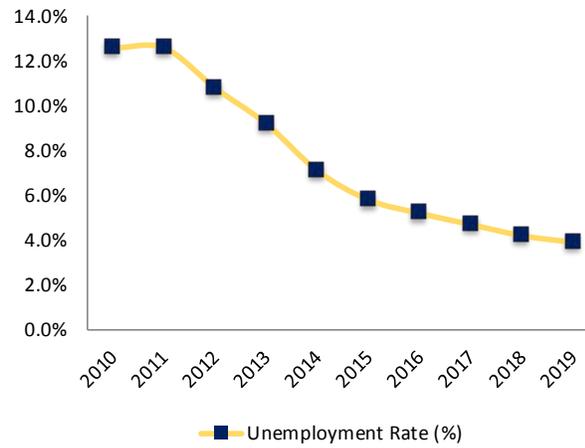
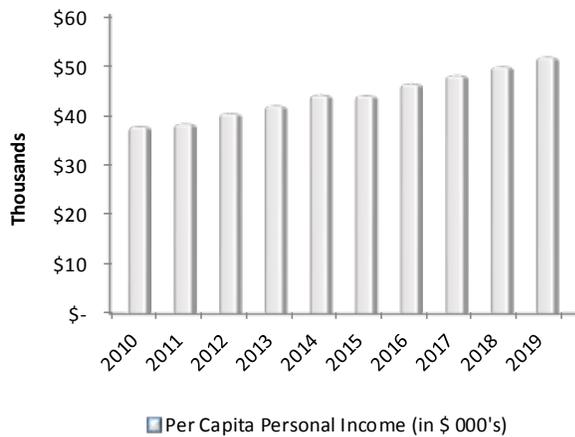
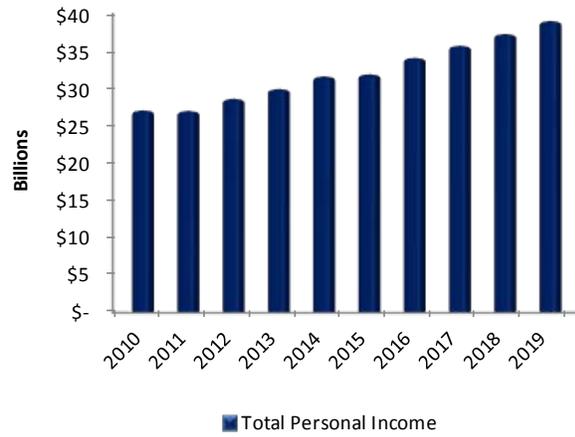
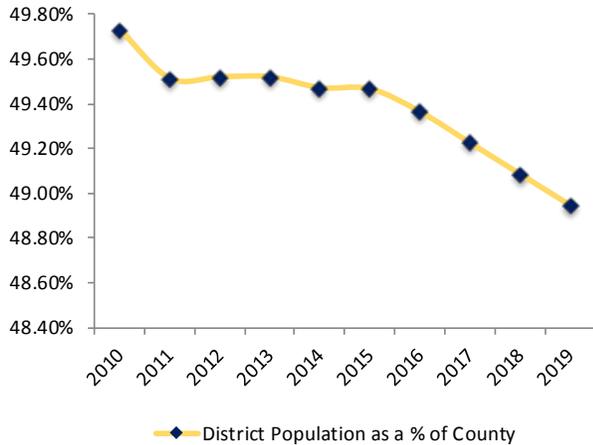


| Fiscal Year | Citrus Heights | Rancho Cordova | Unincorporated Population (a) | Total Population | % Increase |
|--------------------|-----------------------|-----------------------|--------------------------------------|-------------------------|-------------------|
| 2010 | 88,115 | 62,899 | 567,700 | 718,714 | 0.56% |
| 2011 | 83,618 | 65,502 | 558,061 | 707,181 | -1.60% |
| 2012 | 83,881 | 66,093 | 560,675 | 710,649 | 0.49% |
| 2013 | 84,345 | 66,927 | 564,657 | 715,929 | 0.74% |
| 2014 | 84,544 | 67,839 | 567,095 | 719,478 | 0.50% |
| 2015 | 85,147 | 69,112 | 573,313 | 727,572 | 1.12% |
| 2016 | 86,291 | 72,203 | 579,613 | 738,107 | 1.45% |
| 2017 | 87,013 | 73,872 | 584,729 | 745,614 | 1.02% |
| 2018 | 87,731 | 74,210 | 588,798 | 750,739 | 0.69% |
| 2019 | 88,095 | 74,471 | 594,216 | 756,782 | 0.80% |

Source: State of California, Department of Finance.

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

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



| Fiscal Year | District Population | Total Personal Income (in \$ 000's) | Per Capita Personal Income (in \$ 000's) | Unemployment Rate (%) | County Population | District Population as a % of County |
|-------------|---------------------|-------------------------------------|--|-----------------------|-------------------|--------------------------------------|
| 2010 | 718,714 | \$ 27,095,518 | \$ 38 | 12.6% | 1,445,327 | 49.73% |
| 2011 | 707,181 | 27,015,729 | 38 | 12.6% | 1,428,355 | 49.51% |
| 2012 | 710,649 | 28,646,794 | 40 | 10.8% | 1,435,153 | 49.52% |
| 2013 | 715,929 | 29,947,643 | 42 | 9.2% | 1,445,806 | 49.52% |
| 2014 | 719,478 | 31,637,020 | 44 | 7.1% | 1,454,406 | 49.47% |
| 2015 | 727,572 | 31,919,347 | 44 | 5.8% | 1,470,912 | 49.46% |
| 2016 | 738,107 | 34,120,417 | 46 | 5.2% | 1,495,297 | 49.36% |
| 2017 | 745,614 | 35,739,291 | 48 | 4.7% | 1,514,770 | 49.22% |
| 2018 | 750,739 | 37,305,594 | 50 | 4.2% | 1,529,501 | 49.08% |
| 2019 | 756,782 | 39,053,708 | 52 | 3.9% | 1,546,174 | 48.95% |

Note: All data for Sacramento County except District population.

Source: State of California, Employment Development Department.

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

| Employer | 2019 | | | 2010 | | |
|-----------------------------|--------------------------|------|---------------------------------------|--------------------------|------|---------------------------------------|
| | Employees ^(a) | Rank | Percentage of Total County Employment | Employees ^(b) | Rank | Percentage of Total County Employment |
| Kaiser Permanente | 17,358 | 1 | 2.54% | 10,081 | 1 | 1.65% |
| Sutter Health | 15,505 | 2 | 2.27% | 7,314 | 3 | 1.20% |
| Dignity Health | 7,000 | 3 | 1.03% | 8,279 | 2 | 1.36% |
| Intel Corporation | 6,200 | 4 | 0.91% | 6,000 | 4 | 0.98% |
| Raley's Inc. | 5,574 | 5 | 0.82% | 3,401 | 6 | 0.56% |
| Apple Inc. | 5,000 | 6 | 0.73% | | | |
| Safeway Inc. | 3,544 | 7 | 0.52% | | | |
| Health Net of California | 3,300 | 8 | 0.48% | 2,512 | 8 | 0.41% |
| Pacific Gas and Electric Co | 2,862 | 9 | 0.42% | 2,169 | 10 | 0.36% |
| VSP Global | 2,844 | 10 | 0.42% | | | |
| Wells Fargo & Co. | | | | 3,690 | 5 | 0.61% |
| Pride Industries | | | | 2,841 | 7 | 0.47% |
| Cache Creek Casino Resort | | | | 2,460 | 9 | 0.40% |
| Total | 69,187 | | 10.14% | 48,747 | | 8.00% |

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

Sources: (a) Sacramento Business Journal Annual Book of Lists
(b) Sacramento County Comprehensive Annual Financial Report

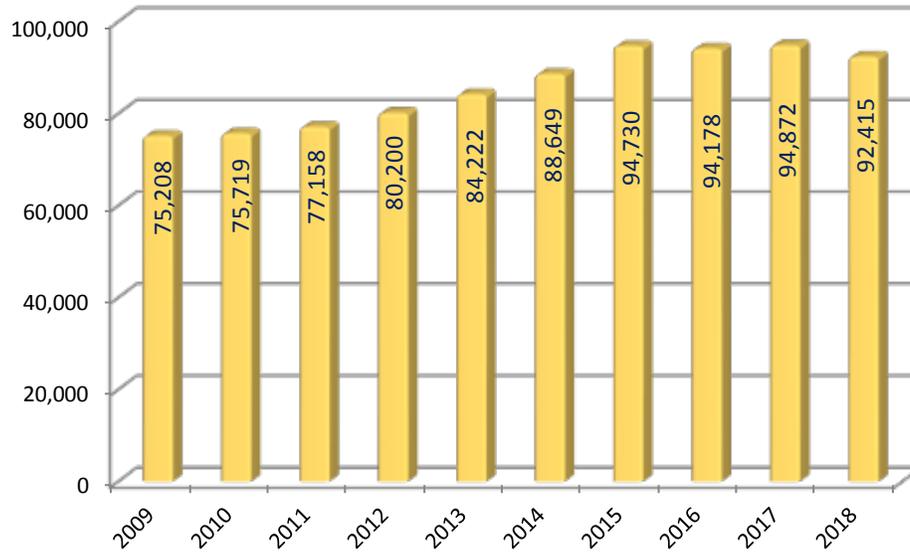
**SACRAMENTO METROPOLITAN FIRE DISTRICT
SUMMARY OF DISTRICT ACTIVITIES
FISCAL YEAR 2018-2019**

| CATEGORY | TOTAL | % CHANGE |
|------------------------------------|--------------|-----------------|
| POPULATION | 756,782 | 0.8% |
| OPERATIONAL FIRE STATIONS | 41 | 0.0% |
| INCIDENTS | 96,059 | -1.2% |
| TOTAL ACTUAL FULL-TIME EMPLOYEES | 666 | 0.8% |
| WORKERS' COMPENSATION CLAIMS | | |
| Premium and Claims Expenditures | \$ 4,782,957 | 37.2% |
| LEAVE HOURS (All Personnel) | | |
| Sick Leave Used | 58,181 | 29.5% |
| Service Connected Disability Leave | 26,149 | 39.3% |
| Vacation Time Used | 126,816 | -2.4% |
| TRAINING FOR SUPPRESSION PERSONNEL | | |
| Total Training Hours | 141,697 | -3.2% |

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 2018-19
TOTAL INCIDENTS: 96,059**

| INCIDENT REPORT SYSTEM CODE | CATEGORY DESCRIPTION | NUMBER OF INCIDENTS |
|---|--|---------------------|
| FIRE INCIDENTS | | |
| 100,110 | Fire, Other | 258 |
| 111, 123 | Building Fires | 303 |
| 112 | Fire in a structure other than a building | 25 |
| 113 | Cooking Fires | 124 |
| 114, 115, 116, 117, 118, 120 | Fires other than building or transportation | 50 |
| 121 | Mobile home used as a fixed residence | 9 |
| 131 | Passenger vehicle fire | 293 |
| 122, 130, 132, 133, 134, 135, 136, 137, 138 | Transportation fires other than passenger vehicles | 100 |
| 140, 141, 142, 143 | All vegetation fires | 594 |
| 150, 151, 152, 153, 154, 155 | Rubbish and dumpster/trash fires | 829 |
| 160, 161, 162, 163, 164, 170, 171, 172, 173 | Other outside fires | 104 |
| TOTAL FIRE INCIDENTS | | 2,689 |
| OVERPRESSURE RUPTURE & EXPLOSION INCIDENTS | | |
| 200, 210, 211, 213, 220, 221, 223, 231 | Steam, Air, Gas, or Chemical Rupture | 18 |
| 240, 241, 242, 243 | Fireworks or Bomb Explosion (no fire) | 2 |
| 251 | Excessive heat, scorch burns with no ignition | 30 |
| TOTAL OVERPRESSURE & RUPTURE & EXPLOSION | | 50 |
| EMS & RESCUE INCIDENTS | | |
| 300,311,320 | Rescue, EMS incident, other | 3,049 |
| 321 | EMS call, excluding vehicle accident with injury | 58,545 |
| 322, 323, 324 | Motor vehicle accidents | 4,023 |
| 331, 340, 341, 342,343 | Searches | 17 |
| 350, 351, 352, 353, 354, 355, 356, 357 | Extrications of various types | 37 |
| 360, 361, 363, 365 | Water Rescues | 37 |
| 370, 371 | Electrical Rescue / Electrocution | 0 |
| 381 | EMS Standby | 29 |
| TOTAL EMS & RESCUE INCIDENTS | | 65,737 |
| HAZARDOUS CONDITIONS (No Fire) | | |
| 400 | Other | 164 |
| 410, 411, 412, 413 | Flammable liquids and gas spills | 333 |
| 420, 421, 422, 423 | Toxics and chemical spills | 33 |
| 424 | Carbon monoxide incidents | 55 |
| 440, 441, 442, 443, 444, 445 | Electrical hazards | 387 |
| 430, 431, 451 | Biological hazards | 2 |
| 460, 461, 462, 463, 471, 480, 481, 482 | Building/vehicle and other hazards | 80 |
| TOTAL HAZARDOUS CONDITIONS | | 1,054 |

SACRAMENTO METROPOLITAN FIRE DISTRICT

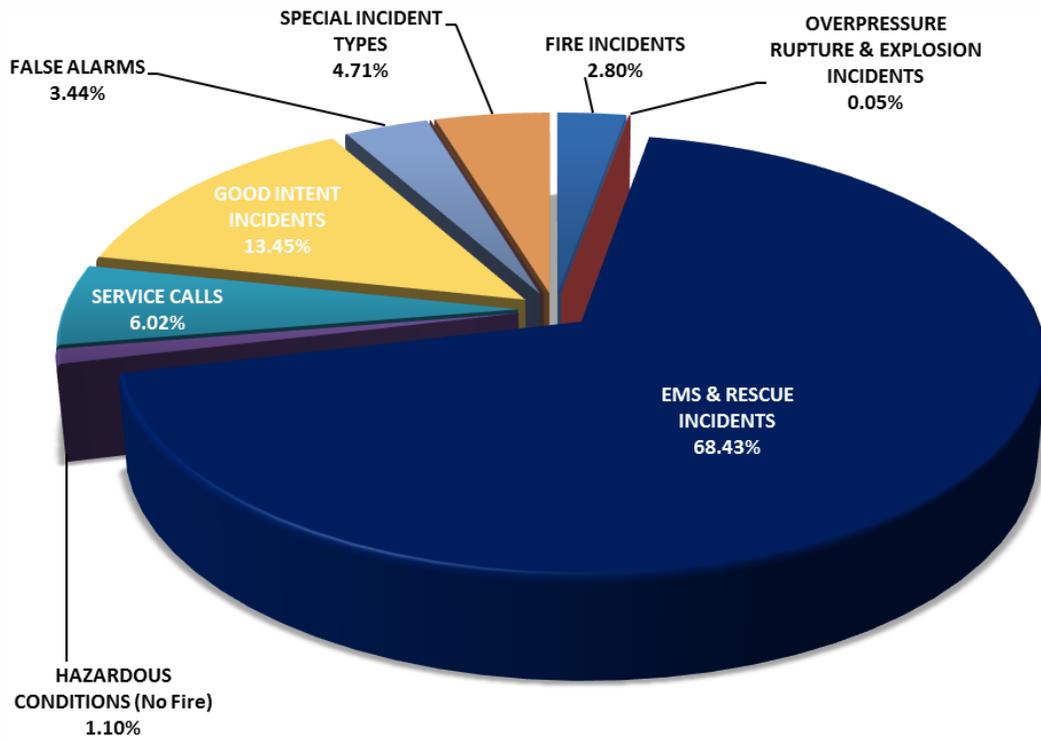
EMERGENCY RESPONSE DETAIL ANALYSIS
FISCAL YEAR 2018-19
TOTAL INCIDENTS: 96,059
(CONT.)

| FIRE INCIDENT REPORT SYSTEM CODE | CATEGORY DESCRIPTION | NUMBER OF INCIDENTS |
|--|---|---------------------|
| SERVICE CALLS | | |
| 500 | Service calls | 1011 |
| 510, 511, 512 | Distress, lock-outs, jewelry removal | 636 |
| 520, 521, 522 | Water incidents | 206 |
| 531 | Smoke removal | 162 |
| 540, 541, 542 | Animal problems | 250 |
| 550, 553, 554 | Public assists | 3,069 |
| 551, 552 | Law assists | 264 |
| 555, 561, 571 | Elevator, unauthorized burning, stand by | 182 |
| TOTAL SERVICE CALLS | | 5,780 |
| GOOD INTENT INCIDENTS | | |
| 600 | Other | 2,178 |
| 611, 621, 622 | Canceled en route, wrong location | 10,478 |
| 631, 632, 641, 650, 651, 652, 653 | Fire, smoke, or odor | 228 |
| 661 | EMS (PT self-transported) | 17 |
| 671, 672 | Haz-Mat, biological investigations | 17 |
| TOTAL GOOD INTENT INCIDENTS | | 12,918 |
| FALSE ALARMS | | |
| 700 | Other | 718 |
| 7001, 7002, 7003, 7401 | False alarm residential/school/auto aid | 937 |
| 710, 711, 712, 713, 714, 715 | Malicious, mischievous | 100 |
| 721 | Bomb scare | 0 |
| 730, 731, 732, 733, 734, 735, 736, 740, 743, 744, 745, 746 | System/device malfunction | 1,526 |
| 741, 742, 751 | Sprinkler/extinguishing system activation | 26 |
| TOTAL FALSE ALARMS | | 3,307 |
| SEVERE WEATHER | | |
| 800 | Other | 3 |
| 812 | Flood assessment | 2 |
| 813, 814 | Wind assessment | 3 |
| TOTAL SEVERE WEATHER | | 8 |
| SPECIAL INCIDENT TYPES | | |
| 900 | Special type of incident, Other, No code | 479 |
| 9001 | Released from call | 8 |
| 9002 | No Metro units responded | 4,014 |
| 9003 | Out of district | 2 |
| 911 | Citizen complaint | 13 |
| SPECIAL INCIDENT TYPES | | 4,516 |

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

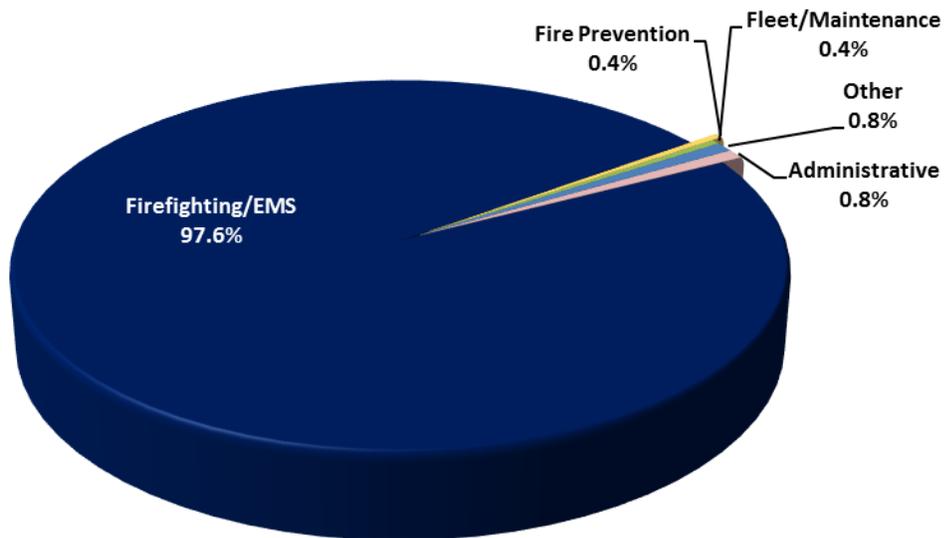
**SACRAMENTO METROPOLITAN FIRE DISTRICT
EMERGENCY RESPONSE - PERCENT OF TOTAL RESPONSE BY TYPE
FISCAL YEAR 2018-19**



Source: Sacramento Metropolitan Fire District Operations Division Records

**SACRAMENTO METROPOLITAN FIRE DISTRICT
SERVICE-CONNECTED INJURY/ILLNESS REPORT
FISCAL YEAR 2018-19**

| INCIDENT ACTIVITY | NUMBER | % |
|---|------------|-------|
| Administrative | 2 | 0.8% |
| Firefighting/EMS | 235 | 97.6% |
| Fire Prevention | 1 | 0.4% |
| Fleet/Maintenance | 1 | 0.4% |
| Other | 2 | 0.8% |
| TOTAL NUMBER OF MEDICAL INJURIES | 241 | |



Source: Sacramento Metropolitan Fire District Human Resources Division Records

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

| DIVISION | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Office of the Fire Chief | 7 | 7 | 7 | 9 | 8 | 9 | 10 | 11 | 11 | 11.5 |
| Administration | 4 | 3 | 2 | 2 | 2 | 2 | 2 | 1 | 1 | 1 |
| Human Resources | 4 | 4 | 3 | 4 | 4 | 5 | 6 | 6 | 6 | 6 |
| Finance | 12 | 11 | 10 | 12 | 12 | 13 | 13 | 13 | 13 | 13 |
| Information Technology | 7 | 8 | 9 | 7 | 7 | 7 | 8 | 8 | 8 | 8.5 |
| Operations | 7 | 7 | 8 | 8 | 8 | 8 | 8 | 8 | 12 | 12 |
| Fire Suppression | 533 | 520 | 525 | 522 | 522 | 522 | 522 | 522 | 522 | 522 |
| Single Role Paramedic Program | | | | | 65 | 61 | 61 | 61 | 61 | 61 |
| EMS | 5 | 7 | 7 | 6 | 6 | 8 | 8 | 8 | 8 | 8 |
| Training, Safety, Health & Fitness | 6 | 7 | 7 | 7 | 7 | 7 | 8 | 8 | 9 | 9 |
| Communications | | | | 2 | 2 | 2 | 4 | 4 | 4 | 3.5 |
| Support Services | 2 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Logistics | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 11 | 11 | 11 |
| Facilities | 3 | 3 | 4 | 4 | 4 | 4 | 4 | 4 | 5 | 5 |
| Fleet | 14 | 13 | 13 | 13 | 13 | 13 | 13 | 15 | 15 | 15 |
| Community Risk Reduction | 18 | 17 | 17 | 20 | 20 | 20 | 31 | 28 | 27 | 26.5 |
| Community Services/Development | 4 | 2 | 2 | 2 | 2 | 2 | 3 | 3 | 2 | 2 |
| TOTAL | 636 | 620 | 625 | 629 | 693 | 694 | 712 | 712 | 716 | 716 |

Note: Data above represents authorized positions.

Source: Sacramento Metropolitan Fire District Human Resources Division Records

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

| Function | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Public Safety: | | | | | | | |
| Number of Operational Stations | 40 | 40 | 40 | 41 | 41 | 41 | 41 |
| Number of Support Buildings | 10 | 10 | 10 | 9 | 9 | 9 | 9 |
| Equipment: | | | | | | | |
| Engine | 53 | 53 | 53 | 53 | 55 | 57 | 56 |
| Wildland Engine | 36 | 40 | 40 | 40 | 40 | 39 | 43 |
| Pumper/Foam | 1 | 1 | 1 | 1 | 0 | 0 | 0 |
| Ladder Truck | 10 | 10 | 10 | 8 | 9 | 9 | 8 |
| Hazmat Truck | 1 | 1 | 1 | 1 | 2 | 2 | 2 |
| Rescue Truck | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Water Tender | 6 | 6 | 6 | 6 | 5 | 6 | 6 |
| Aircraft Rescue Firefighting Unit | 4 | 4 | 4 | 4 | 3 | 3 | 3 |
| Ambulance | 51 | 54 | 45 | 50 | 60 | 43 | 39 |
| Decontamination Unit | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Dozer | 1 | 2 | 2 | 2 | 2 | 2 | 2 |
| Rescue Boat | 2 | 2 | 3 | 4 | 4 | 3 | 3 |
| Helicopter* | 1 | 2 | 2 | 2 | 2 | 2 | 2 |
| Support/Other Vehicles | 133 | 142 | 175 | 182 | 142 | 168 | 165 |

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

* There are two operational helicopters and an additional two helicopters were donated in the current year but not yet operational as of the end of the year.

Source: Sacramento Metropolitan Fire District Fleet Division Records