

**SOUTH PLACER  
FIRE DISTRICT**

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**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
for the year ended June 30, 2016**

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**Robert W. Johnson**  
*an accountancy corporation*

6234 Birdcage Street, Citrus Heights, California 95610 | robertwjohncpajgroup@gmail.com | 916.723.2555  
www.bob-johnson-cpa.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
South Placer Fire District  
Granite Bay, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of South Placer Fire District, as of and for the year ended June 30, 2016, as listed in the table of contents, and the related notes to the financial statements.

**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 an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Placer Fire District as of June 30, 2016, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State Regulations governing Special Districts.

### **Other Matters**

#### *Required Supplementary Information*

The Management's Discussion and Analysis is not a required part of the financial statements but is supplemental information required by the Government Auditing Standards Board. Management has elected to omit the Management's Discussion and Analysis.

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Robert W. Johnson, An Accountancy Corporation*

Citrus Heights, California

October 11, 2016

SOUTH PLACER FIRE DISTRICT  
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET  
June 30, 2016

ASSETS	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Cash (Note 3)	\$3,132,278	\$ -	\$ 3,132,278
Accounts receivable (Note 4)	389,090	-	389,090
Prepaid expenses	69,725	-	69,725
Capital assets (Note 5)	-	10,480,585	10,480,585
Less, accumulated depreciation	<u>-</u>	<u>3,454,302</u>	<u>( 3,454,302)</u>
Total assets	<u>3,591,093</u>	<u>7,026,283</u>	<u>10,617,376</u>
 DEFERRED OUTFLOWS	 <u>-</u>	 <u>2,251,173</u>	 <u>2,251,173</u>
Total assets and deferred outflows	<u>\$3,591,093</u>	<u>\$ 9,277,456</u>	<u>\$12,868,549</u>
 LIABILITIES			
Accounts payable	\$ 112,669	\$ -	\$ 112,669
Accrued salaries and benefits	305,470	-	305,470
Compensated absences	338,102	-	338,102
OPEB liability (Note 10)	977,628	-	977,628
Certificates of Participation (Note 6)	-	5,305,000	5,305,000
Net pension liability (Note 9)	<u>-</u>	<u>3,472,072</u>	<u>3,472,072</u>
Total liabilities	<u>1,733,869</u>	<u>8,777,072</u>	<u>10,510,941</u>
 DEFERRED INFLOWS	 <u>-</u>	 <u>3,599,535</u>	 <u>3,599,535</u>
 FUND BALANCES/NET POSITION			
Fund balances (Note 8):			
Restricted (Note 7)	698,546	( 698,546)	-
Committed	1,026,112	(1,026,112)	-
Unassigned	<u>132,566</u>	<u>( 132,566)</u>	<u>-</u>
Total fund balances	<u>1,857,224</u>	<u>(1,857,224)</u>	<u>-</u>
Total liabilities, deferred inflows and fund balances	<u>\$3,591,093</u>		

(continued)

See notes to financial statements

SOUTH PLACER FIRE DISTRICT  
 STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET,  
 continued  
 June 30, 2016

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
FUND BALANCES/NET POSITION, continued			
Net position (Note 8):			
Net investment in capital assets		\$ 7,026,283	\$ 7,026,283
Restricted		698,546	698,546
Unrestricted		<u>( 8,966,756)</u>	<u>( 8,966,756)</u>
Total net position		<u>\$( 1,241,927)</u>	<u>\$( 1,241,927)</u>

See notes to financial statements

SOUTH PLACER FIRE DISTRICT  
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
for the year ended June 30, 2016

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Program expenditures/expenses:			
Public protection	\$ 8,613,008	\$(4,920,602)	\$ 3,692,406
Support services	205,195	-	205,195
Debt service	70,000	( 70,000)	-
Capital outlay	94,421	( 94,421)	-
Depreciation	<u>-</u>	<u>331,040</u>	<u>331,040</u>
Total program expenditures/expenses	<u>8,982,624</u>	<u>(4,753,983)</u>	<u>4,228,641</u>
Program revenues:			
Ambulance services (Note 4)	1,114,114	-	1,114,114
Other misc. and GEMT	50,618	-	50,618
Loomis Fire Contract	105,973	-	105,973
Grant	77,062	-	77,062
Fees and cost recovery	90,942	-	90,942
CFAA revenues	619,455	-	619,455
Other	<u>22,198</u>	<u>-</u>	<u>22,198</u>
Total program revenues	<u>2,080,362</u>	<u>-</u>	<u>2,080,362</u>
General revenues:			
Tax revenue	6,692,271	-	6,692,271
Special tax	686,561	-	686,561
Mitigation fees	320,819	-	320,819
Cellular tower lease	75,861	-	75,861
Interest income	19,407	-	19,407
Other	<u>14,670</u>	<u>-</u>	<u>14,670</u>
Total general revenues	<u>7,809,589</u>	<u>-</u>	<u>7,809,589</u>
Excess of revenues (expenditures)/ changes in net position	907,327	4,753,983	5,661,310
Fund balances/net position (deficit):			
Beginning	<u>949,897</u>	<u>(7,853,134)</u>	<u>( 6,903,237)</u>
Ending	<u>\$ 1,857,224</u>	<u>\$(3,099,151)</u>	<u>\$( 1,241,927)</u>

See notes to financial statements

SOUTH PLACER FIRE DISTRICT  
STATEMENT OF REVENUES AND EXPENDITURES  
COMPARED TO BUDGET  
for the year ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Favorable/ (Unfavorable) Variance</u>
<b>Revenues:</b>			
Taxes revenue	\$6,732,016	\$ 6,692,271	\$( 39,745)
Special tax	686,749	686,561	( 188)
Ambulance service (Note 4)	1,020,000	1,114,114	94,114
Interest income	15,000	19,407	4,407
Mitigation fees	300,000	320,819	20,819
Homeland Security Grant	90,000	77,062	( 12,938)
Other misc. and GEMT	80,000	50,618	( 29,382)
Fees and cost recovery	85,500	90,942	5,442
Cellular tower lease	85,000	75,861	( 9,139)
Loomis Fire contract	105,000	105,973	973
CFAA revenues	472,000	619,455	147,455
Other	<u>20,000</u>	<u>36,868</u>	<u>16,868</u>
 Total revenues	 <u>9,691,265</u>	 <u>9,889,951</u>	 <u>198,686</u>
 <b>Expenditures:</b>			
Salaries and wages	3,838,475	3,911,427	( 72,952)
Sellback (Admin.)	200,000	180,051	19,949
Callback/overtime	760,000	783,974	( 23,974)
PERS retirement	609,046	666,437	( 57,391)
OPEB funding	190,000	190,000	-
Payroll taxes	67,927	66,673	1,254
WC	327,732	295,276	32,456
Agency share insurance	635,805	610,458	25,347
Labor legal	20,000	8,311	11,689
Uniform/cell allowance	55,500	55,129	371
Employee assistance program	6,000	5,795	205
Board of Directors	6,000	-	6,000
CFAA expenditures	472,000	532,743	( 60,743)
Audit	9,200	9,250	( 50)
Propane	2,400	1,139	1,261
Employee physicals	12,000	14,836	( 2,836)
COP bond payments	358,285	311,465	46,820

(continued)

See notes to financial statements



SOUTH PLACER FIRE DISTRICT  
STATEMENT OF REVENUES AND EXPENDITURES, continued  
COMPARED TO BUDGET  
for the year ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Favorable/ (Unfavorable) Variance</u>
Expenditures, continued:			
Paramedic/EMT cert. classes	\$ 5,000	\$ 4,323	\$ 677
Ambulance billing service	55,000	69,868	( 14,868)
Garbage	10,000	7,861	2,139
Gas & electric	60,000	60,968	( 968)
Insurance (FAIRA)	35,000	27,301	7,699
Memberships & subs.	6,000	4,823	1,177
News publications	1,500	-	1,500
Sewer	4,986	4,476	510
Telephone	62,000	64,452	( 2,452)
Training supplies	15,000	11,463	3,537
Business & conference	7,500	7,563	( 63)
Education & training	52,000	51,779	221
Water	8,000	7,202	798
Laundry	2,500	1,650	850
Legal & consulting	60,000	26,686	33,314
Prevention consulting fees	-	38,610	( 38,610)
Petty cash fund	250	-	250
Pre-employment testing	10,000	10,666	( 666)
Medical waste disposal	7,000	7,256	( 256)
Physio control contract	10,000	9,092	908
County charges	160,000	160,542	( 542)
Elections	-	-	-
Public education	1,000	-	1,000
Incident supplies	7,000	9,837	( 2,837)
Awards & recognition	3,000	2,144	856
Telestaff User mtce. fee	14,000	3,832	10,168
Cleaning supplies	6,000	5,051	949
Copy machine contract	12,000	11,390	610
Computer service	32,000	32,964	( 964)
Fire prevention supplies	4,000	6,057	( 2,057)
Fuel & oil	50,000	39,422	10,578
Medical supplies	70,000	68,838	1,162
Miscellaneous	1,500	884	616

(continued)

See notes to financial statements

SOUTH PLACER FIRE DISTRICT  
STATEMENT OF REVENUES AND EXPENDITURES, continued  
COMPARED TO BUDGET  
for the year ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	Favorable/ (Unfavorable) <u>Variance</u>
Expenditures, continued:			
Office supplies	\$ 10,000	\$ 11,004	\$( 1,004)
Oxygen	8,000	4,869	3,131
Postage	2,652	1,931	721
Uniform supplies	10,000	15,627	( 5,627)
Firefighting supplies	30,000	28,790	1,210
Radio/Firecom repairs	8,000	2,822	5,178
Automotive repairs	80,000	92,446	( 12,446)
Facilities maintenance	55,000	59,080	( 4,080)
SCBA & compressor mtce.	10,000	11,348	( 1,348)
Turnout clothing mtce.	6,500	461	6,039
Extinguisher service	750	612	138
Printing	1,500	1,348	152
Bad debt provision	-	68,751	( 68,751)
Mitigation refund	-	-	-
Mitigation capital expenditures	66,000	65,182	818
Fixed assets-minor	88,000	62,896	25,104
Capital expenditures	195,000	155,493	39,507
Contingency	<u>410,000</u>	<u>-</u>	<u>410,000</u>
 Total expenditures	 <u>9,324,008</u>	 <u>8,982,624</u>	 <u>341,384</u>
 Excess of revenues/ (expenditures)	 <u>\$ 367,257</u>	 <u>\$ 907,327</u>	 <u>\$ 540,070</u>

See notes to financial statements

SOUTH PLACER FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

1. Organization:

South Placer Fire District (the "District") was formed in 1952. The District serves the community of Granite Bay, Folsom Lake State Recreation Area, and portions of Loomis, Penryn, and Newcastle. The South Placer Fire District provides commercial and residential structural fire protection, wild land fire protection, rescue services, emergency hazardous materials services, emergency medical services, paramedic ambulance transportation service and a variety of other non-emergency related services.

The District is a special district funded primarily by property tax, a special tax and the District's ability to generate revenue by providing ambulance service and contracting for other services. The overall service is provided from a well-established system that consists of five elected officials, appointed staff members and a combination of volunteer, apprentice, and professional employees that staff five fire stations located throughout the unincorporated areas of Southern Placer County.

The mission of South Placer Fire Protection District is the protection of lives and property of the community from the adverse effects of fires, sudden medical emergencies or exposure to dangerous conditions created by either man or nature.

2. Summary of Significant Accounting Policies:

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing GAAP for state and local government organizations. The District's significant accounting policies are described below.

Measurement Focus and Basis of Accounting

The District reports a *General Fund* that 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.

SOUTH PLACER FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies (continued):

Measurement Focus and Basis of Accounting, continued

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 at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers revenues to be available if they are collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues that are accrued include property taxes, interest income, and charges for current services. Revenues that are not accrued include permits and fines, forfeitures, and penalties, if applicable. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. General capital assets are reported as expenditures in governmental funds. Proceeds of general long-term and capital assets are reported as other financing sources.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Capital Assets

Capital assets are recorded at historical cost if purchased or constructed. Amortization of assets acquired under capital lease is included in depreciation. Structures and equipment are depreciated using the straight-line method over their estimated useful lives.

Compensated Absences

Vested or accumulated vacation time that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability. Sick pay is not vested.

SOUTH PLACER FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies (continued):

Budgets

In accordance with the provisions of Sections 13901 through 13906 of the California Health & Safety Code and other statutory provisions, commonly known as the Budget Act, the District prepares and legally adopts a final balanced budget for each fiscal year.

Revenue Recognition

The District receives revenues for performing emergency medical and ambulatory services to District residents. The District's policy for recognizing these revenues is billing and recording revenues as services are performed. Patient service revenues (ambulance revenues) are reported net of provisions for contractual allowances in the basic and fund financial statements.

Investments

The District maintains cash balances with the Treasurer of Placer County in interest-bearing pooled investment accounts.

Property Taxes

The District receives property taxes from Placer County. Property taxes receivable are recorded in the fiscal year for which the tax is levied based on the assessed value as of September 1 of the preceding fiscal year. They become a lien on the first day of the year they are levied. Secured property tax is levied on September 1 and due in two installments, on November 1 and March 1. They become delinquent on December 10 and April 10, respectively. Unsecured property taxes are levied on July 1, and become delinquent on August 31. The District elected to receive the property taxes from the County under the Teeter Bill Program. Under this Program, the District receives 100% of the levied property taxes in periodic payments, with the County assuming responsibility for delinquencies.

SOUTH PLACER FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies (continued):

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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 may differ from those estimates.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

3. Cash and Investments:

The District maintains certain portions of its funds with Placer County. The County is authorized to deposit cash and invest excess funds by the California Government code Section 53648 et. seq. The funds maintained by the County are secured by federal depository insurance.

SOUTH PLACER FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

3. Cash and Investments, continued:

At year-end the carrying amount of the District's deposits was \$3,132,278 and the bank and County Treasury balance was \$3,137,364.

	Balance June 30 <u>2016</u>
Imprest cash	\$ 250
Checking – general	96,904
– mitigation	8,154
Cash with County – general	2,336,578
– mitigation	<u>690,392</u>
	<u>\$3,132,278</u>

4. Accounts Receivable:

Accounts receivable at June 30, 2016 consist of:

Ambulance receivables		\$ 517,497
Deduct, allowance for bad debts		<u>155,249</u>
		362,248
Add, interest receivable (County)	\$ 3,045	
Accounts receivable - other	<u>23,797</u>	<u>26,842</u>
		<u>\$ 389,090</u>

Ambulance revenues are analyzed as follows:

Gross revenues		\$1,300,839
Deduct, contractual and other adjustments		<u>186,725</u>
Net revenues		<u>\$1,114,114</u>

SOUTH PLACER FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

5. Capital Assets:

Changes in capital assets for the year ended June 30, 2016 are as follows:

	<u>Balance, Beginning of year</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance, end of year</u>
Land	\$ 332,140	\$ -	\$ -	\$ 332,140
Buildings	5,435,292	-	-	5,435,292
Equipment	632,388	-	-	632,388
Apparatus	<u>3,986,344</u>	<u>94,421</u>	<u>-</u>	<u>4,080,765</u>
	<u>\$10,386,164</u>	<u>\$ 94,421</u>	<u>\$ -</u>	<u>\$10,480,585</u>

6. Certificates of Participation:

In 2015, the District issued \$5,375,000 of Certificates of Participation (Certificates) with an interest rate of 5.25%. These 2015 Certificates were issued to pay the District's outstanding side fund obligation to California Public Employees' Retirement System (CalPERS) with respect to its Safety and Miscellaneous Plans. The Certificates also paid on the District's unfunded actuarial pre-2013 Safety and Miscellaneous Fund liabilities to CalPERS. Annual principal payments ranging from \$70,000 to \$490,000 are due on June 1 through June 1, 2037 and semi-annual interest payments are due on December 1 and June 1 through June 2037.

The activity of the District's Certificates at June 30, 2016 is as follows:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance June 30, 2016</u>	<u>Principal Due Within One Year</u>	<u>Interest Due Within One Year</u>
2015 Certificates of Participation	<u>\$5,375,000</u>	<u>\$ -</u>	<u>\$ 70,000</u>	<u>\$5,305,000</u>	<u>\$ 75,000</u>	<u>\$ 250,150</u>



SOUTH PLACER FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

6. Certificates of Participation, continued:

The following is the District's future annual obligation:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 75,000	\$ 250,150	\$ 325,150
2018	85,000	248,725	333,725
2019	95,000	246,727	341,727
2020	110,000	244,020	354,020
2021	125,000	240,610	365,610
2022-2037	<u>4,815,000</u>	<u>2,505,954</u>	<u>7,320,954</u>
	<u>\$5,305,000</u>	<u>\$3,736,186</u>	<u>\$9,041,186</u>

7. Mitigation Fees:

Activities of the mitigation reserve for 2015-16 follows:

Balance, 6-30-15		\$ 455,184
Add, mitigation fees	\$ 320,819	
interest income	<u>6,750</u>	
		327,569
Deduct, provided for capital items	<u>84,207</u>	
		( 84,207)
Balance, 6-30-16		<u>\$ 698,546</u>
Cash on hand:		
Checking	\$ 8,154	
County	<u>690,392</u>	
		<u>\$ 698,546</u>

SOUTH PLACER FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

8. Equity:

General Fund:

Restricted for:

Mitigation reserve		\$ 698,546
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Committed for:

Imprest cash reserve	\$ 250	
Facilities reserve	449,367	
Apparatus reserve	67,446	
Major equipment reserve	99,049	
Contingency reserve	<u>410,000</u>	
		1,026,112

Unassigned		<u>132,566</u>
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\$ 1,857,224

Statement of Net Position:

Net investment in capital assets		\$ 7,026,283
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Restricted:

Mitigation reserve		698,546
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Unrestricted:

Board designated:

Imprest cash reserve	\$ 250	
Facilities reserve	449,367	
Apparatus reserve	67,446	
Major equipment reserve	99,049	
Contingency reserve	<u>410,000</u>	
	1,026,112	

Undesignated		<u>( 9,992,868)</u>
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( 8,966,756)

\$( 1,241,927)

SOUTH PLACER FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

9. Defined Benefit Retirement Plan:

A. General Information About the Pension Plan

Plan Description

The District contributes to the California Public Employees Retirement System (CalPERS), a cost sharing multiple-employer defined benefit pension plan. The District participates in the miscellaneous 3% at age 55 risk pool (safety) and 3.0% at age 60 risk pool (miscellaneous). Effective on January 1, 2013, in accordance with Public Employees' Pension Reform Act (PEPRA), new employees who meet the definition of new member of CalPERS will have benefit formulas calculated as (safety) 2.7% at age 57 and (miscellaneous) 2% at age 62.

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public employers within the State of California. CalPERS require agencies with less than 100 active members in the plan to participate in the risk pool. All District permanent employees are eligible to participate in the System. Benefits vest after five years of service. Pre-PEPRA (December 31, 2012 and earlier hires) District employees who retire at age 50 to 55 and with over 5 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.40 to 3.00 percent of their average salary (safety) during their last highest year of employment and 2.00 to 2.50 percent (miscellaneous). Employees hired on or after January 1, 2013 use last highest three years of employment to determine retirement benefit.

A menu of benefits provision as well as other requirements is established by State Statutes within the Public Employees Retirement Law. The plan selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through District resolution. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS executive Office, 400 P Street, Sacramento, California, 95814.

Funding Policy

Covered employees are required by statute to contribute 9 to 11.5% percent (safety) and 6.25 to 8 percent (miscellaneous) of their salary to the plan after a formula to coordinate with Social Security. The District is required by the same statute to contribute the remaining amounts necessary to pay benefits when due; however, the employees paid all employees' share. The District is required to contribute at an actuarially determined rate.

SOUTH PLACER FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

9. Defined Benefit Retirement Plan, continued:

Funding Policy, continued

The contribution requirements of the plan members and the District are established and may be amended by CalPERS.

In 2015, the District contributed an additional \$5,039,967 to pay the 6/30/15 Side Fund and Share of Pre-2013 Pool UAL. The contribution was funded by the issuance of Certificates of Participation.

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	<u>Safety</u>	<u>Miscellaneous</u>	<u>PEPRA Safety Plan</u>	<u>PEPRA Miscellaneous</u>
Benefit formula	3% at 55	3% at 60	2.7% at 57	2.0% at 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50 to 55+	50 to 60+	50-57+	52+
Monthly benefits, as a % of eligible compensation	2.4% to 3.0%	2.0% to 3.0%	2-2.7%	1-2.5%
Required employee contribution rates	9%	8%	11.5%	6.25%
Required employer contribution rates	16.523%	11.718%	11.153%	6.25%

**Contributions** – Section 20814(c) of the California Public Employees' Retirement Law 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. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

SOUTH PLACER FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

9. Defined Benefit Retirement Plan, continued:

*Contributions, continued –*

For the year ended June 30, 2016, the contributions recognized as part of pension expense were as follows:

	<u>Safety</u>	<u>Miscellaneous</u>
Contributions – employer	\$ 590,223	\$ 27,574
Contributions – employee	\$ 367,898	\$ 21,669

B. *Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:*

As of June 30, 2016, the District reported net pension liability for the District as follows:

Net pension liability	<u>\$3,472,072</u>
-----------------------	--------------------

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

SOUTH PLACER FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

9. Defined Benefit Retirement Plan, continued:

**B. *Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:***

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Adjustment due to differences in proportions	\$ 235,733	\$(1,029,360)
Changes in assumptions	-	( 593,700)
Diff. between expected and actual experiences	3,540	( 121,801)
Net diff. between projected and actual earnings on pension plan investments	1,394,103	(1,694,811)
Diff. between employer contributions and proportionate share of employer contributions	-	( 159,863)
Pension contributions subsequent to measurement date	<u>617,797</u>	<u>-</u>
	<u>\$2,251,173</u>	<u>\$(3,599,535)</u>

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

<u>Year Ended June 30</u>	
2016	\$( 799,475)
2017	( 799,475)
2018	( 737,199)
2019	369,990
2020	-
Thereafter	-

SOUTH PLACER FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

9. Defined Benefit Retirement Plan, continued:

*Actuarial Assumptions* – The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation date	June 30, 2014	June 30, 2014
Measurement date	June 30, 2015	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method	
<i>Actuarial Assumptions:</i>		
Discount rate	7.5%	7.5%
Inflation	2.75%	2.75%
Payroll Growth	3.0%	3.0%
Projected Salary Increase	3.3%-14.2%	3.3%-14.2%
Investment Rate of Return	7.5%	7.5%

**Discount Rate** – The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

SOUTH PLACER FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

9. Defined Benefit Retirement Plan, continued:

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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

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 the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.



SOUTH PLACER FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

9. Defined Benefit Retirement Plan, continued:

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	<u>2.0%</u>	-0.55%	-1.05%
Total	<u>100%</u>		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

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

	<u>Safety</u>	<u>Miscellaneous</u>	<u>PEPRA Safety</u>
1% Decrease	6.50%	6.50%	6.50%
Net Pension Liability	\$12,187,042	\$1,146,825	\$18
Current Discount Rate	7.50%	7.50%	7.50%
Net Pension Liability	\$ 7,754,123	\$ 752,370	\$11
1% Decrease	8.50%	8.50%	8.50%
Net Pension Liability	\$ 4,101,589	\$ 425,010	\$ 4

***Pension Plan Fiduciary Net Position*** – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

SOUTH PLACER FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

10. Other Post-Employment Benefits (OPEB):

Plan Description: The District provides post-employment health care benefits to eligible retirees and their eligible dependents who retire from the District at age 50 with at least five years of service, or become fully disabled while working. The District participates in the CalPERS Medical Program and retirees may enroll in any of the available health plans. Benefits continue throughout the lifetime of the retiring employee and his/her spouse.

Funding Policy: The contribution requirements of plan members and the District are established and may be amended by the Board of Directors. The required contribution is based on projected pay-as-you-go financing requirements, with an amount of funding determined annually by the Board. For the fiscal year ended June 30, 2016, the District contributed \$190,000. Annually, the District intends to make a total contribution equal to 50% of the Annual Required Contribution (ARC). Retiree benefit costs will be paid directly by the District and any remaining amount (up to 50% of the ARC) will be deposited into the OPEB Trust.

Annual OPEB Cost and Net OPEB Obligation: The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for 2016 and 2015, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

	<u>2016</u>	<u>2015</u>
Annual required contribution (ARC)	\$ 289,167	\$ 337,599
Interest on net OPEB obligation	10,673	49,032
Adjustment to annual required contribution	<u>-</u>	<u>( 50,022)</u>
Annual OPEB cost (expense)	299,840	336,609
Contributions made – retiree health insurance premiums	(114,603)	(104,532)
CERBT contribution	<u>(190,000)</u>	<u>( 90,000)</u>
Increase (decrease) in net OPEB obligation	( 4,763)	142,077
Net OPEB obligation, beginning of year	<u>982,391</u>	<u>840,314</u>
Net OPEB obligation, end of year	<u>\$ 977,628</u>	<u>\$ 982,391</u>

SOUTH PLACER FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

10. Other Post-Employment Benefits (OPEB), continued:

Funded Status and Funding Progress: June 30, 2015 is the most recent actuarial valuation date, with the assumption made that the District fund a total annual contribution equal to 50% of the Annual Required Contribution. The actuarial accrued liability for benefits was \$3,239,374. In June 30, 2012, the District began participating in the PARS Public Agencies Post-Retirement Health Care Plan Trust.

The District contributed \$190,000 in the 2015-16 fiscal year. At June 30, 2016 the OPEB (PARS) Trust account balance was \$635,671.

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

SOUTH PLACER FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

10. Other Post-Employment Benefits (OPEB), continued:

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

In the June 30, 2015 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 5.25% discount rate, which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate at 12.0% initially, gradually decreasing to 5.25%. An inflation rate of 3.5% was used. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2016 was twenty four years. The District's monthly pay-out is capped at a maximum of \$858 per employee and the actuarial study assumed that the caps will not increase in the future.

11. Subsequent Events:

Management has evaluated subsequent events through October 11, 2016, the date these June 30, 2016 financial statements were available to be issued.

SUPPLEMENTAL DATA

SOUTH PLACER FIRE DISTRICT  
PRINCIPAL OFFICIALS

Board of Directors:

Mike DeLaurentis	President
David Harris	Vice President
Sean Mullin	Clerk
Gary Grenfell	
Teresa Ryland	

Operations:

Eric Walder	Fire Chief
Karl Fowler	Deputy Fire Chief
Katherine Medeiros	Fiscal Ops/HR Administrator
Katrina Hoop	Office Manager/Admin. Asst.
Jason Brooks	Battalion Chief
Darren McMillin	Battalion Chief
Matt Feeley	Battalion Chief

SOUTH PLACER FIRE DISTRICT  
SCHEDULE OF FUNDING PROGRESS  
Other Post-Employment Benefits (OPEB)  
for the year ended June 30, 2016

The table below shows an analysis of the actuarial value of assets as a percentage of the actuarial accrued liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll as of June 30:

Actuarial Valuation Date	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) – (1)	(5) Annual Covered Payroll	(6) UAAL as a % of Covered Payroll (4) / (5)
7/1/2009	\$ -	\$3,470,398	0.0%	\$3,470,398	\$3,827,484	90.67%
7/1/2012	\$ 77,357	\$3,783,287	2.04%	\$3,705,930	not provided	not provided
7/1/2015	\$635,671	\$3,239,374	19.62%	\$2,603,703	not provided	not provided

SOUTH PLACER FIRE DISTRICT  
SCHEDULE OF CASH FLOWS  
for the year ending June 30, 2016

Cash flows from operating activities:

Net income		\$ 5,661,310
Adjustments to reconcile loss to net cash provided to operating activities:		
Depreciation	\$ 331,040	
Expense adjustment – reconciliation from government basis to enterprise basis	(4,920,602)	
Changes in operating assets and liabilities:		
Accounts receivable	( 41,651)	
Prepaid expenses	( 11,930)	
Accounts payable	38,194	
Accrued salaries and benefits	( 7,745)	
Compensated absences	28,123	
OPEB liability	<u>( 4,763)</u>	
		<u>(4,589,334)</u>
Net cash provided to operating activities		1,071,976
Cash flows from financing activities:		
Payment on capital lease		( 70,000)
Cash flows from investing activities:		
Purchase of equipment		<u>( 94,421)</u>
Net increase in cash		907,555
Cash at beginning of year		<u>2,224,723</u>
Cash at end of year		<u>\$3,132,278</u>



SOUTH PLACER FIRE DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET  
PENSION LIABILITY  
As of June 30, 2016  
Last 10 years (1)

	2016				2015		
	<u>Safety</u>	<u>PEPRA Safety</u>	<u>Misc.</u>	<u>PEPRA Misc.</u>	<u>Safety</u>	<u>PEPRA Safety</u>	<u>Misc.</u>
Proportion of the net pension liability	0.07831%	-0.00001%	0.00896%	-0.00001%	0.12461%	0.00%	0.01209%
Proportionate share of the net pension liability	\$ 3,226,887	\$( 289)	\$ 245,751	\$( 277)	\$7,754,123	\$ 11	\$752,370
Covered – employee payroll	\$ 7,661,030	\$ 157,544	\$ 536,771	\$93,473	\$3,180,680	\$50,465	\$140,858
Proportionate Share of the net pension liability as percentage of covered-employee payroll	42.121%	-0.183%	45.783%	-0.296%	243.79%	0.02%	534.13%
Plan's fiduciary net position	\$32,292,054	\$ 17,514	\$2,841,141	\$16,235	\$5,937,332	\$ 9	\$562,020
Plan fiduciary net position as a percentage of the total pension liability	90.92%	101.68%	92.04%	101.74%	76.57%	80.70%	74.70%

Notes to Schedule:

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amounts to be separately financed employer-specific liabilities. These employers should consult with their auditors.

Changes in assumptions: None

(1) Fiscal year 2015 was the 1<sup>st</sup> year of implementation, therefore only two years are shown.

SOUTH PLACER FIRE DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET  
PENSION LIABILITY  
As of June 30, 2016  
Last 10 years (1)

	2016				2015		
	<u>Safety</u>	<u>PEPRA Safety</u>	<u>Misc.</u>	<u>PEPRA Misc.</u>	<u>Safety</u>	<u>PEPRA Safety</u>	<u>Misc.</u>
Contractually required contribution (actuarially determined)	\$ 1,585,956	\$ 32,614	\$ 111,120	\$ 19,350	\$ 865,891	\$ 8,434	\$ 42,327
Contributions in relation to the actuarially determined contributions	( 1,948,400)	( 40,068)	( 136,515)	( 23,773)	( 865,891)	( 8,434)	( 42,327)
Contribution deficiency (excess)	\$( 362,444)	\$( 7,454)	\$( 25,395)	\$( 4,423)	\$ -	\$ -	\$ -
Covered – employee payroll	\$ 7,661,030	\$ 157,544	\$ 536,771	\$ 93,473	\$3,180,680	\$ 50,465	\$140,858
Contributions as a percentage of covered employee payroll	25.43%	25.43%	25.43%	25.43%	27.22%	16.71%	30.55%
Notes to Schedule:							
Valuation date:	6/30/14	6/30/14	6/30/14	6/30/14	6/30/13	6/30/13	6/30/13

Methods and assumptions used to determine contribution rates:

Amortization method	Entry Age Normal Cost Method
Remaining amortization period	
Asset valuation method	Market Value
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.5% Net of Pension Plan Investment and Admin. Expenses

(1) Fiscal year 2015 was the 1<sup>st</sup> year of implementation, therefore only two years are shown.