

**SOUTH PLACER
FIRE DISTRICT**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
for the year ended June 30, 2018**

ROBERT W. JOHNSON
Certified Public Accountant

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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, 2018, 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, 2018, 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
September 18, 2018

SOUTH PLACER FIRE DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
June 30, 2018

ASSETS	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Cash (Note 3)	\$6,467,325	\$ -	\$ 6,467,325
Accounts receivable (Note 4)	400,869	-	400,869
Prepaid expenses	87,383	-	87,383
Capital assets (Note 5)	-	14,424,973	14,424,973
Less, accumulated depreciation	<u>-</u>	<u>(5,438,180)</u>	<u>(5,438,180)</u>
Total assets	<u>6,955,577</u>	<u>8,986,793</u>	<u>15,942,370</u>
Deferred outflows (Notes 9 and 10):			
Pension related amounts	-	4,725,065	4,725,065
OPEB related amounts	<u>-</u>	<u>147,630</u>	<u>147,630</u>
Total assets and deferred outflows	<u>\$6,955,577</u>	<u>\$13,859,488</u>	<u>\$20,815,065</u>
 LIABILITIES			
Accounts payable	\$ 37,600	\$ -	\$ 37,600
Accrued salaries and benefits	518,047	-	518,047
Compensated absences	381,953	-	381,953
Certificates of Participation (Note 6)	-	5,145,000	5,145,000
Net pension liability (Note 9)	-	7,809,356	7,809,356
Net OPEB liability (Note 10)	<u>-</u>	<u>3,310,487</u>	<u>3,310,487</u>
Total liabilities	<u>937,600</u>	<u>16,264,843</u>	<u>17,202,443</u>
Deferred inflows (Notes 9 and 10):			
Pension related amounts	-	3,032,982	3,032,982
OPEB related amounts	<u>-</u>	<u>18,239</u>	<u>18,239</u>

(continued)

See notes to financial statements

SOUTH PLACER FIRE DISTRICT
 STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET,
 continued
 June 30, 2018

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
FUND BALANCES/NET POSITION			
Fund balances (Note 8):			
Restricted (Note 7)	\$1,154,000	\$(1,154,000)	\$ -
Committed	3,489,416	(3,489,416)	-
Unassigned	<u>1,374,561</u>	<u>(1,374,561)</u>	<u>-</u>
Total fund balances	<u>6,017,977</u>	<u>(6,017,977)</u>	<u>-</u>
Total liabilities, deferred inflows and fund balances	<u>\$6,955,577</u>		
Net position (Note 8):			
Net investment in capital assets		\$ 8,986,793	\$ 8,986,793
Restricted		1,154,000	1,154,000
Unrestricted		<u>(9,579,392)</u>	<u>(9,579,392)</u>
Total net position/(deficiency)		<u>\$ 561,401</u>	<u>\$ 561,401</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, 2018

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Program expenditures/expenses:			
Public protection	\$11,201,479	\$ 650,366	\$11,851,845
Support services	290,806	-	290,806
Debt service	85,000	(85,000)	-
Capital outlay	392,935	(392,935)	-
Depreciation	<u>-</u>	<u>450,119</u>	<u>450,119</u>
Total program expenditures/expenses	<u>11,970,220</u>	<u>622,550</u>	<u>12,592,770</u>
Program revenues:			
Ambulance services (Note 4)	1,342,172	-	1,342,172
Other misc. and GEMT	104,015	-	104,015
SAFER revenues	66,768	-	66,768
Fees and cost recovery	211,936	-	211,936
CFAA revenues	860,372	-	860,372
Other	<u>10,506</u>	<u>-</u>	<u>10,506</u>
Total program revenues	<u>2,595,769</u>	<u>-</u>	<u>2,595,769</u>
General revenues:			
Tax revenue	7,506,240	-	7,506,240
Special tax	1,129,608	-	1,129,608
Loomis assessment	916,165	-	916,165
Mitigation fees	412,027	-	412,027
Cellular tower lease	82,903	-	82,903
Interest income	77,346	-	77,346
Other	<u>-</u>	<u>-</u>	<u>-</u>
Total general revenues	<u>10,124,289</u>	<u>-</u>	<u>10,124,289</u>
Excess of revenues (expenditures)/ changes in net position	<u>749,838</u>	<u>(622,550)</u>	<u>127,288</u>

(continued)

See notes to financial statements

SOUTH PLACER FIRE DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES, continued
for the year ended June 30, 2018

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Fund balances/net position (deficit):			
Beginning of year	\$ 2,390,686	\$(3,630,987)	\$(1,240,301)
Prior period adjustment to record OPEB liability pursuant to GASB 75 (Note 13)	1,004,929	(3,073,990)	(2,069,061)
Consolidation of Loomis Fire (Note 12)	<u>1,872,524</u>	<u>1,870,951</u>	<u>3,743,475</u>
End of year	<u>\$ 6,017,977</u>	<u>\$(5,456,576)</u>	<u>\$ 561,401</u>

See notes to financial statements

SOUTH PLACER FIRE DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES
COMPARED TO BUDGET
for the year ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	Favorable/ (Unfavorable) <u>Variance</u>
Revenues:			
Taxes revenue	\$ 7,495,015	\$ 7,506,240	\$ 11,225
Special tax	1,127,945	1,129,608	1,663
Ambulance service (Note 4)	1,150,000	1,342,172	192,172
Interest income	37,000	77,346	40,346
Mitigation fees	430,000	412,027	(17,973)
Homeland Security Grant	17,000	-	(17,000)
Other misc. and GEMT	71,000	104,015	33,015
Fees and cost recovery	138,500	211,936	73,436
Cellular tower lease	93,849	82,903	(10,946)
Loomis assessment	912,510	916,165	3,655
CFAA revenues	631,000	860,372	229,372
SAFER revenues	176,474	66,768	(109,706)
Other	<u>26,000</u>	<u>10,506</u>	<u>(15,494)</u>
 Total revenues	 <u>12,306,293</u>	 <u>12,720,058</u>	 <u>413,765</u>
 Expenditures:			
Salaries and wages	4,936,677	4,976,480	(39,803)
Sellback (Admin.)	210,000	202,672	7,328
Callback/overtime	900,000	1,230,516	(330,516)
PERS retirement	651,249	932,928	(281,679)
OPEB funding	140,000	140,000	-
Payroll taxes	69,188	92,062	(22,874)
WC	419,466	356,260	63,206
Agency share insurance	763,274	765,477	(2,203)
Labor legal	30,000	2,955	27,045
Uniform/cell allowance	65,000	68,046	(3,046)
Employee assistance program	6,800	6,765	35
Board of Directors	5,000	-	5,000
CFAA expenditures	631,000	765,129	(134,129)
Audit	15,250	13,858	1,392
Propane	2,600	1,314	1,286
Employee physicals	17,500	13,604	3,896
COP bond payments	333,725	333,725	-

(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, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Favorable/ (Unfavorable) Variance</u>
Expenditures, continued:			
Storage	\$ 2,000	\$ 1,620	\$ 380
Paramedic/EMT cert. classes	5,250	3,621	1,629
Ambulance billing service	81,000	81,474	(474)
Garbage	9,000	8,981	19
Gas & electric	82,000	70,858	11,142
Insurance (FAIRA)	35,000	23,536	11,464
Memberships & subs.	8,700	8,361	339
News publications	1,500	405	1,095
Sewer	5,400	5,420	(20)
Telephone	72,000	56,619	15,381
Training supplies	13,500	10,474	3,026
Business & conference	6,500	7,581	(1,081)
Education & training	62,000	43,260	18,740
Water	8,500	12,138	(3,638)
Laundry	2,500	1,609	891
Legal & consulting	89,000	82,662	6,338
Prevention consulting fees	55,000	63,883	(8,883)
Petty cash fund	250	-	250
Pre-employment testing	17,000	33,385	(16,385)
Medical waste disposal	7,800	316	7,484
Physio control contract	12,000	11,052	948
County charges	179,078	167,201	11,877
Elections	-	-	-
Public education	1,900	-	1,900
Incident supplies	8,300	6,765	1,535
Awards & recognition	3,000	2,123	877
Telestaff User mtce. fee	13,000	12,851	149
Cleaning supplies	9,000	8,222	778
Copy machine contract	12,000	16,422	(4,422)
Computer service	51,000	29,735	21,265
Fire prevention supplies	10,000	3,905	6,095
Fuel & oil	57,000	69,137	(12,137)
Medical supplies	72,000	92,675	(20,675)

(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, 2018

	<u>Budget</u>	<u>Actual</u>	Favorable/ (Unfavorable) <u>Variance</u>
Expenditures, continued:			
Miscellaneous	\$ 885	\$ 721	\$ 164
Asset gain-loss	234,047	-	234,047
District safety	2,750	-	2,750
Office supplies	14,003	12,557	1,446
Oxygen	8,000	6,176	1,824
Postage	3,000	2,750	250
Uniform supplies	11,500	15,162	(3,662)
Firefighting supplies	40,000	31,462	8,538
Radio/Firecom repairs	8,000	8,351	(351)
Automotive repairs	119,000	122,704	(3,704)
Facilities maintenance	58,700	70,462	(11,762)
SCBA & compressor mtce.	14,850	15,579	(729)
Turnout clothing mtce.	7,000	6,129	871
Extinguisher service	900	1,004	(104)
Printing	1,200	1,335	(135)
Bad debt provision	10,000	190,040	(180,040)
Mitigation capital expenditures	941,971	256,507	685,464
Fixed assets-minor	110,638	85,647	24,991
Capital expenditures	871,807	305,552	566,255
Contingency	<u>-</u>	<u>-</u>	<u>-</u>
 Total expenditures	 <u>12,647,158</u>	 <u>11,970,220</u>	 <u>676,938</u>
 Excess of revenues/ (expenditures)	 <u>\$ (340,865)</u>	 <u>\$ 749,838</u>	 <u>\$ 1,090,703</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.

SOUTH PLACER FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies (continued):

Net Position

Net position is classified in the following categories:

Net Investment in capital assets – groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce this category.

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

Unrestricted – represents the net position of the District, which are not restricted or invested in capital assets net of related debt.

Fund Balance

Fund balance is classified in the following categories:

Restricted – includes fund balance amounts that are subject to externally enforceable legal restrictions or constrained for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed – includes fund balance amount that can only be used for specific purposes pursuant to constraints imposed by the formal actions of the District's Board of Directors.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed.

Unassigned – includes fund balance which has not been classified within the above mentioned categories.

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.

SOUTH PLACER FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies (continued):

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.

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.

Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

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 \$6,467,325 and the bank and County Treasury balance was \$6,538,561.

	Balance June 30 <u>2018</u>
Imprest cash	\$ 250
Checking – general	168,721
– mitigation	8,154
Cash with County – general	5,144,354
– mitigation	<u>1,145,846</u>
	<u>\$6,467,325</u>

4. Accounts Receivable:

Accounts receivable at June 30, 2018 consist of:

Ambulance receivables		\$ 526,313
Deduct, allowance for bad debts		<u>157,894</u>
		368,419
Add, interest receivable (County)	\$ 9,408	
Accounts receivable - other	<u>23,042</u>	<u>32,450</u>
		<u>\$ 400,869</u>

Ambulance revenues are analyzed as follows:

Gross revenues		\$3,222,661
Deduct, contractual and other adjustments		<u>1,880,489</u>
Net revenues		<u>\$1,342,172</u>

SOUTH PLACER FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

5. Capital Assets:

Changes in capital assets for the year ended June 30, 2018 are as follows:

	<u>Balance, Beginning of year</u>	<u>Additions</u>	<u>Loomis Fire Dept. Consolidation</u>	<u>Disposals</u>	<u>Balance, end of year</u>
Land	\$ 332,140	\$ -	\$ 47,108	\$ -	\$ 379,248
Buildings	5,488,688	172,581	962,601	-	6,623,870
Equipment	788,976	26,453	427,092	-	1,242,521
Apparatus	<u>4,352,941</u>	<u>193,901</u>	<u>1,850,023</u>	<u>217,531</u>	<u>6,179,334</u>
	<u>\$10,962,745</u>	<u>\$ 392,935</u>	<u>\$3,286,824</u>	<u>\$ 217,531</u>	<u>\$14,424,973</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, 2018 is as follows:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance June 30, 2018</u>	<u>Principal Due Within One Year</u>	<u>Interest Due Within One Year</u>
2015 Certificates of Participation	<u>\$5,230,000</u>	<u>\$ -</u>	<u>\$ 85,000</u>	<u>\$5,145,000</u>	<u>\$ 95,000</u>	<u>\$ 246,728</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>
2019	\$ 95,000	\$ 246,727	\$ 341,727
2020	110,000	244,020	354,020
2021	125,000	240,610	365,610
2022	135,000	236,298	371,298
2023	155,000	231,370	386,370
2024-2037	<u>4,525,000</u>	<u>2,038,286</u>	<u>6,563,286</u>
	<u>\$5,145,000</u>	<u>\$3,237,311</u>	<u>\$8,382,311</u>

7. Mitigation Fees:

Activities of the mitigation reserve for 2017-18 follows:

Balance, 6-30-17		\$ 857,004
Add, mitigation fees	\$ 412,027	
interest income	17,661	
Loomis Fire Department mitigation fees at July 22, 2017 consolidation	<u>256,754</u>	
	686,442	
Deduct, provided for capital items	<u>389,446</u>	
		<u>296,996</u>
Balance, 6-30-18		<u>\$1,154,000</u>
Cash on hand:		
Checking	\$ 8,154	
County	<u>1,145,846</u>	
		<u>\$1,154,000</u>

SOUTH PLACER FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

8. Equity:

General Fund:

Restricted for:

Mitigation reserve \$ 1,154,000

Committed for:

Imprest cash reserve	\$ 250	
Facilities reserve	786,794	
Apparatus reserve	404,873	
Major equipment reserve	174,033	
Contingency reserve	410,000	
Facilities reserve – Loomis	1,561,261	
Apparatus reserve – Loomis	96,832	
Major equipment reserve – Loomis	50,916	
Contingency reserve - Loomis	4,457	3,489,416

Unassigned 1,374,561

\$ 6,017,977

Statement of Net Position/Deficiency:

Net investment in capital assets \$ 8,986,793

Restricted:

Mitigation reserve 1,154,000

Unrestricted:

Board designated:

Imprest cash reserve	\$ 250
Facilities reserve	786,794
Apparatus reserve	404,873
Major equipment reserve	174,033
Contingency reserve	410,000
Facilities reserve – Loomis	1,561,261
Apparatus reserve – Loomis	96,832
Major equipment reserve – Loomis	50,916
Contingency reserve - Loomis	4,457
	3,489,416

Undesignated (13,068,808) (9,579,392)

\$ 561,401

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, 2018, 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	17.689%	12.657%	12.082%	6.555%

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, 2018, the contributions recognized as part of pension expense were as follows:

	<u>Safety & Miscellaneous</u>
Contributions – employer	\$ 699,342
Contributions – employee	\$ 568,495

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

As of June 30, 2018, the District reported net pension liability for the District as follows:

Net pension liability	<u>\$7,809,356</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, 2017, 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, 2016 rolled forward to June 30, 2017 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. The District's proportionate share of the net pension liability for the Plan as of June 30, 2017 was as follows:

	<u>Miscellaneous Plan</u>
Proportion – June 30, 2016	0.0129%
Proportion – June 30, 2017	<u>0.0144%</u>
Change – Increase/(Decrease)	<u>-0.0015%</u>
	<u>Safety Plan</u>
Proportion – June 30, 2016	0.1111%
Proportion – June 30, 2017	<u>0.1212%</u>
Change – Increase/(Decrease)	<u>-0.0101%</u>

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:

For the year ended June 30, 2018, the District recognized pension expense of \$1,188,057. At June 30, 2018, 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>
Changes in assumptions	\$2,034,461	\$ 169,628
Diff. between expected and actual experience	1,012	182,108
Net diff. between projected and actual earnings on pension plan investments	1,574,731	1,607,241
Changes in proportion and difference between District contributions and proportionate share of employer contributions	415,519	1,074,005
District contributions subsequent to measurement date	<u>699,342</u>	<u>-</u>
	<u>\$4,725,065</u>	<u>\$ 3,032,982</u>

\$699,342 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ended June 30, 2019. Other 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>	
2019	\$(181,104)
2020	937,442
2021	496,979
2022	(260,576)
2023	-
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, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Actuarial Assumptions:	
Discount rate	7.15%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3%-14.2%
Investment Rate of Return	7.15%
Mortality	CalPERS mortality table, with adjustments for mortality improvements using Scale BB

Discount Rate – The discount rate used to measure the total pension liability was 7.15% 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 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 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.

In December 2016, CalPERS' Board of Directors voted to lower the discount rate from 7.5% to 7.0% over the next three fiscal years, beginning in fiscal year 2018. The change in the discount rate will affect the contribution rates beginning in fiscal year 2019 and result in increases to the normal costs and unfunded actuarial liabilities.

SOUTH PLACER FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

9. Defined Benefit Retirement Plan, continued:

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:

1% Decrease Net Pension Liability	6.15% \$14,529,265
Current Discount Rate Net Pension Liability	7.15% \$ 7,809,356
1% Increase Net Pension Liability	8.15% \$ 2,310,785

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.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017.

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

Discount rate	6.15%
Inflation	2.75%
Payroll Increase	3.0%
Healthcare Trend	4%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.15%. The discount rate is based on the expected long-term rate of return on the invested assets.

SOUTH PLACER FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

10. Other Postemployment Benefits "OPEB", continued:

Change in Net OPEB Liability as of June 30, 2017

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Rollback balance at June 30, 2016	\$ <u>3,985,488</u>	\$ <u>635,671</u>	\$ <u>3,349,817</u>
Changes recognized for the measurement period:			
Service cost	57,459	-	57,459
Interest on total OPEB liability	240,931	-	240,931
Employer contributions	-	275,827	(275,827)
Net investment income	-	61,893	(61,893)
Benefit payments	<u>(135,827)</u>	<u>(135,827)</u>	<u>-</u>
Net changes during July 1, 2016 to June 30, 2017	<u>162,563</u>	<u>201,893</u>	<u>(39,330)</u>
Balance at June 30, 2017 (Measurement Date)	\$ <u>4,148,051</u>	\$ <u>837,564</u>	\$ <u>3,310,487</u>

Sensitivity of the Net OPEB liability to changes in the discount rate

The following presents the net OPEB liability with a discount rate 1% higher and 1% lower than assumed in the valuation:

	<u>Discount Rate 1% Lower 5.15%</u>	<u>Valuation Discount Rate 6.15%</u>	<u>Discount Rate 1% Higher 7.15%</u>
Net OPEB liability	\$ <u>3,890,314</u>	\$ <u>3,310,487</u>	\$ <u>2,836,515</u>

SOUTH PLACER FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

10. Other Postemployment Benefits "OPEB", continued:

Sensitivity of the Total OPEB liability to changes in healthcare cost trend rates

The following presents the total OPEB liability with a healthcare cost trend rate 1% higher and 1% lower than assumed in the valuation:

	1% Decrease 4.25% to 4.5%	Trend rates 5.25% to 5.5%	1% Increase 6.25% to 6.5%
Net OPEB liability	\$ <u>3,268,011</u>	\$ <u>3,310,487</u>	\$ <u>3,337,914</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018 the District recognized OPEB expense of \$254,736. The values of deferred outflows and inflows of resources related to OPEB as of June 30, 2017 are:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	18,239
District contributions subsequent to the measurement date	<u>147,630</u>	<u>-</u>
	\$ <u>147,630</u>	\$ <u>18,239</u>

The amounts of \$147,630 is the total amount contributed by the District to retirees' benefits and to the PARS trust during the year ending June 30, 2018.

SOUTH PLACER FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

10. Other Postemployment Benefits "OPEB", continued:

Amounts reported as deferred outflows and inflows of resources related to OPEB as of June 30, 2017, to be reported as of June 30, 2018, will be recognized in OPEB expense as follows:

<u>Year Ended</u> <u>June 30</u>	
2019	\$(4,560)
2020	(4,560)
2021	(4,560)
2022	(4,559)
2023	-
Thereafter	-

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the Board of Directors. For the fiscal year ended June 30, 2018, the District contributed \$140,000. As of June 30, 2017, the District has accumulated \$837,564 in an irrevocable trust with PARS (Public Agency Retirement Services) toward the cost of future benefits.

11. Subsequent Events:

Management has evaluated subsequent events through September 18, 2018, the date these June 30, 2018 financial statements were available to be issued.

SOUTH PLACER FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

12. Consolidation with Loomis Fire Protection District:

Placer County Local Agency Formation Commission (LAFCO) approved the consolidation between Loomis Fire Protection District and South Placer Fire Protection District and a certificate of completion issued, effective July 22, 2017. The consolidated district is now known as the South Placer Fire Protection District.

The following assets and liabilities were consolidated into the District at July 22, 2017:

Cash	\$1,948,891
Receivables	2,995
Less,	
Accounts payable	(25,614)
Payroll payables	<u>(53,748)</u>
	<u>\$1,872,524</u>

13. Restatements:

The District's net position at July 1, 2017 was restated by \$2,069,061 and fund balance was restated by \$1,004,929 to reflect the OPEB beginning balance in accordance with the implementation of GASB 75.

SUPPLEMENTAL DATA

SOUTH PLACER FIRE DISTRICT
PRINCIPAL OFFICIALS

Board of Directors:

Gary Grenfell	President
Chris Gibson	Vice President
Sean Mullin	Clerk
David Harris	
Teresa Ryland	
Russ Kelley	
Tom Millward	

Operations:

Eric Walder	Fire Chief
Karl Fowler	Deputy Fire Chief
Katherine Medeiros	Business Manager
Katrina Hoop	Office Manager/Admin. Asst.
Barbara Leak	District Secretary
Jason Brooks	Battalion Chief
Darren McMillin	Battalion Chief
Matt Feeley	Battalion Chief

SOUTH PLACER FIRE DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET
PENSION LIABILITY
As of June 30, 2018
Last 10 years (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.0787%	0.0717%	0.0506%	0.04557%
Proportionate share of the net pension liability	\$7,809,356	\$6,202,656	\$3,472,072	\$8,506,504
Covered – employee payroll	\$4,945,831	\$3,930,094	\$3,917,318	\$3,983,515
Proportionate Share of the net pension liability as percentage of covered-employee payroll	157.90%	157.82%	88.63%	262.31%
Plan fiduciary net position as a percentage of the total pension liability	83.76%	85.06%	91.01%	77.32%

Changes in assumptions: None

(1) Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

SOUTH PLACER FIRE DISTRICT
SCHEDULE OF CONTRIBUTIONS FOR PENSIONS
As of June 30, 2018
Last 10 years (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 699,342	\$ 753,888	\$1,749,040	\$ 916,652
Contributions in relation to the actuarially determined contributions	<u>699,342</u>	<u>753,888</u>	<u>2,148,756</u>	<u>916,652</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$(<u>399,716</u>)	\$ <u>-</u>
Covered – employee payroll	\$4,945,831	\$3,930,094	\$3,917,318	\$3,372,003
Contributions as a percentage of covered employee payroll	14.14%	14.05%	20.70%	24.83%
Notes to Schedule:				
Valuation date:	6/30/16	6/30/15	6/30/14	6/30/13

Methods and assumptions used to determine contribution rates:

Amortization method	Entry Age Normal Cost Method
Remaining amortization period	15 years
Asset valuation method	Market Value
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Discount rate	7.15% Net of Pension Plan Investment and Admin. Expenses

(1) Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

SOUTH PLACER FIRE DISTRICT
 SCHEDULE OF CONTRIBUTIONS FOR OPEB
 As of June 30, 2018
 Last 10 years (1)

	<u>2018</u>
Contractually required contribution (actuarially determined)	\$ 303,128
Contributions in relation to the actuarially determined contributions	<u>275,827</u>
Contribution deficiency (excess)	<u>\$ 27,301</u>
Covered – employee payroll	\$3,930,094
Contributions as a percentage of covered employee payroll	7.02%
Notes to Schedule: Valuation date:	6/30/17

(1) Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

SOUTH PLACER FIRE DISTRICT
SCHEDULE OF CHANGES IN NET OPEB LIABILITY
As of June 30, 2018

	<u>2018</u>
Total OPEB liability:	
Service cost	\$ 57,459
Interest on total OPEB liability	240,931
Benefit payments	<u>(135,827)</u>
Net change in total OPEB liability	162,563
Total OPEB liability, beginning	<u>3,985,488</u>
Total OPEB liability, ending	4,148,051
Plan fiduciary net position	
Contributions – employer	\$ 275,827
Net investment income	61,893
Benefits paid to retirees	(135,827)
Administrative expense	<u>(0)</u>
Net change in plan fiduciary net position	\$ 201,893
Plan fiduciary net position - beginning	<u>635,671</u>
Plan fiduciary net position – ending	\$837,564
Net OPEB Liability - ending	<u>\$3,310,487</u>
Plan fiduciary net position as a percentage of the Total OPEB liability	20.19%
Covered-employee payroll	\$3,930,094
Net OPEB liability as a percentage of covered-employee payroll	84.23%

Notes to Schedule:

Changes in assumptions: none

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.