



Sacramento Regional Fire/EMS Communications Center
10230 Systems Parkway, Sacramento, CA 95827-3006
www.srfecc.ca.gov

9:00 a.m.

Monday, November 23, 2020

SPECIAL MEETING OF THE GOVERNING BOARD OF SRFECC
10545 Armstrong Ave – Room #385
Mather, CA 95655-4102

Public Remote Access at:

Microsoft Teams meeting

Join on your computer or mobile app

[Click here to join the meeting](#)

Or call in (audio only)

[+1 916-245-8065,597730609#](tel:+19162458065597730609) United States, Sacramento

Phone Conference ID: 597 730 609#

[Find a local number](#) | [Reset PIN](#)

[Learn More](#) | [Meeting options](#)

The Board will convene in open session at 9:00 a.m.

Call to Order

Chairperson

Roll Call of Member Agencies

Secretary

Primary Board Members

Chris Costamagna, Chairperson

Paul Zehnder, Board Member

Chad Wilson, Board Member

Brian Shannon, Board Member

Deputy Chief, Sacramento Fire Department

Deputy Chief, Cosumnes Fire Department

Division Chief, Folsom Fire Department

Deputy Chief, Sacramento Metropolitan Fire District

Pledge of Allegiance

AGENDA UPDATE: An opportunity for Board members to (1) reorder the agenda; and (2) remove agenda items that are not ready for presentation and/or action at the present Board meeting.

PUBLIC COMMENT: An opportunity for members of the public to address the Governing Board on items within the subject matter jurisdiction of the Board. Duration of comment is limited to three (3) minutes.

Microsoft Teams meeting

Join on your computer or mobile app

[Click here to join the meeting](#)

Or call in (audio only)

[+1 916-245-8065,597730609#](tel:+19162458065597730609) United States, Sacramento

Phone Conference ID: 597 730 609#

[Find a local number](#) | [Reset PIN](#)

[Learn More](#) | [Meeting options](#)

* INDICATES NO ATTACHMENT

Please Note: The Public's health and well-being are the top priority for the Board of Directors ("Board") of Sacramento Regional Fire/EMS Communications Center and therefore, because of the potential threat of COVID-19 (Coronavirus), public access to this meeting will be available through the link set forth above.

PRESENTATION:

1. FY 19/20 Audit Presentation

Page 4

RECESS TO CLOSED SESSION:

1. CONFERENCE WITH LABOR NEGOTIATOR*

Pursuant to Government Code Section 54957.6

Center Negotiator(s)	Lindsay Moore, Counsel Tyler Wagaman, Executive Director
Employee Organization(s)	Teamsters Local 150 Teamsters Local 856 Unrepresented Administrators

2. PERSONNEL ISSUES*

Pursuant to California Governing Code Section 54957

- a. Employee Evaluation: Executive Director
- b. Public Employment: Executive Director

RECONVENE TO OPEN SESSION AT ESTIMATED TIME: 10:00 a.m.

ACTION ITEMS:

1. Approval of Second Amendment to Agreement for Services of Executive Director Between the Sacramento Regional Fire/EMS Communications Center and Sacramento Metropolitan Fire District

Page 46

ADJOURNMENT:

The next scheduled Board Meeting is January 12, 2021.

Location: 10545 Armstrong Ave, Mather, CA 95655-4102 Time: 9:00 a.m.
Board Members, Alternates, and Chiefs

Posted at: 10230 Systems Parkway, Sacramento, CA 95827
www.srfecc.ca.gov
10545 Armstrong Ave, Mather, CA 95655-4102

DISABILITY INFORMATION:

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Executive Director's Office at (916) 228-3070. Notification at least 48 hours prior to the meeting will enable the Center to make reasonable arrangements to ensure

* INDICATES NO ATTACHMENT

accessibility to this meeting.

POSTING:

This is to certify that on November 21, 2020, a copy of the agenda was posted:

- at 10230 Systems Parkway, Sacramento, CA 95827
- at 10411 Old Placerville Rd – Suite #210, Sacramento, CA 95827
- on the Center's website which is: www.srfecc.ca.gov
- 10545 Armstrong Ave, Mather, CA 95655-4102

A handwritten signature in black ink that reads "Marissa Shmatovich". The signature is written in a cursive, flowing style.

Clerk of the Board

SACRAMENTO REGIONAL FIRE/EMS COMMUNICATIONS CENTER

SUMMARY OF JUNE 30, 2020 AUDIT RESULTS

Reports issued

- Audited Financial Statements with auditor's opinion
- Internal Control and Compliance Reports
- Required communications letter
- Management letter with recommendations

Independent Auditor's Report

- Unmodified (clean) opinion

Highlights of financial statements

- Cash increased and receivables decreased due to receiving CAD settlement on page 3.
- Increase in prepaid expenses was prepaid CAD service contracts.
- CAD system costs of \$1.95 million reflected in work in process as part of capital assets. Not depreciated since not in service at year-end.
- CAD capital lease increased liabilities by \$1.7 million.
- Pension liability increased \$.4 million and OPEB liability decreased \$.97 million.
- Negative unrestricted net position is due to the pension and OPEB liabilities of \$15.25 million.
- Operating revenues did not change significantly on page 4. \$454K increase in member assessments was offset by a reduction of revenues from deployments.
- Expenses declined from \$10.05 million to \$9.65 million.
- Change in net position was \$63K.
- Terms of lease and repayment schedule disclosed on page 11.
- OPEB and pension footnotes starting at page 12 describe methods and assumptions.
- Reserves set aside by Board totaling \$1.3 million disclosed on page 19.
- Commitment for new Old Placerville Road lease is disclosed on page 20.
- Commitments and letter of credit for CAD system disclosed on page 21.

Reports on Internal Control and Compliance (pages 25 and 26)

- Clean report - no internal control weaknesses or compliance issues

Required Communications Letter

- Estimated amounts include pension and OPEB liabilities and current portion of compensated absences.
- 17 closing entries and audit adjustments identified and 3 unadjusted differences. Largest were separating CAD training and maintenance contracts from CIP to expense or to show as prepaid and reversing some payables for maintenance that did not occur.
- No difficulties in performing the audit and no unusual accounting practices

Management letter

- Capital asset policy changes recommended for depreciable lives to agree to practice
- Physical inventory of capital assets recommended
- Differences noted on reconciliations should be cleared
- Recommend documenting controls performed with preparer and reviewer
- Recommend documenting and having board formally approve benefits for employees not covered by MOUs
- Several prior year recommendations were implemented



550 Howe Avenue, Suite 210
Sacramento, California 95825
Telephone: (916) 564-8727
FAX: (916) 564-8728

MANAGEMENT LETTER

To the Board of Directors and Management
Sacramento Regional Fire/EMS
Communications Center
Sacramento, California

In planning and performing our audit of the financial statements of the Sacramento Regional Fire/EMS Communications Center (SRFECC) as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered SRFECC's internal control over financial reporting (internal control) as a basis for determining our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SRFECC's internal control. Accordingly, we do not express an opinion on the effectiveness of SRFECC's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

During our audit we became aware of the following matters that have been included in this letter for your consideration.

Capital Assets

We noted the following related to capital assets:

- The capital asset policy should be updated to ensure the useful lives and depreciation method are consistent with current practices. For instance, the phone system was given a useful life of 25 years, but the current policy states that the useful life assigned to equipment should be five years. Also, the useful life of the CAD system should also be included in the policy.
- A physical inventory of SRFECC's capital assets should be performed. Since the assets that have been fully depreciated are no longer individually detailed on the capital asset listing, a separate listing of capital assets owned by SRFECC should be maintained.

Subsidiary Ledgers

We noted differences between the bank reconciliation, accounts receivable detail list and accounts payable detail list and the general ledger. These differences were not significant and staff indicated the necessary adjustments to the general ledger were made in fiscal year 2021. However, we recommend that the bank reconciliation and subsidiary reports be reconciled to the general ledger on a monthly basis and any reconciling items be cleared as part of the reconciliation process.

Documentation of Controls Performed

The accounting specialist prepared the bank reconciliation and we understand the reconciliations are reviewed during accounting staff meetings, but there was no indication of who reviewed the reconciliation. Also, payroll documents are reviewed, but there is not always formal documentation of the review. A best practice is to ensure each control performed is documented with a signature or initial and date by the preparer and reviewer as evidence of separation of duties and that timely review occurred. We recommend controls be documented by the preparer and reviewer in the future on controls performed where the system report does not indicate the preparer and reviewer and date.

Employee and Retiree Benefits

Benefits provided to employees are contained in the memorandums of understanding with the labor unions. Employees that are not covered by the memorandums of understanding are provided similar level of benefits. We recommend SRFECC update the Personnel Procedures Manual to document the current level of benefits offered to all employees and have the Manual approved by the Board to formalize the benefits.

* * * * *

We would like to take this opportunity to acknowledge the courtesy and assistance extended to us during the course of the audit. This report is intended solely for the information and use of the Board, management, and others within the organization and is not intended to be and should not be used by anyone other than these specific parties.

Richardson & Company, LLP

November 4, 2020



550 Howe Avenue, Suite 210
Sacramento, California 95825
Telephone: (916) 564-8727
FAX: (916) 564-8728

REQUIRED COMMUNICATIONS LETTER

To the Board of Directors
Sacramento Regional Fire/EMS
Communications Center
Sacramento, California

We have audited the financial statements of the Sacramento Regional Fire/EMS Communications Center (SRFECC) for the year ended June 30, 2020 and have issued our report thereon dated November 4, 2020. Professional standards require that we provide you with the information about our responsibilities under generally accepted auditing standards and, if applicable, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards (GAAS) and *Government Auditing Standards*

As stated in our engagement letter dated May 19, 2020, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we will consider the internal control of the SRFECC. Such considerations are solely for the purpose of determining our audit procedures and not to provide any assurance concerning internal control. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will also perform tests of the SRFECC's compliance with certain provisions of laws, regulations, contract, and grants. However, providing an opinion on compliance with those provisions are not an objective of our audit.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the RSI, which supplement(s) the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involves judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further auditing procedures. Material misstatements may result from (1) errors, (2) fraudulent financial report, (3) misappropriation of assets, of (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We have communicated internal control related matters that are required to be communicated under professional standards in a separate letter. We performed the audit according to the planned scope previously communicated to you in our engagement letter dated May 19, 2020.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by SRFECCE are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transaction entered into by SRFECCE during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Accounting estimates are used in determining the depreciable lives used for capital assets, qualifying expenses claimed under grant agreements, the current portion of compensated absences and the valuation of the OPEB liability and net pension liability. The depreciable lives used for capital assets affects the amount of depreciation expense that is recorded and are based on SRFECCE's estimate of the useful lives of the assets. Grant receivables are accrued based on management's assessment of whether the expenses claimed are qualifying under the terms of the grant, but grantors may reassess whether the amount represent qualifying expenses. The current portion of compensated absences is based on usage in previous periods. The OPEB liability is based on an actuarial report, which is based on assumptions including future employment, retirement rates and future costs of health care and health insurance. The net pension liability was determined through an actuarial valuation performed by CalPERS, which is performed annually. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements were Notes E and F related to the other postemployment benefits plan and the pension plan liabilities and related deferred inflows and outflows, Note I related to the operating lease and K where commitments and contingencies were disclosed.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

Management has corrected all such misstatements. There were 17 adjustments and closing entries posted during the audit. These adjustments and closing entries consist of the following:

- Revision of revenue and unavailable revenue to reflect amounts earned during the year.
- Update the pension balances for current year activity.
- Update the OPEB balances for current year activity.
- Reclassify health insurance payments between accounts used for retirees and active employees.
- Record and recognize prepaid expenses.
- Accrue the final payment of a capital project.
- Reclassify non-capital expenditures.
- Revise the compensated absences balances for current year activity.
- Dispose of capital assets.
- Reclassify unrestricted net position to net investment in capital assets.
- Reclassify the current portion of the capital lease.
- To reverse a prepaid and liability for an amount typically paid before year-end.
- Reverse maintenance expenses accrued that were not verified by the related vendors.

The attached schedule summarizes uncorrected misstatements in the financial statements. Management has determined that the effects are immaterial, both individually and in the aggregate to the financial statements taken as a whole.

Disagreements With Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 4, 2020.

Management Consultations With Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to SRFECC's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as SRFECC's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the schedule of changes in the net OPEB liability and related ratios, schedule of contributions to the OPEB plan, schedule of the proportionate share of the net pension liability, and schedule of contributions to the pension plan, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

This information is intended solely for the use of the Board of Directors and management of SRFEC and is not intended to be and should not be used by anyone other than these specified parties.

Richardson & Company, LLP

November 4, 2020

SACRAMENTO REGIONAL FIRE/EMS COMMUNICATIONS CENTER
SUMMARY OF UNADJUSTED AUDIT DIFFERENCES
YEAR ENDED JUNE 30, 2020

Description (Nature) of Audit Difference	Financial Statement Effect - Amount of Overstatement (Understatement) of:			
	Total Assets	Total Liabilities	Total Net Position	Total Change in Net Position
Difference in accounts payable balance on subsidiary ledger and general ledger.		\$ 8,567	\$ 8,567	\$ 8,567
Estimated settlement of past overtime.		(39,000)	39,000	39,000
FY 2019 depreciation recorded in FY 2020 due to late receipt of final billing				(12,875)
Total Net Unadjusted Audit Difference		(30,433)	47,567	34,692
Financial Statement Caption Totals	\$ 9,394,759	\$ 17,381,563	\$ (9,045,406)	\$ 62,944
Net Audit Differences as % of F/S Captions	0.00%	(0.18%)	(0.53%)	55.12%

**SACRAMENTO REGIONAL FIRE/EMS
COMMUNICATIONS CENTER**

Audited Financial Statements and
Compliance Report

June 30, 2020 and 2019

(This page intentionally left blank.)

SACRAMENTO REGIONAL FIRE/EMS COMMUNICATIONS CENTER

Audited Financial Statements and
Compliance Report

June 30, 2020 and 2019

Independent Auditor’s Report	1
Basic Financial Statements	
Balance Sheets	3
Statements of Revenues, Expenses, and Changes in Net Position.....	4
Statements of Cash Flows.....	5
Notes to Basic Financial Statements.....	6
Required Supplementary Information (Unaudited)	
Schedule of the Proportionate Share of the Net Pension Liability and Schedule of Contributions to the Pension Plan	22
Schedule of Changes in the Net OPEB Liability and Related Ratios	23
Schedule of Contributions to the OPEB Plan	24
Compliance Report	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	25

(This page intentionally left blank.)



550 Howe Avenue, Suite 210
Sacramento, California 95825
Telephone: (916) 564-8727
FAX: (916) 564-8728

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sacramento Regional Fire/EMS Communications Center
Sacramento, California

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Sacramento Regional Fire/EMS Communications Center (SRFECC) as of and for the years ended June 30, 2020 and 2019 and the related notes to the financial statements, which collectively comprise SRFECC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SRFECC as of June 30, 2020 and 2019, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

To the Board of Directors
Sacramento Regional Fire/EMS Communications Center

Other Matters

Report on Supplemental Information

Accounting principles generally accepted in the United States of America require that the schedule of the proportionate share of the net pension liability, schedule of contributions to the pension plan, schedule of changes in the net OPEB liability and related ratios and schedule of contributions to the OPEB plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2020 on our consideration of the SRFEC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the SRFEC's internal control over financial reporting and compliance.

Richardson & Company, LLP

November 4, 2020

SACRAMENTO REGIONAL FIRE/EMS COMMUNICATIONS CENTER

BALANCE SHEETS

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS AND DEFERRED OUTFLOW OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,023,276	\$ 2,857,237
Accounts receivable	1,658	204
Due from other governments and other receivables	109,635	2,201,660
Prepaid expenses and other assets	427,195	126,602
TOTAL CURRENT ASSETS	<u>4,561,764</u>	<u>5,185,703</u>
CAPITAL ASSETS		
Not being depreciated	3,110,692	625,567
Being depreciated, net	1,722,303	1,935,502
TOTAL CAPITAL ASSETS	<u>4,832,995</u>	<u>2,561,069</u>
TOTAL ASSETS	<u>9,394,759</u>	<u>7,746,772</u>
DEFERRED OUTFLOW OF RESOURCES		
Other postemployment benefits plan	440,322	269,946
Pension plan	1,718,380	1,884,586
TOTAL DEFERRED OUTFLOW OF RESOURCES	<u>2,158,702</u>	<u>2,154,532</u>
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u>\$11,553,461</u>	<u>\$ 9,901,304</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 209,372	\$ 739,029
Accrued salaries and benefits	1,514	17,267
Unearned revenue		39,410
Current portion of compensated absences	95,913	122,927
Current portion of capital lease	167,659	
TOTAL CURRENT LIABILITIES	<u>474,458</u>	<u>918,633</u>
NONCURRENT LIABILITIES		
Compensated absences	115,024	161,892
Capital lease	1,540,835	
Net other postemployment benefits liability	8,194,339	9,165,647
Net pension liability	7,056,907	6,670,540
TOTAL NONCURRENT LIABILITIES	<u>16,907,105</u>	<u>15,998,079</u>
TOTAL LIABILITIES	<u>17,381,563</u>	<u>16,916,712</u>
DEFERRED INFLOW OF RESOURCES		
Other postemployment benefits plan	2,667,733	1,519,946
Pension plan	549,571	572,996
TOTAL DEFERRED INFLOW OF RESOURCES	<u>3,217,304</u>	<u>2,092,942</u>
NET POSITION		
Net investment in capital assets	3,124,501	2,561,069
Unrestricted	(12,169,907)	(11,669,419)
TOTAL NET POSITION	<u>(9,045,406)</u>	<u>(9,108,350)</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	<u>\$11,553,461</u>	<u>\$ 9,901,304</u>

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

SACRAMENTO REGIONAL FIRE/EMS COMMUNICATIONS CENTER

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Charges for services		
Member assessments	\$ 9,548,978	\$ 9,095,902
Reimbursements from other agencies	52,798	444,435
Backbone and secondary user fees	<u>85,635</u>	<u>78,330</u>
TOTAL OPERATING REVENUES	9,687,411	9,618,667
OPERATING EXPENSES		
Salaries and employee benefits	6,473,252	6,168,444
Pension adjustment	529,148	382,865
Post employment health benefits	334,995	517,517
Services and supplies	2,023,471	2,619,034
Depreciation	<u>285,133</u>	<u>365,679</u>
TOTAL OPERATING EXPENSES	9,645,999	10,053,539
OPERATING INCOME (LOSS)	41,412	(434,872)
NONOPERATING REVENUES (EXPENSES)		
Interest and investment income	3,690	6,954
Other nonoperating revenue	46,841	66,654
Loss on disposal of capital assets	<u>(28,999)</u>	<u>(9,346)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	21,532	64,262
INCOME BEFORE EXTRAORDINARY ITEMS	62,944	(370,610)
EXTRAORDINARY ITEM		
Net disposal and expenses related to the CAD system		<u>(2,285,293)</u>
TOTAL EXTRAORDINARY ITEM		<u>(2,285,293)</u>
CHANGE IN NET POSITION	62,944	(2,655,903)
Total net position, beginning of year	<u>(9,108,350)</u>	<u>(6,452,447)</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ (9,045,406)</u>	<u>\$ (9,108,350)</u>

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

SACRAMENTO REGIONAL FIRE/EMS COMMUNICATIONS CENTER

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 9,835,413	\$ 9,666,148
Cash paid to suppliers	(6,616,568)	(7,755,597)
Cash paid to employees	(3,128,932)	(2,306,108)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>89,913</u>	<u>(395,557)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from disposal of capital assets	1,977,820	7,000
Purchases of capital assets	(2,613,878)	(998,024)
Proceeds from capital lease	1,708,494	
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>1,072,436</u>	<u>(991,024)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	3,690	6,954
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>3,690</u>	<u>6,954</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,166,039	(1,379,627)
Cash and cash equivalents, beginning of year	<u>2,857,237</u>	<u>4,236,864</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 4,023,276</u></u>	<u><u>\$ 2,857,237</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 41,412	\$ (434,872)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	285,133	365,679
Cash received for non-operating revenue	46,841	66,654
Expenses related to CAD write-off		(1,615,797)
Changes in assets, liabilities and deferred outflows and inflows:		
Accounts receivable	(1,454)	25,866
Due from other governments	142,025	(84,449)
Prepaid expenses and other assets	(300,593)	68,000
Accounts payable and accrued expenses	(529,657)	497,305
Accrued salaries and benefits	(15,753)	2,111
Compensated absences	(73,882)	45,446
Unearned revenue	(39,410)	39,410
Other post-employment benefits	(971,308)	(270,930)
Change in deferred outflows/inflows of resources for pensions	(193,801)	677,893
Change in deferred outflows/inflows of resources for OPEB	1,313,993	517,155
Net pension liability	386,367	(295,028)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 89,913</u></u>	<u><u>\$ (395,557)</u></u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES		
Write off of CAD system		\$ 2,619,496

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

SACRAMENTO REGIONAL FIRE/EMS COMMUNICATIONS CENTER

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Sacramento Regional Fire/EMS Communications Center (SRFECC) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The most significant accounting policies of SRFECC are described below.

Background: SRFECC was organized through a Joint Powers Agreement (JPA) pursuant to the provisions of Title I, Division 7, Chapter 5, Article 1, Sections 6500 et seq. of the California Government Code beginning on January 1, 1981, to provide fire and ambulance communications management/dispatch services for member agencies and volunteer agencies. The JPA members were Sacramento City Fire, Sacramento Metropolitan Fire District, Consumes Community Services District and Folsom City. Volunteer agencies are Herald, Courtland, Walnut Grove, Wilton, Isleton, and River Delta Fire Districts. SRFECC serves approximately 1.3 million residents in an area of approximately 1,000 square miles.

SRFECC's Board of Directors is comprised of one representative from each Member Agency. Each Member Agency has a weighted vote equal to the percentage of each Member Agency's total emergency service calls to the total of all emergency service calls for all Member Agencies during the previous calendar year that remain a member on July 1 of the current fiscal year. The weighted votes are recalculated on July 1 of each fiscal year.

Debts, liabilities and obligations of SRFECC are not considered to be debts, liabilities and obligations of the Member Agencies. However, according to the Joint Powers Agreement, no assets may be divided or returned to Member Agencies until all outstanding obligations of SRFECC have been resolved or a "paid-up contract" has been adopted which removes those obligations from SRFECC. A "paid-up contract" may be for Member Agencies to accept responsibility for any outstanding claims. Dispositions of the remaining assets will then be made in proportion to the contributions of the remaining Member Agencies for the fiscal year of the dissolution. The Joint Powers Agreement may be terminated upon consent of 90% of the total number of votes of all Member Agencies.

The Joint Powers Agreement requires SRFECC collect charges for services from its Member Agencies on a pro-rata basis sufficient to pay capital, operating and related costs for dispatch services. The rate charged to each Member Agency depends on whether the Member Agency chooses to receive Tier I, Tier II or Tier III dispatch services or requests other additional services as defined in the Joint Powers Agreement.

Basis of Presentation – Fund Accounting: SRFECC's resources are allocated to and accounted for in these basic financial statements as an enterprise fund type of the proprietary fund group. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other policies. Net position for the enterprise fund represents the amount available for future operations.

Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds are presented using the economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Net position is segregated into amounts invested in capital assets, amounts restricted and amounts unrestricted. Enterprise fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position.

SRFECC uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principle operations of SRFECC. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

SACRAMENTO REGIONAL FIRE/EMS COMMUNICATIONS CENTER

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Cash and Cash Equivalents: For purposes of the statement of cash flows, SRFECC considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of cash on hand and deposits in financial institutions.

Prepaid Expenses: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Capital Assets: Capital assets are recorded at historical cost. Donated capital assets are recorded at the acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. Self-constructed assets are recorded based on the amount of direct labor, material, and certain overhead charged to the asset construction. Depreciation is calculated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Life</u>
Buildings and improvements	5-30 years
Equipment	3-25 years
Software	3 years

Maintenance and repairs are charged to operations when incurred. It is SRFECC’s policy to capitalize all capital assets with a cost of more than \$5,000 for equipment, building and improvements. The cost of assets sold or retired (and the related amounts of accumulated depreciation) are eliminated from the balance sheet in the year of sale or retirement, and the resulting gain or loss is recognized in operations.

Compensated Absences: Regular full-time employees are granted vacation, sick and holiday leave in varying amounts based upon length of service. Employees are not compensated for unused sick leave upon separation from employment, so a liability is not recorded for unused sick leave. Any accrued hours, not in excess of the maximum allowable, which are unused during the current period, are carried forward to following years. Additionally, certain employees are allowed compensated time-off in lieu of overtime compensation and/or from working on holidays.

Net Position: Net position is categorized as net investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation and debt attributable to the acquisition, construction or improvement of these assets reduces the balance in this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. SRFECC has no restricted net position.

Unrestricted Net Position – This category represents net position of SRFECC not restricted for any project or other purpose.

Pension Plan: For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to the pension plan, and pension expense, information about the fiduciary net position of SRFECC’s California Public Employees’ Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan’s 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.

SACRAMENTO REGIONAL FIRE/EMS COMMUNICATIONS CENTER

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Postemployment Benefits (OPEB): For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to the District's OPEB plan (Plan), and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows and Inflows of Resources: In addition to assets and liabilities, the statement of net position reports separate sections for deferred outflows and deferred inflows of resources. *Deferred outflows of resources* represent a consumption of net position by the government that is applicable to a future reporting period. *Deferred inflows of resources* represent an acquisition of net position that is applicable to a future reporting period. These amounts will not be recognized as an outflow of resources (expense) or an inflow of resources (revenue) until the earning process is complete. Deferred outflows and inflows of resources represent amounts deferred related to SRFEC's pension and OPEB plans as described in Notes E and F.

Use of Estimates: The preparation of the 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 expenses during the reporting period. Actual results could differ from those estimates.

New Pronouncements: In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In June 2017, the GASB issued Statement No. 87, *Leases*. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This Statement enhances disclosures about capital assets and the cost of borrowing for a reporting period and simplifies the accounting for interest cost incurred before the end of a construction period. Interest cost incurred before the end of a construction period will be recognized as an expense in the period the interest cost is incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset. The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019.

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This Statement provides temporary relief to governments due to the COVID-19 pandemic by postponing the effective dates of Statements and Implementation Guides that first become effective or are scheduled to become effective for periods beginning after June 15, 2018 and later. Effective dates of the following Statements and Implementation Guides were postponed by one year: Statements No. 83, 84 and 88 to 93 as well as Implementation Guide No's 2018-1, 2019-1 and 2019-2. Effective dates for Statement No. 87 and Implementation Guide No. 2019-3 were postponed by 18 months. The requirements of this Statement are effective immediately. The implementation dates listed in the paragraphs above were adjusted as indicated in this paragraph.

SRFECC is currently analyzing the impact of the required implementation of these new statements.

SACRAMENTO REGIONAL FIRE/EMS COMMUNICATIONS CENTER

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE B – CASH AND CASH EQUIVALENTS

At June 30, 2020 and 2019, SRFECC’s cash consisted of deposits in financial institutions.

Investment policy: California statutes authorize special districts to invest idle, surplus or reserve funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 - Financial Affairs. The table below identifies the investment types that are authorized for SRFECC by the California Government Code (or SRFECC’s investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. During the years ended June 30, 2020 and 2019, SRFECC’s permissible investments included the following instruments:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
State of California obligations	5 years	None	None
Bankers Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposits	5 years	30%	None
Repurchase Agreements	92 days	20%	None
Medium Term Corporate Notes	5 years	30%	None
Money Market Mutual Funds	N/A	20%	10%
Mortgage pass-through securities	5 years	20%	None
LAIF	N/A	None	None

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and SRFECC’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2020 and 2019, the carrying value of SRFECC’s deposits was \$4,023,276 and \$2,857,237 and the balances in financial institutions were \$4,049,281 and \$2,999,508, respectively. Of the balances in financial institutions, \$250,000 was covered by federal depository insurance and the remaining amount was covered by the pledging financial institution with assets held in a common pool for SRFECC and other governmental agencies, but not in the name of SRFECC.

SACRAMENTO REGIONAL FIRE/EMS COMMUNICATIONS CENTER

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE C – CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2020 and 2019 was as follows:

	Balance July 1, 2019	Additions	Disposals	Transfers	Balance June 30, 2020
Capital assets, not being depreciated:					
Land	\$ 16,734				\$ 16,734
Work in progress	608,833	\$2,613,878		\$ (128,753)	3,093,958
Total capital assets, not being depreciated	625,567	2,613,878		(128,753)	3,110,692
Capital assets, being depreciated:					
Buildings and improvements	3,249,621		\$ (86,584)		3,163,037
Furniture, fixtures and equipment	6,100,639		(30,246)	128,753	6,199,146
Total capital assets, being depreciated	9,350,260		(116,830)	128,753	9,362,183
Less accumulated depreciation for:					
Buildings and improvements	(3,006,155)	(46,593)	53,961		(2,998,787)
Furniture, fixtures and equipment	(4,408,603)	(238,540)	6,050		(4,641,093)
Total accumulated depreciation	(7,414,758)	(285,133)	60,011		(7,639,880)
Total capital assets, being depreciated, net	1,935,502	(285,133)	(56,819)	128,753	1,722,303
Total capital assets, net	<u>\$ 2,561,069</u>	<u>\$2,328,745</u>	<u>\$ (56,819)</u>	<u>\$ -</u>	<u>\$ 4,832,995</u>
	Balance July 1, 2018	Additions	Disposals	Transfers	Balance June 30, 2019
Capital assets, not being depreciated:					
Land	\$ 16,734				\$ 16,734
Work in progress	2,638,111	\$ 565,199	\$ (1,974,039)	\$ (620,438)	608,833
Total capital assets, not being depreciated	2,654,845	565,199	(1,974,039)	(620,438)	625,567
Capital assets, being depreciated:					
Buildings and improvements	3,215,016	34,605			3,249,621
Furniture, fixtures and equipment	5,221,794	398,220	(139,813)	620,438	6,100,639
Total capital assets, being depreciated	8,436,810	432,825	(139,813)	620,438	9,350,260
Less accumulated depreciation for:					
Buildings and improvements	(2,900,722)	(105,433)			(3,006,155)
Furniture, fixtures and equipment	(4,153,796)	(260,246)	5,439		(4,408,603)
Total accumulated depreciation	(7,054,518)	(365,679)	5,439		(7,414,758)
Total capital assets, being depreciated, net	1,382,292	67,146	(134,374)	620,438	1,935,502
Total capital assets, net	<u>\$ 4,037,137</u>	<u>\$ 632,345</u>	<u>\$ (2,108,413)</u>	<u>\$ -</u>	<u>\$ 2,561,069</u>

Work in progress includes Computer Aided Dispatch (CAD) equipment in the process of being installed and other projects in progress. During the year ended June 30, 2019, SRFEC wrote off construction in progress and capital assets of \$1,974,039 and \$118,061, respectively, related to the previous CAD system being developed. See Note J for more information.

SACRAMENTO REGIONAL FIRE/EMS COMMUNICATIONS CENTER

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE D – LONG-TERM LIABILITIES

The following is a summary of long-term liabilities activity of SRFECC for the years ended June 30, 2020 and 2019:

	Balance July 1, 2019	Additions	Repayments	Balance June 30, 2020	Due Within One Year
Compensated absences	\$ 284,819	\$ 55,626	\$ (129,508)	\$ 210,937	\$ 95,913
Capital lease		1,708,494		1,708,494	167,659
Other post-employment benefits	9,165,647		(971,308)	8,194,339	
Net pension liability	6,670,540	386,367		7,056,907	
	<u>\$ 16,121,006</u>	<u>\$ 2,150,487</u>	<u>\$ (1,100,816)</u>	<u>\$ 17,170,677</u>	<u>\$ 263,572</u>
	Balance July 1, 2018	Additions	Repayments	Balance June 30, 2019	Due Within One Year
Compensated absences	\$ 239,373	\$ 45,446		\$ 284,819	\$ 122,927
Other post-employment benefits	9,436,577		\$ (270,930)	9,165,647	
Net pension liability	6,965,568		(295,028)	6,670,540	
	<u>\$ 16,641,518</u>	<u>\$ 45,446</u>	<u>\$ (565,958)</u>	<u>\$ 16,121,006</u>	<u>\$ 122,927</u>

Capital Lease – Direct Borrowing: On August 15, 2019, the Board of Directors approved a Municipal-Lease Purchase Agreement (Agreement) with Financial Pacific Leasing, Inc. DBA Umpqua Bank Equipment Leasing & Finance, of up to \$5,000,000 to finance the purchase of Computer Aided Dispatch equipment and related expenses. The Agreement is secured by a lien on the related equipment. The Agreement calls for fixed level rent payments for the term of any lease at an index interest rate equal to a like term semi-bond swap rate sourced from Chatham Financial Market Data on the date of the lease. The agreement contains an option to purchase the related equipment for \$1 at the end of the lease term. SRFECC entered into a lease of \$1,708,494 on August 16, 2019 under the agreement, which has monthly rent payments of \$22,394 from October 1, 2020 to September 1, 2027. The index rate was approximately 2.765% at the date of the lease. The equipment under the capital lease had a cost of \$1,708,494 and no accumulated depreciation at June 30, 2020 and was included in construction in progress because the equipment was not placed into service. SRFECC is only obligated to pay rent under the agreement to the extent necessary funds have been budgeted for and appropriated for that purpose, but would surrender the related equipment if such an event were to occur. Delinquent payments are subject to a default interest rate of the lesser of 18% or the maximum rate permitted by law.

Future payments under the capital lease will be as follows as of June 30, 2020:

Year ended June 30,	2020		
	Principal	Interest	Totals
2021	\$ 167,659	\$ 33,891	\$ 201,550
2022	229,016	39,716	268,732
2023	235,429	33,303	268,732
2024	242,022	26,710	268,732
2025	248,799	19,933	268,732
2026-2028	585,569	19,077	604,646
Total	<u>\$ 1,708,494</u>	<u>\$ 172,630</u>	<u>\$ 1,881,124</u>

SACRAMENTO REGIONAL FIRE/EMS COMMUNICATIONS CENTER

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE E – OTHER POSTEMPLOYMENT BENEFITS

Plan Description: The SRFECC defined benefit OPEB plan (the Plan) is an agent multiple employer OPEB plan that provides OPEB benefits for all eligible general employees that retire from SRFECC with CalPERS pension and elect to enroll in one of the health plans sponsored by CalPERS. Employees must retire directly from SRFECC. Eligible employees’ surviving spouses of retirees hired before July 1, 2012 are also eligible for benefits. Benefits continue through the retiree’s or spouses’ lifetime. The Plan is administered by CalPERS through participation in California Employers’ Retiree Benefit Trust (CERBT) Fund. The Board of Directors grants the authority to establish and amend the benefit terms to the CalPERS Board of Trustees (CalPERS Board). CalPERS issues a publicly available financial report for the CERBT that can be obtained at www.calpers.ca.gov under Forms and Publications.

Benefits Provided: The Plan provides healthcare benefits for retirees and surviving spouses. For retirees hired prior to July 1, 2012, SRFECC pays 100% of the CalPERS health plan premiums up to a maximum of the lesser of the non-Medicare premium amount for the Kaiser or Blue Shield Access plan for “employee plus one” coverage. For retirees hired on or after July 1, 2012, SRFECC contributes a percentage based on the years of service of the CalPERS health plan premium costs up to the lesser of the non-Medicare premium amount for the Kaiser or BlueShield Access plan for “employee plus one” coverage. SRFECC’s contribution percentage is 25% after five years of service and an additional 5% is contributed for each additional year of service. After twenty years of service, SRFECC’s contribution percentage is 100%. In the event the Kaiser or Blue Shield Access premiums increase by more than 5% in any one year, the increase in SRFECC’s contribution will be limited to 5%. For employees hired after July 1, 2014, SRFECC’s maximum contributions are limited to \$1,300 per month.

Employees Covered by Benefit Terms: At June 30, the following current and former employees were covered by the benefit terms:

	<u>2020</u>	<u>2019</u>
Inactive employees or beneficiaries currently receiving benefit payments	23	18
Active employees	<u>44</u>	<u>50</u>
Total	<u><u>67</u></u>	<u><u>68</u></u>

Contributions: The Board of Directors grants the authority to establish and amend the contribution requirements of SRFECC and employees. Employees are required to contribute \$100 per month to the Plan. These contributions are non-refundable to the employee and are deposited in the CERBT trust. During the fiscal year ended June 30, 2020, the District’s benefit payments were \$230,750 and the implied subsidy was \$98,141, resulting in total payments of \$328,891. In addition, active employees contributed \$51,700 to the trust. During the fiscal year ended June 30, 2019, the District’s benefit payments were \$236,509 and the implied subsidy is \$33,437, resulting in total payments of \$269,946. In addition, active employees contributed \$54,100 to the trust.

Net OPEB Liability: SRFECC’s net OPEB liability at June 30, 2020 and 2019 was measured as of June 30, 2019 and 2018. The total OPEB liability used to calculate the net OPEB liability at June 30, 2020 and 2019 was determined by an actuarial valuation as of June 30, 2019 and 2017, respectively.

SACRAMENTO REGIONAL FIRE/EMS COMMUNICATIONS CENTER

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE E – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions: The total OPEB liability at June 30, 2020 and 2019 was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	2020	2019
Valuation date	June 30, 2019	June 30, 2017
Measurement date	June 30, 2019	June 30, 2018
Actuarial cost method	Entry-age normal cost method	Entry-age normal cost method
Actuarial assumptions:		
Discount rate	4.52%	4.22%
Inflation	2.50%	2.50%
Salary increases	CalPERS salary scale for Miscellaneous employees hired at age 30	
Investment rate of return	6.50%	6.75%
Mortality rate	Derived using CalPERS membership data	
Pre-retirement turnover	Derived using CalPERS membership data	
Healthcare trend rate	Pre 65-6.50% in 2020 grading down to 4.25% in 2099 Post 65-5.00% in 2020 grading down to 4.25% and 2099	Pre 65-3.50% in 2018, 6.25% in 2019 grading down to 4.25% in 2073 Post 65-3.50% in 2018, 6.00% in 2019 grading down to 4.50% in 2074

Mortality information for active and retired employees in the June 30, 2019 and 2017 valuations were based on 2018 and 2009 CalPERS tables, respectively. Healthy mortality rates are based on CalPERS experience with a 15-year static projection using 90% of Scale MP-2016. The pre-retirement turnover information in the June 30, 2019 and 2017 valuations were developed based on the CalPERS Turnover for Miscellaneous Employees table created by CalPERS for 2018 and 2009, respectively. Medical cost trend is based on the Society of Actuaries “Getzen Model”.

The assumed gross return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class at June 30 are summarized in the following table:

Asset Class	2020		2019	
	Target Allocation	Long-term	Target Allocation	Long-term
		Expected Nominal Rate of Return		Expected Nominal Rate of Return
Global equity	59.0%	7.85%	57.0%	7.92%
U.S. fixed income	25.0%	5.62%	27.0%	6.83%
Treasury inflation protected securities	5.0%	3.18%	5.0%	3.95%
Real estate investment trusts	8.0%	7.53%	8.0%	7.56%
Commodities	3.0%	5.23%	3.0%	5.47%
	<u>100.0%</u>		<u>100.0%</u>	

Discount Rate: The discount rate used to measure the total OPEB liability was 4.52% and 4.22% for the years ended June 30, 2020 and 2019, respectively. The projection of cash flows used to determine the discount rate assumed that SRFECC contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be available to make all projected OPEB payments for current active and inactive employees. Therefore, a single equivalent rate of the long-term expected rate of return on OPEB plan investments (6.50% and 6.75% at June 30, 2019 and 2018 measurement dates, respectively) and the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (3.50% and 3.58% at June 30, 2019 and 2018 measurement dates, respectively) was applied to all periods of projected benefit payments to determine the total OPEB liability.

SACRAMENTO REGIONAL FIRE/EMS COMMUNICATIONS CENTER

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE E – OTHER POSTEMPLOYMENT BENEFITS (Continued)

	2020			2019		
	Increase (Decrease)			Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance at June 30, 2019	\$ 9,573,602	\$ 407,955	\$ 9,165,647	\$ 9,660,430	\$ 223,853	\$ 9,436,577
Changes in the year:						
Service cost	396,338		396,338	427,824		427,824
Interest	415,094		415,094	378,917		378,917
Difference between expected and actual experience	126,074		126,074			
Changes in assumptions	(1,556,789)		(1,556,789)	(657,909)		(657,909)
Benefit payments	(269,946)	(269,946)		(235,660)	(235,660)	
Contributions - employer		269,946	(269,946)		341,660	(341,660)
Contributions - employees		54,100	(54,100)		58,139	(58,139)
Net investment income		28,192	(28,192)		20,124	(20,124)
Administrative expenses		(213)	213		(161)	161
Net changes	(889,229)	82,079	(971,308)	(86,828)	184,102	(270,930)
Balance at June 30, 2020	\$ 8,684,373	\$ 490,034	\$ 8,194,339	\$ 9,573,602	\$ 407,955	\$ 9,165,647

Changes in Assumptions: Changes of assumptions in 2020 and 2019 reflect the changes in the discount rate discussed previously. Changes in assumptions in 2020 also include changes to the most recent CalPERS experience study used for pension plan reporting.

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

	2020			2019		
	Current			Current		
	1% Decrease 3.52%	Discount Rate 4.52%	1% Increase 5.52%	1% Decrease 3.22%	Discount Rate 4.22%	1% Increase 5.22%
Net OPEB liability	\$ 9,597,684	\$ 8,194,339	\$ 7,064,668	\$ 10,843,712	\$ 9,165,647	\$ 7,827,153

The following presents the net OPEB liability of SRFECC, as well as what SRFECC's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	2020			2019		
	Current Healthcare Cost			Current Healthcare Cost		
	1% Decrease	Trend Rates	1% Increase	1% Decrease	Trend Rates	1% Increase
Net OPEB liability	\$ 7,013,987	\$ 8,194,339	\$ 9,645,337	\$ 7,596,817	\$ 9,165,647	\$ 11,191,750

OPEB Plan Fiduciary Net Position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CERBT financial report at www.calpers.ca.gov.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources: For the years ended June 30, 2020 and 2019, SRFECC recognized OPEB expense of \$334,994 and \$516,677, respectively. June 30, 2020 and 2019, SRFECC reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

SACRAMENTO REGIONAL FIRE/EMS COMMUNICATIONS CENTER

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE E – OTHER POSTEMPLOYMENT BENEFITS (Continued)

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 328,891		\$ 269,946	
Differences between actual and expected experience	111,431			
Changes in assumptions		\$ (2,666,233)		\$ (1,516,292)
Net differences between projected and actual earnings on plan investments		(1,500)		(3,654)
Total	\$ 440,322	\$ (2,667,733)	\$ 269,946	\$ (1,519,946)

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability during the following fiscal year. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as expense as follows:

Year Ended June 30	2020	2019
2020		\$ (227,283)
2021	\$ (393,225)	(227,283)
2022	(393,224)	(227,282)
2023	(391,892)	(225,950)
2024	(391,979)	(226,036)
2024	(392,205)	
Thereafter	(593,777)	(386,112)
	\$ (2,556,302)	\$ (1,519,946)

Payable to the OPEB Plan: At June 30, 2020 and 2019, SRFECC had no contributions payable to the Plan.

NOTE F – PENSION PLAN

Plan Descriptions: All qualified permanent and probationary employees are eligible to participate in the SRFECC’s cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS). The Board has established a single “Cost-Sharing Miscellaneous” pension plan (the Plan) with CalPERS that is comprised of the following rate plans:

- Miscellaneous Rate Plan
- PEPRM Miscellaneous Rate Plan

Benefit provisions under the Plan are established by State statute and SRFECC resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

Benefits Provided: CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 (52 for PEPRM Miscellaneous Plan) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is the following: the 1957 Survivor Benefit or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees’ Retirement Law.

SACRAMENTO REGIONAL FIRE/EMS COMMUNICATIONS CENTER

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE F – PENSION PLAN (Continued)

The Plan’s provisions and benefits in effect at June 30, 2020 and 2019, are summarized as follows:

Hire date	Miscellaneous	PEPRA
	Rate Plan (Prior to January 1, 2013)	Miscellaneous Rate Plan (On or after January 1, 2013)
Benefit formula (at full retirement)	2.7% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52-67
Monthly benefits, as a % of eligible compensation	2.00% to 2.70%	1.0% to 2.5%
Required employee contribution rates - 2020	8.000%	7.000%
Required employee contribution rates - 2019	8.000%	6.500%
Required employer contribution rates - 2020	13.473%	7.026%
Required employer contribution rates - 2019	12.556%	6.939%

The Miscellaneous Rate Plan is not available to new members that were not CalPERS participants on December 31, 2012. In addition to the contribution rates above, SRFECC was also required to make payments totaling \$607,532 and \$535,217 toward its unfunded actuarial liability during the years ended June 30, 2020 and 2019, respectively. The Miscellaneous Plan is closed to new members that are not already CalPERS eligible participants.

For members of CalPERS prior to January 1, 2013, SRFECC pays the 8% employee contribution and employees pay 7.686% to December 1, 2019, 6.550% from December 1, 2019 to March 1, 2027 and will pay 3.634% after March 1, 2027.

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 the 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 SRFECC is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The contributions recognized as part of pension expense to the Plan were \$873,829 and \$745,224 for the years ended June 30, 2020 and 2019, respectively.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources: As of June 30, 2020 and 2019, the SRFECC reported a net pension liability for its proportionate share of the Plan’s net pension liability of \$7,056,907 and \$6,670,540, respectively.

The SRFECC’s net pension liability is measured as the proportionate share of the Plan’s net pension liability. The net pension liability is measured as of June 30, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 and 2017 rolled forward to June 30, 2019 and 2018 using standard update procedures. The SRFECC’s proportion of the net pension liability was based on a projection of the SRFECC’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The SRFECC’s proportionate share of the net pension liability for the Plan as of June 30 was as follows:

SACRAMENTO REGIONAL FIRE/EMS COMMUNICATIONS CENTER

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE F – PENSION PLAN (Continued)

Proportion - June 30, 2018	0.17670%
Proportion - June 30, 2019	0.17700%
Change - Increase (Decrease)	0.00030%
Proportion - June 30, 2019	0.17700%
Proportion - June 30, 2020	0.17622%
Change - Increase (Decrease)	-0.00078%

For the year ended June 30, 2020 and 2019, the SRFECC recorded pension expense of \$1,402,977 and \$1,128,089, respectively. At June 30, 2020 and 2019, the SRFECC reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 873,829		\$ 745,224	
Differences between actual and expected experience	490,132	\$ (37,975)	255,938	\$ (87,094)
Changes in assumptions	336,506	(119,289)	760,461	(186,374)
Differences between the employer's contribution and the employer's proportionate share of contributions		(91,339)	49,682	(27,954)
Change in employer's proportion	17,913	(177,591)	40,304	(271,574)
Net differences between projected and actual earnings on plan investments		(123,377)	32,977	
Total	<u>\$ 1,718,380</u>	<u>\$ (549,571)</u>	<u>\$ 1,884,586</u>	<u>\$ (572,996)</u>

The amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date above will be recognized as a reduction of the net pension liability in the years ended June 30, 2020 and 2019, respectively. Other amounts reported as net deferred outflows of resources related to pensions at June 30 will be recognized as pension expense as follows:

Fiscal Year Ended June 30	2020	2019
2020		\$ 602,179
2021	\$ 405,877	299,892
2022	(167,194)	(275,707)
2023	31,366	(59,998)
2024	24,931	
	<u>\$ 294,980</u>	<u>\$ 566,366</u>

SACRAMENTO REGIONAL FIRE/EMS COMMUNICATIONS CENTER

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE F – PENSION PLAN (Continued)

Actuarial Assumptions: The total pension liabilities in the actuarial valuations for the Plan were determined using the following actuarial assumptions:

	2020	2019
Valuation Date	June 30, 2018	June 30, 2017
Measurement Date	June 30, 2019	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.50%
Payroll Growth	2.875%	3.00%
Projected Salary Increase	0.40% - 8.5% (1)	3.2% - 12.2% (1)
Investment Rate of Return	7.15%	7.15%
Mortality	Derived using CalPERS Membership Data for all Funds	Derived using CalPERS Membership Data for all Funds

(1) Depending on entry age and service

(2) Net of pension plan investment expenses, including inflation

The mortality table was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Discount Rate: The discount rates used to measure the total pension liability were 7.15% as of June 30, 2020 and 2019. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the 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 discount rate is appropriate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate 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.

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.

SACRAMENTO REGIONAL FIRE/EMS COMMUNICATIONS CENTER

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE F – PENSION PLAN (Continued)

The table below reflects the long-term expected real rate of return by asset class for the Plan. 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.

Asset Class	2020			2019		
	New	Real Return	Real Return	New	Real Return	Real Return
	Strategic	Years		Strategic	Years	
Allocation	1 - 10(a)	Years 11+(b)	Allocation	1 - 10(a)	Years 11+(b)	
Global equity	50.0%	4.80%	5.98%	50.0%	4.80%	5.98%
Fixed income	28.0%	1.00%	2.62%	28.0%	1.00%	2.62%
Inflation assets	0.0%	0.77%	1.81%	0.0%	0.77%	1.81%
Private equity	8.0%	6.30%	7.23%	8.0%	6.30%	7.23%
Real assets	13.0%	3.75%	4.93%	13.0%	3.75%	4.93%
Liquidity	1.0%		-0.92%	1.0%		-0.92%
Total	100.0%			100.0%		

- (a) An expected inflation of 2.0% was used.
- (b) An expected inflation of 2.92% was used.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the SRFEECC’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the SRFEECC’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:

	2020	2019
1% Decrease	6.15%	6.15%
Net Pension Liability	\$ 10,751,336	\$ 10,066,338
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$ 7,056,907	\$ 6,670,540
1% Increase	8.15%	8.15%
Net Pension Liability	\$ 4,007,417	\$ 3,867,365

Fiduciary Net Position: Detailed information about the Plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan: There was no contributions payable to the Plan at June 30, 2020. Contributions payable to the Plan at June 30, 2019 were \$32,985.

NOTE G – NET POSITION

Designations of unrestricted net position may be imposed by the Board of Directors to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended or removed by Board action. The Board has made designations of net position; however, the unrestricted net position balance is negative so no amounts are available for designations. SRFEECC has sufficient cash balances for designations. At June 30, 2020 and 2019, SRFEECC has net position designated for contingencies of \$1,311,090 and \$1,307,400, respectively.

SACRAMENTO REGIONAL FIRE/EMS COMMUNICATIONS CENTER

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE H – INSURANCE

SRFECC is a member of the Northern California Special Districts Insurance Authority (NCS DIA). The NCS DIA is a risk-pooling self-insurance authority, created under the provisions of the California Government Code Sections 6500 et. seq. The purpose of the NCS DIA is to provide a full risk management program for California local governments. NCS DIA provides insurance through the pool up to a certain level, beyond which group purchased commercial excess insurance is obtained.

SRFECC pays an annual premium to NCS DIA for general liability, property, management liability and workers compensation insurance coverage. SRFECC’s annual premium is based on its pro-rata share of charges for the pooled risk, claims adjusting and legal costs, and administrative and other costs to operate the NCS DIA. SRFECC paid no material uninsured losses during the last three fiscal years and had no significant reductions in coverage during the year.

SRFECC’s deductible and coverage are as follows:

<u>Coverage</u>	<u>NCS DIA</u>	<u>Commercial Insurance</u>	<u>Deductible</u>
General liability	\$ 1,000,000	\$ 9,000,000	none
Auto liability	1,000,000		\$ 1,000
Crime program	1,000,000		2,500
Property damage	Replacement Cost		1,000
Management liability	1,000,000	9,000,000	none
Workers compensation	Statutory		none

NOTE I – LEASE COMMITMENTS

SRFECC leased a training facility under a noncancellable operating lease with a member agency. The training facility lease expired on June 30, 2020. In addition, SRFECC entered into a lease agreement for office space at 10411 Old Placerville Road in Sacramento, California beginning May 1, 2020. The lease extends through April 30, 2025 and contains base rents of \$6,129 to \$7,005 per month. Rent expense under these leases was \$27,258 and \$18,000 for the years ended June 30, 2020 and 2019, respectively. As of June 30, future minimum lease payments under the noncancellable operating leases were as follows:

<u>Fiscal year ending June 30</u>	<u>2020</u>	<u>2019</u>
2020		\$ 18,000
2021	\$ 73,988	
2022	76,615	
2023	79,242	
2024	81,869	
2025	70,048	
	<u>\$ 381,762</u>	<u>\$ 18,000</u>

In addition, SRFECC was required to pay rent in the amount of 15% of gross revenue at the training facility that exceeds \$50,000 in a fiscal year.

SACRAMENTO REGIONAL FIRE/EMS COMMUNICATIONS CENTER

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019



NOTE K – CONTINGENCIES AND COMMITMENTS

Contingencies: SRFECC receives grant funding for specific purposes that are subject to review and audit by the granting agencies. Such audits could result in a request for reimbursement for expenditures disallowed under the terms and conditions of the contracts. Management is of the opinion that no material liabilities will result from such potential audits.

SRFECC is party to claims arising in the ordinary course of business. After taking into consideration information furnished by legal counsel to SRFECC as to the current status of the claims to which SRFECC is a party, management is of the opinion that the ultimate aggregate liability represented thereby, if any will not have a material adverse effect on the financial position or results of operations of SRFECC.

Commitments: In August 2017, SRFECC approved \$650,000 for the development of an alerting system. SRFECC has entered into a contract for \$606,000 for equipment and installation of the system. An additional \$86,000 is expected to be needed to interface the system with current equipment and additional amounts will be needed for project management costs. As of June 30, 2020, approximately \$545,105 has been spent on the project.

In March 2019, SRFECC entered into a contract for \$1,720,047, which has been revised to \$3,157,562 as of June 30 2020, for the development of CAD software and server upgrades. As of June 30, 2020, approximately \$2,314,269 has been spent on this project.

Letter of Credit: As part of the agreement to develop the CAD system, SRFECC obtained a letter of credit from the construction contractor in the amount of \$1,720,046 for a period of two years through August 1, 2021. SRECC cannot draw down on the letter of credit unless it provides the construction contractor a notice of default and gives the contractor thirty days to cure the default.

(This page intentionally left blank.)

REQUIRED SUPPLEMENTARY INFORMATION

SACRAMENTO REGIONAL FIRE/EMS COMMUNICATIONS CENTER

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

For the Year Ended June 30, 2020

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
Last 10 Years**

	2020	2019	2018	2017	2016	2015
Proportion of the net pension liability	0.00077%	0.17700%	0.17670%	0.14323%	0.19241%	0.18354%
Proportionate share of the net pension liability	\$ 7,056,907	\$ 6,670,540	\$ 6,965,568	\$ 6,191,417	\$ 5,278,735	\$ 4,536,180
Covered payroll - measurement period	\$ 3,728,966	\$ 3,585,654	\$ 3,619,181	\$ 4,123,954	\$ 3,803,076	\$ 3,756,360
Proportionate share of the net pension liability as a percentage of covered payroll	189.25%	186.03%	192.46%	150.13%	138.80%	120.76%
Plan fiduciary net position as a percentage of the total pension liability	83.65%	73.42%	70.43%	69.98%	78.40%	79.82%

Notes to Schedule:

Change in Benefit Terms: None

Changes in assumptions: The discount rate was changed from 7.5% (net of administrative expenses) to 7.65% in the June 30, 2015 actuarial valuation. The discount rate was changed to 7.15% in the June 30, 2017 actuarial valuation.

**SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN
Last 10 Years**

	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 873,829	\$ 745,224	\$ 668,869	\$ 620,500	\$ 799,965	\$ 735,406
Contributions in relation to the actuarially determined contributions	(873,829)	(745,224)	(668,869)	(620,500)	(799,965)	(735,406)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll - fiscal year	\$ 4,055,635	\$ 3,728,966	\$ 3,585,654	\$ 3,619,181	\$ 4,123,954	\$ 3,803,076
Contributions as a percentage of covered payroll	21.55%	19.98%	18.65%	17.14%	19.40%	19.34%

Notes to Schedule:

Date contribution rates were computed: June 30, 2017 June 30, 2016 June 30, 2015 June 30, 2014 June 30, 2013 June 30, 2012

Valuation date: June 30, 2018 June 30, 2017 June 30, 2016 June 30, 2015 June 30, 2014 June 30, 2013

Measurement date: June 30, 2019 June 30, 2018 June 30, 2017 June 30, 2016 June 30, 2015 June 30, 2014

Methods and assumptions used to

determine contribution rates:

Amortization method

Remaining amortization period

Asset valuation method

Inflation

Salary increases

Investment rate of return

Entry age normal

Level percentage of payroll, closed

Varies by rate plan, not more than 30 years

5-year smoothed market

Varies by entry age and service

net of pension plan investment expense, including inflation

Note: In 2020, contributions in the table above for the years 2015 to 2019 were revised to include only employer contributions. The table previously included employee contributions required to be made by the employer.

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date. Future years will be added prospectively as they become available.

SACRAMENTO REGIONAL FIRE/EMS COMMUNICATIONS CENTER

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

For the Year Ended June 30, 2020

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
Last 10 Years**

Measurement period	2020	2019	2018
Total OPEB liability			
Service cost	\$ 396,338	\$ 427,824	\$ 499,801
Interest	415,094	378,917	328,359
Differences between expected and actual experience	126,074		
Changes in assumptions	(1,556,789)	(657,909)	(1,231,758)
Benefit payments	(269,946)	(235,660)	(192,927)
Net change in total OPEB liability	(889,229)	(86,828)	(596,525)
Total OPEB liability - beginning	9,573,602	9,660,430	10,256,955
Total OPEB liability - ending (a)	<u>\$ 8,684,373</u>	<u>\$ 9,573,602</u>	<u>\$ 9,660,430</u>
Plan fiduciary net position			
Contributions - employer	\$ 269,946	\$ 341,660	\$ 192,927
Contributions - employee	54,100	58,139	64,700
Net investment income	28,192	20,124	18,321
Benefit payments	(269,946)	(235,660)	(192,927)
Administrative expenses	(213)	(161)	(88)
Net change in plan fiduciary net position	82,079	184,102	82,933
Plan fiduciary net position - beginning	407,955	223,853	140,920
Plan fiduciary net position - ending (b)	<u>\$ 490,034</u>	<u>\$ 407,955</u>	<u>\$ 223,853</u>
Net OPEB liability - ending (a)-(b)	<u>\$ 8,194,339</u>	<u>\$ 9,165,647</u>	<u>\$ 9,436,577</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>5.64%</u>	<u>4.26%</u>	<u>2.32%</u>
Covered - employee payroll - measurement period	<u>\$ 4,344,330</u>	<u>\$ 3,585,654</u>	<u>\$ 3,619,181</u>
Net OPEB liability as percentage of covered - employee payroll	<u>188.62%</u>	<u>255.62%</u>	<u>260.74%</u>
Notes to schedule:			
Valuation date	June 30, 2019	June 30, 2017	June 30, 2017
Measurement period - fiscal year ended	June 30, 2019	June 30, 2018	June 30, 2017

Benefit changes. None.

Changes in assumptions. The discount rate was 3.08%, 3.80%, 4.22% and 4.52% in 2017, 2018, 2019 and 2020, respectively.

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

SACRAMENTO REGIONAL FIRE/EMS COMMUNICATIONS CENTER

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

For the Year Ended June 30, 2020

**SCHEDULE OF CONTRIBUTIONS TO THE OPEB PLAN
Last 10 Years**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially or contractually determined contribution - employer fiscal year	\$ 328,891	\$ 269,946	\$ 1,001,000
Contributions in relation to the determined contributions	<u>(328,891)</u>	<u>(269,946)</u>	<u>(356,905)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 644,095</u>
Covered - employee payroll - employer fiscal year	\$ 4,244,844	\$ 4,344,330	\$ 3,585,654
Contributions as a percentage of covered - employee payroll	7.75%	6.21%	9.95%

Notes to Schedule:

Valuation date	June 30, 2019	June 30, 2017	June 30, 2017
Measurement period - fiscal year ended	June 30, 2019	June 30, 2018	June 30, 2017

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry-age normal cost		
Amortization method	Level percentage of payroll, closed		
Asset valuation method	Market value of assets		
Inflation	2.50%		
Healthcare cost trend rates	Pre 65: 2020: 6.5% in 2020 trending down to 4.25% in 2099; 2019 and prior: 3.50% in 2018, 6.25% in 2019 decreasing to 4.25% in 2073, Post 65: 2020: 5% in 2020 trending down to 4.25% in 2099; 2019 and prior: 3.50% in 2018, 6.00% in 2019 decreasing to 4.50% in 2074.		
Salary increases	3.80% to 9.40% based on years of service		
Investment rate of return	6.50%	6.75%	6.75%
Discount rate	4.52%	4.22%	3.80%
Retirement age	50-75 years. Probabilities of retirement are based on the 2017 CalPERS experience study in 2020 and the most recent CalPERS experience study in 2019 and prior.		
Mortality	Based on 2017 CalPERS experience study and 15 years of mortality improvements using 90% of Scale MP 2016 in 2020. Based on most recent pension plan mortality study and include assumed improvement in future mortality based on Scale BB projected to 2028 in 2019 and prior.		

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

Note: An actuarially determined contribution was not included in valuation for fiscal year 2019 or 2020. The contractually determined contribution was presented, including implied subsidy payments. The 2019 contributions were revised in 2020 to include implied subsidy payments.

COMPLIANCE REPORT



550 Howe Avenue, Suite 210
Sacramento, California 95825
Telephone: (916) 564-8727
FAX: (916) 564-8728

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Sacramento Regional Fire/EMS Communication Center
Sacramento, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Sacramento Regional Fire/EMS Communication Center (SRFECC) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the SRFECC's basic financial statements, and have issued our report thereon dated November 4, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the SRFECC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the SRFECC's internal control. Accordingly, we do not express an opinion on the effectiveness of the SRFECC's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the SRFECC's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the SRFECC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Board of Directors
Sacramento Regional Fire/EMS Communications Center

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the SRFECC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the SRFECC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Richardson & Company, LLP

November 4, 2020

(This page intentionally left blank.)

**SECOND AMENDMENT TO
AGREEMENT FOR SERVICES OF AN EXECUTIVE DIRECTOR
Between the
SACRAMENTO REGIONAL FIRE/EMS COMMUNICATIONS CENTER
and the
SACRAMENTO METROPOLITAN FIRE DISTRICT**

The Sacramento Regional Fire/EMS Communications Center (“Center”) and Sacramento Metropolitan Fire District (“Sac Metro”) are parties to an Agreement for Services of an Executive Director with a current term of January 14, 2020 through June 30, 2021, and amended effective July 1, 2020 (“Agreement”). The Parties desire to amend the Agreement with this Second Amendment to Agreement, as set forth below (“Second Amendment”).

A. The Recitals shall be replaced with the following language:

1. Ty J. Bailey (“Bailey”) is employed by Sac Metro as an Assistant Chief.
2. Bailey has been appointed Executive Director (“ED”) by the Center Governing Board (“Center Board”), and Sac Metro has agreed to allow Bailey to accept this assignment.
3. The Center and Sac Metro enter into this Agreement in order to allow Bailey to serve as ED, while remaining an employee of Sac Metro, under assignment to the Center.
4. While serving as ED, Bailey shall serve at the direction of the Center Board and all communications regarding the Center shall be made through the Center Board.

B. The Terms and Conditions shall be revised as follows:

1. All references to “Wagaman” shall be replaced with “Bailey”, consistent with the revised Recitals set forth above in Paragraph A of this Second Amendment.
2. The following language shall be added to Paragraph 2 “Duties of ED”:

The ED may, as necessary, respond to emergencies in support of Sacramento Regional Fire Agencies and when appropriate assume command of the incident in the absence of a superior officer.

3. A new Term and Condition, “Transportation”, shall be added to read as follows:

The Center shall provide ED with a vehicle that shall be marked in accordance with Internal Revenue Service Regulations. This vehicle is a “take-home” vehicle and is assigned in recognition of the need to respond 24/7.

- There shall be no additional compensation for use of ED’s personal automobile.
- Travel other than by automobile shall be reimbursed in accordance with adopted Center policies.

- The vehicle is to be used for Center business (which includes to and from work and response to emergencies in support Sacramento Regional Fire Agencies).
- The Center is responsible for all maintenance on the vehicle.

The remainder of the Agreement shall remain status quo.

Dated: _____

**FOR THE SACRAMENTO REGIONAL FIRE/EMS
COMMUNICATIONS CENTER**

By: _____
Chairperson of the Board of Directors

Dated: _____

**FOR THE SACRAMENTO METROPOLITAN FIRE
DISTRICT**

By: _____

Attest: _____

I, Ty J. Bailey, agree to serve as the Executive Director, and agree to the terms and conditions as set forth in the Agreement and as amended in this Second Amendment to the Agreement.

Dated: _____

TY J. BAILEY