**CONSOLIDATED FIRE AGENCIES**

**FINANCIAL STATEMENTS**
**WITH INDEPENDENT AUDITOR'S REPORT**

**JUNE 30, 2021**

ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

*Consolidated Fire Agencies (CONFIRE)*

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*Independent Auditor's Report*

Board of Directors
Consolidated Fire Agencies (CONFIRE)
Rialto, California

## Report on the Financial Statements

### *Opinions*

We have audited the accompanying financial statements of the governmental activities and the General Fund of Consolidated Fire Agencies (the Agency), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Agency, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***

The Agency's 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 objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules as listed in the table of contents 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 the 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 18, 2021, on our consideration of the Agency'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 Agency's internal control over financial reporting and compliance.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
November 18, 2021

**Statement of Net Position**
**June 30, 2021**

| | | |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and investments | $ | 11,542,497 |
| Due from other governments | | 867,108 |
| Interest receivable | | 27,497 |
| Prepaid expenses | | 583,796 |
| Total current assets | | 13,020,898 |
| Non-current assets: | | |
| Capital assets, net of accumulated depreciation | | 3,366,190 |
| Total non-current assets | | 3,366,190 |
| Total assets | | 16,387,088 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Pension related | | 5,095,523 |
| **LIABILITIES** | | |
| Current liabilities: | | |
| Accounts payable | | 54,014 |
| Accrued liabilities | | 259,369 |
| Due to other governments | | 65,890 |
| Total current liabilities | | 379,273 |
| Non-current liabilities: | | |
| Compensated absences | | 546,278 |
| Net pension liability | | 7,379,866 |
| Total non-current liabilities | | 7,926,144 |
| Total liabilities | | 8,305,417 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Pension related | | 200,285 |
| **NET POSITION** | | |
| Net investment in capital assets | | 3,366,190 |
| Unrestricted | | 9,610,719 |
| Total net position | $ | 12,976,909 |

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

**Statement of Activities**
**For the Year Ended June 30, 2021**

| | | |
|---|---|---|
| **PROGRAM EXPENSES** | | |
| Governmental Activities: | | |
| Public Safety - 911 Communications | $ | 11,846,834 |
| Total program expenses | | 11,846,834 |
| **PROGRAM REVENUES** | | |
| Operating grants and contributions | | 11,833,819 |
| Capital grants and contributions | | 1,658,863 |
| Total program revenues | | 13,492,682 |
| Net Program Revenues (Expense) | | 1,645,848 |
| **GENERAL REVENUES** | | |
| Investment income | | (31,818) |
| Total general revenues | | (31,818) |
| **CHANGE IN NET POSITION** | | 1,614,030 |
| **NET POSITION, BEGINNING OF YEAR** | | 11,362,879 |
| **NET POSITION, END OF YEAR** | $ | 12,976,909 |

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

**Balance Sheet**
**June 30, 2021**

| | General Fund |
|---|---|
| **ASSETS** | |
| Cash and investments | $ 11,542,497 |
| Due from other governments | 867,108 |
| Interest receivable | 27,497 |
| Prepaid expenses | 583,796 |
| Total assets | $ 13,020,898 |
| **LIABILITIES** | |
| Accounts payable | $ 54,014 |
| Accrued liabilities | 259,369 |
| Due to other governments | 65,890 |
| Total liabilities | 379,273 |
| **DEFERRED INFLOWS OF RESOURCES** | |
| Unavailable Revenue | 864,969 |
| **FUND BALANCE** | |
| Nonspendable | 583,796 |
| Committed | |
| Benefits reserve | 1,340,998 |
| Assigned | |
| Equipment replacement | 2,138,366 |
| Unassigned | 7,713,496 |
| Total fund balance | 11,776,656 |
| Total liabilities and fund balance | $ 13,020,898 |

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

**Reconciliation of the Balance Sheet of the Governmental Fund**
**to the Statement of Net Position**
**June 30, 2021**

| | | |
|---|---|---|
| **Fund balance of the governmental fund** | $ | 11,776,656 |
| Net capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds | | 3,366,190 |
| Deferred outflows and inflows of resources related to pensions have not been included in the governmental fund activity: | | |
| Deferred outflows of resources | | 5,095,523 |
| Deferred inflows of resources | | (200,285) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds: | | |
| Compensated absences | | (546,278) |
| Net pension liability | | (7,379,866) |
| Revenues reported as unavailable revenue in the governmental funds are recognized in the Statement of Activities. These are classified as operating grants and contributions in the government-wide financial statements. | | 864,969 |
| **Net position of the governmental activities** | $ | 12,976,909 |

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

**Statement of Revenues, Expenditures and Changes in Fund Balance**
**For the Year Ended June 30, 2021**

| | General Fund |
|---|---|
| **REVENUES** | |
| Contributions from agencies | $ 11,833,819 |
| Investment income | (31,818) |
| Intergovernmental - federal and state | 793,894 |
| Total revenues | 12,595,895 |
| **EXPENDITURES** | |
| Salaries and benefits | 7,150,361 |
| Services and supplies | 3,678,650 |
| Capital outlay | 1,408,583 |
| Total expenditures | 12,237,594 |
| Net change in fund balance | 358,301 |
| **FUND BALANCE, BEGINNING OF YEAR** | 11,418,355 |
| **FUND BALANCE, END OF YEAR** | $ 11,776,656 |

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

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities**
**For the Year Ended June 30, 2021**

| | | |
|---|---|---|
| **Net change in fund balance** | $ | 358,301 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The capital assets activity is reconciled as follows: | | |
| Capital additions | | 1,408,583 |
| Depreciation expense | | (779,389) |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. | | |
| Change in compensated absences | | (71,813) |
| Net pension related adjustments | | (166,621) |
| Revenues reported as unavailable revenue in the governmental funds are recognized in the Statement of Activities. These are classified as operating grants and contributions in the government-wide financial statements. | | 864,969 |
| **Change in net position** | $ | 1,614,030 |

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. General

The Consolidated Fire Agencies (CONFIRE) (the Agency) was established pursuant to a Joint Powers Agreement dated August 20, 1990. The Agency is a cooperative association voluntarily established by its members pursuant to the Joint Exercise of Powers Act of Title 1, Division 7, Chapter 5 of the Government Code of the State of California. Its purpose is to provide hardware, software, services, and other items necessary and appropriate for the establishment, operation, and maintenance of a joint centralized public safety communications system and a cooperative program of fire-related functions for the mutual benefit of the members of the Agency; to provide such services on a contract basis to other governmental units; and to provide a forum for discussion, study, development, and implementation of recommendations of mutual interest regarding public safety communications and related matters within member agencies.

The Agency has a Board of Directors, which consists of a representative of the governing body of each member city and district.

The activities of the Agency are financed by a cost-sharing formula, which requires a prorating among the participating members and contracted agencies based on the demand percentage on the system by the members to be determined by the Administrative Committee and approved by the Board of Directors.

### B. Financial Statement Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The GASB determined that fund accounting is essential in helping governments to achieve fiscal accountability and that government-wide financial statements are needed to allow users of financial reports to assess a government's operational accountability.

The statement of net position and the statement of activities are the government-wide financial statements and report information on the governmental activities of the Agency.

The balance sheet and statement of revenues, expenditures and changes in fund balance report information on the general operating fund of the Agency.

The Agency is engaged in a single-governmental activity and has only a general fund.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the Agency's assets and liabilities, including capital assets and long-term debt, are included in the accompanying statement of net position. The statement of activities presents changes in net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash receipts and disbursements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 60 days after year-end. Expenditures are recorded when a liability is incurred.

The Agency reports one major governmental fund, the General Fund, which is the Agency's primary operating fund. It accounts for all financial resources of the general government.

### D. Budgetary Practice

The Agency's budget for the following fiscal year shall be submitted by the Communications Director to the Administrative Committee on or before January 15 of each year. The Administrative Committee shall adopt a tentative budget on or before February 1 of each year and forward the same to the Board of Directors for review. The Board of Directors shall adopt the annual budget for the Agency not later than March 1 of each year.

### E. Capital Assets

Capital assets are reported in the government-wide statement of net position but are not reported in the fund financial statements.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed and updated for additions and retirements during the year. The Agency has a capitalization threshold of $5,000. Donated capital assets are recorded at acquisition value. Improvements that add to the value of the asset or materially extend the asset's life are capitalized. The costs of normal maintenance and repairs are expensed.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### E. Capital Assets (continued)

The cost of capital assets is depreciated over the estimated useful lives of the related assets using the straight-line method. The useful lives of capital assets for purposes of computing depreciation are as follows:

| | |
|---|---|
| Buildings and leasehold improvements | 25 years |
| Vehicles | 5 years |
| Computer equipment and software | 4 years |
| Radio consoles | 10 years |

### F. Investments

Generally accepted accounting principles requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. Investments are included within the financial statement classifications of "cash and investments" and are stated at fair value.

### G. Fund Balance

Generally accepted accounting principles establishes criteria for classification of fund balances into specifically-defined classifications and clarifies definitions for other governmental fund types. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Amounts that are restricted for specific purposes by external resource providers or by law through constitutional or enabling legislation are reported as restricted fund balance. Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority are reported as committed fund balance. The assigned fund balance consists of amounts that the government intends to use for specific purposes, but are neither restricted nor committed. The unassigned fund balance is the residual classification for the General Fund.

The Agency's Board of Directors is the body authorized to establish commitments through a formal action.

Amounts the Board of Directors intends to use for a specific purpose are considered assigned.

For the classification of fund balances, the Agency considers restricted amounts to have been spent before unrestricted if the expenditure meets the criteria for use of restricted funds. Unrestricted funds are used in the following order: committed, assigned, and unassigned funds.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### H. Program Revenues

Program revenues consist of three categories: (1) charges for services, (2) operating grants and contributions, and (3) capital grants and contributions.

Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Operating grants and contributions include revenues restricted to meeting the requirements of a particular operating function and may include state-shared revenues and grants. Capital grants and contributions include revenues restricted to meeting the requirements of a particular capital function and may include grants or other contributions. Other items not classified as program revenues are reported as general revenues.

### I. Deferred Compensation Plan

The Agency offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all Agency employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Management believes that the Agency has no fiduciary role under the revised Plan, and Plan funds are not available to the Agency's general creditors. Accordingly, the Agency has not reported Plan assets in the accompanying financial statements.

### J. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

### K. Pension Plan

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the San Bernardino County Employees’ Retirement Association (SBCERA) and additions to/deductions from SBCERA’s fiduciary net position have been determined on the same basis as they are reported by SBCERA. For this purpose, employer and employee contributions are recognized in the period the related salaries are earned and become measurable pursuant to formal commitments, statutory or contractual requirements, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms, and investments are reported at fair value.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### K. Pension Plan (continued)

SBCERA's audited financial statements are publicly available reports that can be obtained at SBCERA's website at www.sbcera.org.

Generally accepted accounting principles requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

| | |
|---|---|
| Valuation Date (VD) | June 30, 2020 |
| Measurement Date (MD) | June 30, 2020 |
| Measurement Period (MP) | July 1, 2019 to June 30, 2020 |

## NOTE 2 – CASH AND INVESTMENTS

In accordance with the Agency's bylaws, the treasurer has the ability to deposit funds in banks, trust companies, or other depositories with the consent of the Board of Directors. Currently, all cash held by the Agency is on deposit with the San Bernardino County Treasury Pool.

The County of San Bernardino Treasurer pools its funds with other governmental agencies in the County and invests them as prescribed by the California Government Code and the County of San Bernardino's Investment Policy. The Agency's deposits in the County pool may be accessed at any time. The Agency is allocated interest income on monies deposited with the County based on its proportional share of the pooled investments. All investments are carried at fair value. Cash and investments as of June 30, 2021 consisted of the following:

| | Credit Quality Ratings | Amount |
|---|---|---|
| Cash and investments | * | $ 11,542,247 |
| Imprest cash | Not rated | 250 |
| Total cash and investments | | $ 11,542,497 |

* All investments within the pool have a Standard & Poor's Rating of A-1 or higher.

Investments were stated at fair value, resulting in the following investment income:

| | Amount |
|---|---|
| Changes in fair value of investments | $ (161,037) |
| Interest income | 129,219 |
| Total investment income | $ (31,818) |

**NOTE 2 – CASH AND INVESTMENTS (continued)**

In accordance with generally accepted accounting principles, the portfolio for year-end reporting purposes is treated as if it were sold. Therefore, the fund balance must reflect the portfolio's change in fair value. The Agency relied on information provided by the San Bernardino County Treasurer in estimating the fair value of the Agency's cash and investments at June 30, 2021. The fair value of the Agency's cash and investments totaled $11,542,497 of which the Agency had a contractual withdrawal value of $11,381,210 as of June 30, 2021. These portfolio balance changes are unrealized unless sold.

The San Bernardino County Treasurer's Investment Pool is a governmental investment pool managed and directed by the elected San Bernardino County Treasurer. The County Pool is not registered with the Securities and Exchange Commission. An oversight committee comprised of local government officials and various participants provide oversight to the management of the fund. The daily operations and responsibilities of the pool fall under the auspices of the County Treasurer's office. The Agency is a voluntary participant in the investment pool.

The Agency is authorized under the California Government Code to make direct investments; however, the Agency has not adopted an investment policy and thus does not maintain policies for exposure to interest rate risk, credit risk, and concentration of credit risk. Investment policies and related credit, custodial credit, concentration of credit, interest rate, and foreign currency risks applicable to the Agency are those of the County and are disclosed in the County's basic financial statements. As of June 30, 2021, the cash and investments with the County Treasury were allocated as follows:

| Investment Type | Fair Value |
|---|---|
| Asset-Backed Security | $ 322,029 |
| Bank Note | 51,940 |
| Certificates of Deposit | 2,804,766 |
| Commercial Paper | 1,824,829 |
| Corporate Note | 268,934 |
| Federal Agency Bond/Note | 2,882,100 |
| Federal Agency Collateralized Mortgage Obligation | 255,084 |
| Federal Insured Cash Account | 28,856 |
| Joint Powers Authority | 537,869 |
| Money Market Mutual Fund | 2,308 |
| NOW Account | 228,536 |
| Supra-National Agency Bond/Note | 345,113 |
| U.S. Treasury Bond/Note | 1,725,566 |
| Cash Balance | 264,317 |
| Total cash and investments with county treasury pool | $ 11,542,247 |

See the County of San Bernardino's Annual Comprehensive Financial Report (ACFR) for details of their investment policy and disclosures related to investment types, credit risk, concentration of credit risk, interest rate risk and custodial credit risk. The County pool is rated AAA by Fitch.

## NOTE 2 – CASH AND INVESTMENTS (continued)

The Agency follows the County's investment policy for permitted investments. The bond document allows the fiscal agent to invest in obligations of the United States government obligations, United States Agencies, deposit accounts, federal funds, bankers' acceptances, certificates of deposit, commercial paper, municipal obligations, repurchase agreements, investment agreements and money market funds.

The Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The County Pool values participant shares on an amortized cost basis during the year and adjusts to fair value at year-end. The Agency's money market funds are valued at amortized cost. The Agency has no investments subject to the fair value hierarchy established by generally accepted accounting principles.

## NOTE 3 – CAPITAL ASSETS

Changes in the capital assets during the year ended June 30, 2021 were as follows:

| | Balance as of June 30, 2020 | Additions | Deletions | Transfers | Balance as of June 30, 2021 |
|---|---|---|---|---|---|
| Capital assets, not being depreciated | | | | | |
| Construction in Progress | $ 186,485 | $ 413,868 | $ - | $ (600,353) | $ - |
| Capital assets, being depreciated | | | | | |
| Building | 460,476 | - | - | - | 460,476 |
| Leasehold improvements | 84,680 | - | - | - | 84,680 |
| Vehicles | 104,027 | - | - | - | 104,027 |
| Computer equipment and software | 5,926,722 | 994,715 | - | 600,353 | 7,521,790 |
| Total capital assets being depreciated | 6,575,905 | 994,715 | - | 600,353 | 8,170,973 |
| Accumulated depreciation | | | | | |
| Building | (299,310) | (18,419) | - | - | (317,729) |
| Leasehold improvements | (20,464) | (8,468) | - | - | (28,932) |
| Vehicles | (22,433) | (14,191) | - | - | (36,624) |
| Computer equipment and software | (3,683,187) | (738,311) | - | - | (4,421,498) |
| Total accumulated depreciation | (4,025,394) | (779,389) | - | - | (4,804,783) |
| Total capital assets, being depreciated, net | 2,550,511 | 215,326 | - | 600,353 | 3,366,190 |
| Total capital assets, net | $ 2,736,996 | $ 629,194 | $ - | $ - | $ 3,366,190 |

For the fiscal year ended June 30, 2021, depreciation expense of $779,389 was charged to Public Safety - 911 Communications.

## NOTE 4 – FUND BALANCE

The Agency's nonspendable fund balance classification consists of prepaid expenses. The committed fund balance consists of a term benefits reserve. The assigned classification consists of the equipment reserve. The unassigned classification includes a general reserve and the balance of the operations fund.

## NOTE 5 – RISK MANAGEMENT

The Agency participates in the County of San Bernardino's self-insurance program for public liability, property damage, unemployment insurance, employee dental insurance, hospital and medical malpractice liability, and workers' compensation claims. Public liability claims are self-insured for up to $1 million per occurrence. Excess insurance coverage over the self-insured retention (SIR) up to $35 million is provided through a risk-pool agreement with California State Association of Counties (CSAC) Excess Insurance Authority (EIA) Liability Program 11.

Workers' compensation claims are self-insured up to $2 million per occurrence and are covered by CSAC EIA for up to $10 million for employer's liability and up to $50 million for workers' compensation per occurrence.

Property damage claims are insured on an occurrence basis over a $25,000 deductible and are insured with CSAC EIA Property Program.

All public officials and County employees are insured under a blanket comprehensive disappearance, destruction, and dishonesty policy covering County monies and securities, also with CSAC EIA, with excess limits up to $5 million per occurrence.

The activities related to such programs are accounted for in the County of San Bernardino's Risk Management Fund (an Internal Service Fund). The IBNR and IBNS liabilities included in the Risk Management Fund are based on the results of actuarial studies and include amounts for claims incurred, but not reported, and allocated loss adjustment expense. The liabilities for these claims are reported using a discounted rate of 2.75%. It is the County's practice to obtain actuarial studies on an annual basis.

The Agency also purchases general liability, automobile liability, public official's errors and omissions, employment practices liability, special property insurance coverage and cyber liability coverage. The Agency is covered up to $5 million per occurrence for general liability, automobile liability, and public officials errors and omissions, up to $10 million per occurrence for cyber liability, up to $2 million per occurrence for employment practices liability (with a $10,000 deductible), and up to $20 million per occurrence for special property insurance coverage.

## NOTE 6 – DEFINED BENEFIT PENSION PLAN

### *A. General Information about the Pension Plan*

### *Plan Description*

The Agency participates in the San Bernardino County Employees' Retirement Association (SBCERA) pension plan – a cost-sharing multiple employer defined benefit retirement plan (the Plan). SBCERA administers the Plan which provides benefits for two membership classifications, General and Safety, and those benefits are tiered based upon date of SBCERA membership. Safety membership is extended to those involved in active law enforcement and fire suppression. All other members are classified as General members. Generally, those who become members prior to January 1, 2013 are Tier 1 members. All other members are Tier 2. An employee who is appointed to a regular position, whose service is greater than fifty percent of the full standard of hours required are members of SBCERA, and are provided with pension benefits pursuant to Plan requirements.

The Plan operates under the provisions of the California County Employees' Retirement Law of 1937 (CERL) and the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by SBCERA's Board of Retirement (Board). The Plan's authority to establish and amend the benefit terms are set by the CERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the County of San Bernardino Board of Supervisors and/or the SBCERA Board. SBCERA is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

SBCERA is a legally separate entity from the Agency, not a component unit, and there is no financial interdependency with the County of San Bernardino. For these reasons, the Agency's financial statements exclude the SBCERA pension plan as of June 30, 2021. SBCERA publishes its own comprehensive annual financial report that includes its financial statements and required supplementary information, that can be obtained by writing SBCERA at, 348 W. Hospitality Lane, Third Floor, San Bernardino, CA 92415-0014 or visiting the website at: www.sbcera.org.

### *Benefits Provided*

SBCERA provides retirement, disability, death and survivor benefits. The CERL and PEPRA establish benefit terms. Retirement benefits are calculated on the basis of age, average final compensation and service credit as follows:

**NOTE 6 – DEFINED BENEFIT PENSION PLAN (continued)**

***A. General Information about the Pension Plan (continued)***

***Benefits Provided (continued)***

| | **General - Tier 1** | **General - Tier 2** |
|---|---|---|
| **Final average compensation** | Highest 12 months | Highest 36 months |
| **Normal retirement age** | Age 55 | Age 55 |
| **Early Retirement: Years of service required and/or age eligible for** | Age 70 any years<br>10 years age 50<br>30 years any age | Age 70 any years<br>5 years age 52<br>N/A |
| **Benefit percent per year of service for normal retirement age** | 2% per year of final average compensation for every year of service credit | 2.5% per year of final average compensation for every year of service credit |
| **Benefit adjustments** | Reduced before age 55, increased after 55, up to age 65 | Reduced before age 67 |
| **Final average compensation limitation** | Internal Revenue Code section 401(a)(17) | Government Code section 7522.10 |

An automatic cost of living adjustment is provided to benefit recipients based on changes in the local region Consumer Price Index (CPI) up to a maximum of 2% per year. Any increase greater than 2% is banked and may be used in years where the CPI is less than 2%. There is a one-time 7% increase at retirement for members hired before August 19, 1975. The Plan also provides disability and death benefits to eligible members and their beneficiaries, respectively. For retired members, the death benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to benefits based on the number of years of service or if the death was caused by employment. General members are also eligible for survivor benefits which are payable upon a member's death.

***Contributions***

Participating employers and active members are required by statute to contribute a percentage of covered salary to the Plan. This requirement is pursuant to Government Code sections 31453.5 and 31454, for participating employers and Government Code sections 31621.6, 31639.25 and 7522.30 for active members. The contribution requirements are established and may be amended by the SBCERA Board pursuant to Article 1 of the CERL, which is consistent with the Plan's actuarial funding policy. The contribution rates are adopted yearly, based on an annual actuarial valuation, conducted by an independent actuary, that requires actuarial assumptions with regard to mortality, expected future service (including age at entry into the Plan, if applicable and tier), and compensation increases of the members and beneficiaries. The combined active member and employer contribution rates are expected to finance the costs of benefits for employees that are allocated during the year, with an additional amount to finance any unfunded accrued liability. Participating employers may pay a portion of the active members' contributions through negotiations and bargaining agreements.

## NOTE 6 – DEFINED BENEFIT PENSION PLAN (continued)

### *A. General Information about the Pension Plan (continued)*

#### *Contributions (continued)*

Employee contribution rates for the fiscal year ended June 30, 2021 ranged between 7.26% and 15.55% for Tier 1 General members and between 7.48% and 9.11% for Tier 2 General members. The required employer contributions and the amount paid to SBCERA by the Agency for the year ended June 30, 2021 was $1,236,533.

### *B. Net Pension Liability*

At June 30, 2021, the Agency reported a net pension liability of $7,379,866 for its proportionate share of SBCERA's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The Agency's reported liability at June 30, 2021, increased by $2,339,715 from the Agency's prior year liability of $5,040,151 because of changes in the SBCERA net pension liability and the Agency's proportionate share of that liability. The SBCERA's publicly available financial report provides details on the change in the net pension liability.

The Agency's proportion of the net pension liability at June 30, 2021 was based on the Agency's contributions received by SBCERA during the measurement period for employer payroll paid from dates July 1, 2019 through June 30, 2020, relative to the total contributions received from all of SBCERA's participating employers. At measurement date June 30, 2020, the Agency's proportionate share of total employer contributions was 0.28%, which was an increase of 0.05% from its proportion measured as of measurement date June 30, 2019. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

#### *Actuarial Methods and Assumptions Used to Determine Net Pension Liability*

The significant actuarial assumptions and methods used to measure the net pension liability as of June 30, 2021 are as follows:

| | |
|---|---|
| Valuation Date (VD) | June 30, 2020 |
| Measurement Date (MD) | June 30, 2020 |
| Actuarial Cost Method | Entry age normal |
| Amortization Method | Level percent of payroll |
| Remaining Amortization Period | 20-year closed period for each valuation |
| Asset Valuation Method | Market Value of Assets |
| Actuarial assumptions: | |
| Discount Rate[1] | 7.25% |
| Inflation | 2.75% |
| Salary Increases[2] | General: 4.55% to 12.75% and Safety: 4.75% to 12.25% |
| Cost-of-Living-Adjustments | Contingent upon consumer price index with a 2% maximum |
| Administrative expenses | 0.85% of payroll |

[1] Includes inflation and is net of pension plan investment expense.
[2] Includes inflation, real "across the board" salary increases of 0.50%, plus merit and promotional increases. Amounts vary by service.

## NOTE 6 – DEFINED BENEFIT PENSION PLAN (continued)

### *B. Net Pension Liability (continued)*

Mortality rates used in the June 30, 2020 and 2019 actuarial valuations are based on the RP 2014 Healthy Annuitant Mortality Table projected generationally with the two-dimensional MP-2016 projection scale. For healthy General male members, the ages are set forward one year. No adjustment is made for healthy General female members. For all healthy and disabled Safety members, the ages are set back one year. For all general members that are disabled, the ages are set forward seven years. Beneficiaries are assumed to have the same mortality as a General member of the opposite sex who is receiving a service (non-disability) retirement.

The actuarial assumptions used to determine the Net Pension Liability as of June 30, 2020 and 2019, were based on the results of the June 30, 2020 Actuarial Experience Study, which covered the periods from July 1, 2016 through June 30, 2019. They are the same assumptions used in the June 30, 2020 and 2019 actuarial valuations. Key assumptions used in the actuarial valuations are presented on the next page.

The long-term expected rate of return on Plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. This information is 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 and subtracting expected investment expenses and a risk margin. The target allocations approved by the SBCERA Board, and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumptions, are summarized in the following table. This information will change every three years based on the triennial actuarial experience study.

## NOTE 6 – DEFINED BENEFIT PENSION PLAN (continued)

### *B. Net Pension Liability (continued)*

### *Actuarial Methods and Assumptions Used to Determine Total Pension Liability*

**SBCERA'S Long-Term Expected Real Rate of Return**
**As of June 30, 2020 (MD)**

| Asset Class | Investment Classification | Target Allocation[1] | Long-Term Expected Real Rate of Return (Arithmetic) |
|---|---|---|---|
| Large Cap U.S. Equity | Domestic Common and Preferred Stock | 11.00% | 5.42% |
| Small Cap U.S. Equity | Domestic Common and Preferred Stock | 2.00% | 6.21% |
| Developed International Equity | Foreign Common and Preferred Stock | 9.00% | 6.50% |
| Emerging Market Equity | Foreign Common and Preferred Stock | 6.00% | 8.80% |
| U.S. Core Fixed Income | U.S. Government and Municipals/ Domestic Bonds | 2.00% | 1.13% |
| High Yield/Credit Strategies | Domestic Bonds/Foreign Bonds | 13.00% | 3.40% |
| Global Core Fixed Income | Foreign Bonds | 1.00% | -0.04% |
| Emerging Market Debt | Emerging Market Debt | 8.00% | 3.44% |
| Real Estate | Real Estate | 3.00% | 4.57% |
| International Credit | Foreign Alternatives | 3.00% | 6.53% |
| Absolute Return | Domestic Alternative/Foreign Alternatives | 11.00% | 5.89% |
| Real Assets | Domestic Alternative/Foreign Alternatives | 7.00% | 3.69% |
| Long/Short Equity | Domestic Alternative/Foreign Alternatives | 5.00% | 10.64% |
| Private Equity | Domestic Alternative/Foreign Alternatives | 16.00% | 10.70% |
| Cash & Equivalents | Short-Term Cash Investment Funds | 3.00% | -0.03% |
| **Total** | | **100.00%** | |

(1) For actuarial purposes, target allocations only change once every three years based on the triennial actuarial experience study.

### *Change in Assumptions*

There were no changes in assumptions.

### *Discount Rate*

The discount rate used to measure the total pension liability was 7.25% for the measurement period June 30, 2020. The projection of cash flows used to determine the discount rates assumed that contributions from participating employers and active Plan members are made at the actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits of current Plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future members and their beneficiaries, as well as projected contributions from future members, are not included.

## NOTE 6 – DEFINED BENEFIT PENSION PLAN (continued)

### *B. Net Pension Liability (continued)*

Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on Plan investments of 7.25% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2020.

### *Sensitivity of the Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following table presents the Agency's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.25%, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1- percentage-point higher (8.25%) than the current rate:

| | Discount Rate - 1% (6.25%) | Current Discount Rate (7.25%) | Discount Rate + 1% (8.25%) |
|---|---|---|---|
| Agency's proportionate share of the County's net pension liability | $ 11,424,849 | $ 7,379,866 | $ 4,067,695 |

### *Pension Plan Fiduciary Net Position*

Detailed information about the SBCERA's fiduciary net position is available in a separately issued SBCERA annual comprehensive financial report. That report may be obtained on the Internet at www.sbcera.org; by writing to SBCERA at 348 W. Hospitality Lane, Third Floor, San Bernardino, CA 92415; or by calling (909) 885-7980 or (877) 722-3721.

### *C. Proportionate Share of Net Pension Liability*

The following table shows the Plans proportionate share of the net pension liability over the measurement period.

| | Total Pension Liability | Plan Fiduciary Net Position | Plan Net Pension Liability |
|---|---|---|---|
| Balance at 6/30/2019 (MD) | $ 33,675,037 | $ 28,634,886 | $ 5,040,151 |
| Balance at 6/30/2020 (MD) | 26,322,042 | (18,942,176) | 7,379,866 |
| Net change | $ (7,352,995) | $ (47,577,062) | $ 2,339,715 |

**NOTE 6 – DEFINED BENEFIT PENSION PLAN (continued)**

***C. Proportionate Share of Net Pension Liability (continued)***

The Agency's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Agency's proportionate share of the net pension liability for the Plan as of June 30, 2021 was as follows:

| | |
|---|---|
| Proportionate share at June 30, 2021 (measurement date June 30, 2020) | 0.28% |
| Proportionate share at June 30, 2020 (measurement date June 30, 2019) | 0.23% |
| Change – Increase (Decrease) | 0.05% |

***Subsequent Events***

There were no subsequent events that would materially affect the results presented in this disclosure.

***Recognition of Gains and Losses***

Under generally accepted accounting principles, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss:

| | |
|---|---|
| Difference between projected and actual earnings | 5 year straight-line amortization |
| All other amounts | Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period |

The expected average remaining service lifetime (EARSL) of all employees that are provided with pensions through SBCERA is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Plan. The EARSL for the Plan as of July 1, 2019 (the beginning of the measurement period ended June 30, 2020) is 6.04 years.

**NOTE 6 – DEFINED BENEFIT PENSION PLAN (continued)**

### *D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions*

For the year ended June 30, 2021, the Agency recognized pension expense of $1,301,126 and reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 90,503 | $ (70,020) |
| Changes in assumptions | 864,515 | - |
| Net difference between projected and actual earnings on pension plan investments | 1,557,271 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 1,346,701 | (130,265) |
| Employer contributions paid by Agency subsequent to the measurement date | 1,236,533 | - |
| Total | $ 5,095,523 | $ (200,285) |

The amounts above are net of outflows and inflows recognized in the 2019-2020 measurement period expense. Deferred outflows of resources related to contributions subsequent to the measurement date of $1,236,533 will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

| Fiscal Year Ending June 30, | Deferred Outflows/(Inflows) of Resources |
|---|---|
| 2022 | $ 848,791 |
| 2023 | 1,019,540 |
| 2024 | 873,360 |
| 2025 | 664,930 |
| 2026 | 199,351 |
| Thereafter | 52,733 |
| Total | $ 3,658,705 |

### *E. Payable to the Pension Plan*

The Agency reported a payable of $-0- for the outstanding amount of contributions to the pension plan required for the years ended June 30, 2021.

## NOTE 7 – LEASES

The Agency entered into a ten-year operating lease commencing on September 1, 2010 with the County of San Bernardino for a building in Rialto for $1 per year. The lease agreement was amended beginning November 1, 2018 increasing the rent from $1 to $52,034 per year. The space is used to house the administrative, technology, and dispatch personnel for the Agency. The lease expense for the year ended June 30, 2021 was $55,133. Upon expiration of the initial term of the lease, the Agency is granted two consecutive five-year lease renewal options. The option must be exercised by the Agency, giving the landlord notice before the expiration of the initial term, or any option period, of its intention to exercise the option. In May 2021, the first option was execute for lease term beginning September 1, 2020. The future minimum payments on the lease are as follows:

| Fiscal Year Ending | Lease Payments |
|---|---|
| 6/30/2022 | $ 57,379 |
| 6/30/2023 | 59,387 |
| 6/30/2024 | 61,465 |
| 6/30/2025 | 63,615 |
| 6/30/2026 | 10,663 |
| Total | $ 252,508 |

The Agency entered into a three-year operating lease commencing April 2020 with Konica Minolta Business Solutions for three copiers. The lease expense for the year ended June 30,2021 was $7,728. The future minimum payments on the lease are as follows:

| Fiscal Year Ending | Lease Payments |
|---|---|
| 6/30/2022 | $ 7,728 |
| 6/30/2023 | 5,796 |
| Total | $ 13,524 |

**NOTE 7 – LEASES (continued)**

The Agency entered into a five-year lease agreement commencing on February 1, 2017 with ModSpace for the lease of modular office space. The lease expense for the year ended June 30, 2021 was $5,604. The future minimum payments on the lease are as follows:

| Fiscal Year Ending | Lease Payments |
|---|---|
| 6/30/2022 | $ 3,269 |
| Total | $ 3,269 |

The Agency entered into five year lease agreement commencing March 1, 2019 with the County of San Bernardino for the use of a portion of the County's existing rack space within the County-owned equipment shelter located at 1743 W. Miro Way, Rialto, to install and operate electronic server system equipment. The lease expense for the year ended June 30, 2021 was $34,708. The future minimum payments on the lease are as follows:

| Fiscal Year Ending | Lease Payments |
|---|---|
| 6/30/2022 | $ 35,924 |
| 6/30/2023 | 37,184 |
| 6/30/2024 | 25,360 |
| Total | $ 98,468 |

The Agency entered into a ten-year operating lease commencing on May 1, 2019 with the County of San Bernardino for a building in Hesperia for $6,251 per month for the first year. The monthly lease payment is subject to an increase on each anniversary of the commencement date during the initial term of 3.5% over the monthly lease payment due immediately prior to each such anniversary date. Upon expiration of the initial term of the lease, the Agency is granted two consecutive five-year lease renewal options. The option must be exercised by the Agency, giving the landlord notice at least six (6) months prior to the expiration of the initial term, or any option period, of its intention to exercise the option.

## NOTE 7 – LEASES (continued)

The lease expense for the year ended June 30, 2021 was $78,090. The future minimum payments on the lease are as follows:

| Fiscal Year Ending | Lease Payments |
|---|---|
| 6/30/2022 | $ 80,823 |
| 6/30/2023 | 83,651 |
| 6/30/2024 | 86,579 |
| 6/30/2025 | 89,610 |
| 6/30/2026 | 92,746 |
| 6/30/2027 - 6/30/2029 | 280,306 |
| Total | $ 713,715 |

## NOTE 8 – COMPENSATED ABSENCES

The following table presents the compensated absences activity for the year ended June 30, 2021:

| Balance June 30, 2020 | Additions | Deletions | Balance June 30, 2021 |
|---|---|---|---|
| $ 474,465 | $ 597,265 | $ (525,452) | $ 546,278 |

Vacation and sick leave benefits will be recorded as expenditures in the General Fund when the related expenditure is incurred.

## NOTE 9 – COVID-19 CONSIDERATIONS

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders for all but those deemed essential services. While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders. As a result, the outbreak has caused uncertainty in the financial markets. Although the Agency's services are considered essential and its major revenue sources are not directly impacted by these events, it is uncertain whether this matter will negatively impact the Agency. Therefore, the ultimate financial impact and duration cannot be estimated at this time, and no adjustments have been made to these financial statements as a result of this uncertainty.

**NOTE 9 – COVID-19 CONSIDERATIONS (continued)**

Due to the pandemic, the Agency was able to request funds through the CARES Act to reimburse projects that came about due to COVID-19 or where implementations were moved forward to an earlier date. For instance, the Agency has opened a second communication center earlier than expected to provide staff enough space to social distance. The new location is located in the High Desert Government Center (HDGC). The additional funding allowed the Department to purchase additional workstations, radios, and alerting and call taking equipment. Another project is the Computer Aided Dispatch (CAD) or “CAD to CAD” project. A regional CAD to CAD solution connect multiple disparate proprietary CAD systems through a hosted interface enabling emergency communications centers to improve interoperability, situational awareness, resource sharing and coordination and system resiliency. These systems will improve response readiness and operational efficiency when resources are needed most. The final project that was onset due to the pandemic is the Emergency Communications Nurse System or ECNS. This interface is required to integrate the Low Code software into the Agency’s existing Central Square CAD system. This software is integral to expeditious implementation of the ECNS in response to and in preparation for the COVID-19 pandemic.

Other precautions that the Agency has put in place to slow down the spread of COVID-19 are:

- Biweekly sanitizing spray by Enviro-Masters.
- Daily temperature check stations.
- Encourage wearing masks, washing of hands, and social distancing.
- The department has provided laptops and hot spots to encourage staff to work remotely.
- The department has reached out to agencies to encourage the use of electronic fund transfers (EFT) when making payments.
- The department is also trying to establish a desktop deposit procedure to avoid physically going to the bank when making deposits.

**NOTE 10 – SUBSEQUENT EVENT: GASB STATEMENT NO. 87 IMPLEMENTATION**

In June 2017, GASB issued Statement No. 87, Leases. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. 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, thereby enhancing the relevance and consistency of information about governments' leasing activities. The implementation of this statement will impact the financial statements of the governmental activities of the Agency as of and of the year ended June 30, 2022, significantly.

# REQUIRED SUPPLEMENTARY INFORMATION

## Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
## For the Year Ended June 30, 2021

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Contributions from agencies | $ 11,795,234 | $ 11,795,234 | $ 11,833,819 | $ 38,585 |
| Investment income | - | - | (31,818) | (31,818) |
| Intergovernmental - federal and state | 899,736 | 445,576 | 793,894 | 348,318 |
| Total revenues | 12,694,970 | 12,240,810 | 12,595,895 | 355,085 |
| **EXPENDITURES** | | | | |
| Salaries and benefits | 8,077,190 | 8,077,190 | 7,150,361 | 926,829 |
| Services and supplies | 4,711,044 | 4,711,044 | 3,678,650 | 1,032,394 |
| Capital outlay | 589,000 | 589,000 | 1,408,583 | (819,583) |
| Total expenditures | 13,377,234 | 13,377,234 | 12,237,594 | 1,139,640 |
| Net change in fund balance | (682,264) | (1,136,424) | 358,301 | 1,494,725 |
| **FUND BALANCE, BEGINNING OF YEAR** | 11,418,355 | 11,418,355 | 11,418,355 | - |
| **FUND BALANCE, END OF YEAR** | $ 10,736,091 | $ 10,281,931 | $ 11,776,656 | $ 1,494,725 |

See accompanying note to required supplementary information.

**Schedule of Proportionate Share of the Net Pension Liability as of the Measurement Date**
**Last 10 Fiscal Years***

| Measurement Date | Agency's proportion of the net pension liability | Agency's proportionate share of the net pension liability | Covered payroll (1) (2) | Agency's proportionate share of the net pension liability as a percentage of its covered payroll | Plan fiduciary net position as a percentage of the total pension liability |
|---|---|---|---|---|---|
| 6/30/2014 | 0.23% | $ 3,308,618 | $ 3,100,081 | 106.73% | 82.47% |
| 6/30/2015 | 0.21% | 3,488,800 | 3,042,104 | 114.68% | 80.98% |
| 6/30/2016 | 0.22% | 4,591,583 | 3,105,759 | 147.84% | 76.86% |
| 6/30/2017 | 0.22% | 4,752,847 | 3,201,531 | 148.46% | 77.90% |
| 6/30/2018 | 0.23% | 4,754,567 | 3,605,489 | 131.87% | 79.89% |
| 6/30/2019 | 0.23% | 5,040,151 | 3,586,448 | 140.53% | 79.61% |
| 6/30/2020 | 0.22% | 7,379,866 | 3,610,773 | 204.38% | 71.96% |

**Notes to Schedule:**

In 2021, the actuarial assumptions used in the June 30, 2020 valuation were based on the results of the actuarial experience study for the period from July 1, 2016 through June 30, 2019. Amounts reported in 2021 primarily reflect a decrease of 0.25% inflation rate, an increase of 0.15% payroll for administrative expenses, and adjustments of projected salary increases and mortality rates to more closely reflect actual experience. Mortality rates were based on the Pub-2010 Amount-Weighted Above-Median Mortality Table projected generationally with the two-dimensional MP-2019 projection scale.

In 2019 and 2020, there were no changes of assumptions. In 2018, the actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the three year period of July 1, 2013 through June 30, 2016. Amounts reported in 2018 primarily reflect a decrease of 0.25% for both the investment rate of return and inflation rate, an increase of 0.1% of payroll for administrative expenses, and adjustments of projected salary increases and mortality rates to more reflect actual experience. Mortality rates used in the June 30, 2017 actuarial valuation were based on the Headcount-Weighted RP 2014 Healthy Annuitant Mortality Table rather than on the RP-2000 Combined Healthy Mortality Table, which was used to determine amounts reported prior to 2018.

* Historical information is required only for measurement dates for which GASB 68 is applicable.
Future years' information will be displayed up to 10 years as information becomes available.
Fiscal Year 2015 was the first year of implementation.

(1) This covered payroll total is the actual amount based on the queries generated from the EMACS and may not match to the covered payroll total projected by Segal Consulting on the GASB 68 Report.

(2) Covered payroll for the measurement period.

**Schedule of Plan Contributions**
**Last 10 Fiscal Years***

| Fiscal Year | Contractually required contribution | Contributions in relation to the contractually required contribution | Contribution deficiency (excess) | Covered payroll [1] | Contributions as a percentage of covered payroll |
|---|---|---|---|---|---|
| 6/30/2015 | $ 596,791 | $ (817,404) | $ (220,613) | $ 3,042,104 | 26.87% |
| 6/30/2016 | 621,004 | (925,430) | (304,426) | 3,105,759 | 29.80% |
| 6/30/2017 | 705,250 | (967,377) | (262,127) | 3,201,531 | 30.22% |
| 6/30/2018 | 787,889 | (1,083,969) | (296,080) | 3,605,489 | 30.06% |
| 6/30/2019 | 906,488 | (1,209,589) | (303,101) | 3,586,448 | 33.73% |
| 6/30/2020 | 874,979 | (1,165,493) | (290,514) | 3,610,773 | 32.28% |
| 6/30/2021 | 944,183 | (1,236,533) | (292,350) | 3,804,094 | 32.51% |

*Historical information is required only for measurement dates for which GASB 68 is applicable.
Future years' information will be displayed up to 10 years as information becomes available.
Fiscal Year 2015 was the first year of implementation.

(1) This covered payroll total is the actual amount based on the queries generated from the EMACS and may not match to the covered payroll total projected by Segal Consulting on the GASB 68 Report.

**Note to Required Supplementary Information**
**June 30, 2021**

## BUDGET AND BUDGETARY ACCOUNTING

Consolidated Fire Agencies (Agency) prepares and legally adopts a final budget on or before June 30 of each fiscal year. The Agency's operation, commencing July 1, is governed by the proposed budget, which is adopted by the Agency's Board of Directors before June of the prior year. The legal level of budgetary control is at the fund level.

After the budget is approved, the appropriations can be added to, subtracted from, or changed only by resolution. All such changes must be within the revenues and reserves estimated as available in the final budget or within revised revenue estimates as approved by the Agency.

An operating budget is adopted each fiscal year on the modified accrual basis. Additionally, encumbrance accounting is utilized to assure effective budgetary control.

# OTHER REPORTS

ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

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## 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*

*Independent Auditor's Report*

Board of Directors
Consolidated Fire Agencies (CONFIRE)
Rialto, 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 governmental activities and the General Fund of Consolidated Fire Agencies (the Agency), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated November 18, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Agency'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 entity'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 Agency'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.*

**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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
November 18, 2021