



CONSOLIDATED FIRE AGENCIES

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

JUNE 30, 2023



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

Consolidated Fire Agencies (CONFIRE)

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, and each major fund, of Consolidated Fire Agencies (the Agency), as of and for the year ended June 30, 2023, 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 each major fund, of the Agency as of June 30, 2023, 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.

In preparing the financial statements, management is required to evaluate whether 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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 February 6, 2024, 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
February 6, 2024

Consolidated Fire Agencies (CONFIRE)

Statement of Net Position June 30, 2023

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 14,827,417	\$ 1,120,574	\$ 15,947,991
Due from other governments	296,359	-	296,359
Interest receivable	121,743	3,591	125,334
Prepaid expenses	667,379	-	667,379
Total current assets	<u>15,912,898</u>	<u>1,124,165</u>	<u>17,037,063</u>
Non-current assets:			
Capital assets, net of accumulated depreciation	<u>2,209,757</u>	<u>-</u>	<u>2,209,757</u>
Total non-current assets	<u>2,209,757</u>	<u>-</u>	<u>2,209,757</u>
Total assets	<u>18,122,655</u>	<u>1,124,165</u>	<u>19,246,820</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	<u>3,231,297</u>	<u>-</u>	<u>3,231,297</u>
LIABILITIES			
Current liabilities:			
Accounts payable	193,116	-	193,116
Accrued liabilities	356,940	-	356,940
Due to other governments	39,207	-	39,207
Total current liabilities	<u>589,263</u>	<u>-</u>	<u>589,263</u>
Non-current liabilities:			
Compensated absences	467,427	-	467,427
Net pension liability	3,821,071	-	3,821,071
Total non-current liabilities	<u>4,288,498</u>	<u>-</u>	<u>4,288,498</u>
Total liabilities	<u>4,877,761</u>	<u>-</u>	<u>4,877,761</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related	<u>947,715</u>	<u>-</u>	<u>947,715</u>
NET POSITION			
Net investment in capital assets	2,209,757	-	2,209,757
Unrestricted	13,318,719	1,124,165	14,442,884
Total net position	<u>\$ 15,528,476</u>	<u>\$ 1,124,165</u>	<u>\$ 16,652,641</u>

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

Consolidated Fire Agencies (CONFIRE)

Statement of Activities For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Public safety	\$ 12,509,467	\$ -	\$ 13,724,505	\$ 666,963	\$ 1,882,001	\$ -	\$ 1,882,001
Total governmental activities	12,509,467	-	13,724,505	666,963	1,882,001	-	1,882,001
Business-type activities:							
Emergency medical services	-	124,192	-	-	-	124,192	124,192
Total business-type activities	-	124,192	-	-	-	124,192	124,192
Total primary government	\$ 12,509,467	\$ 124,192	\$ 13,724,505	\$ 666,963	1,882,001	124,192	2,006,193
		General revenues:					
		Investment income (loss)			240,187	(27)	240,160
		Transfers in/(out):			(1,000,000)	1,000,000	-
		Total general revenues and transfers			(759,813)	999,973	240,160
		Change in Net Position			1,122,188	1,124,165	2,246,353
		Net Position, Beginning			14,406,288	-	14,406,288
		Net Position, Ending			\$ 15,528,476	\$ 1,124,165	\$ 16,652,641

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

Consolidated Fire Agencies (CONFIRE)

**Balance Sheet
Governmental Funds
June 30, 2023**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments	\$ 14,591,893	\$ 235,524	\$ 14,827,417
Due from other governments	224,987	71,372	296,359
Interest receivable	119,608	2,135	121,743
Prepaid expenses	660,625	6,754	667,379
	<u>660,625</u>	<u>6,754</u>	<u>667,379</u>
Total assets	<u>\$ 15,597,113</u>	<u>\$ 315,785</u>	<u>\$ 15,912,898</u>
LIABILITIES			
Accounts payable	\$ 193,116	\$ -	\$ 193,116
Accrued liabilities	356,940	-	356,940
Due to other governments	39,207	-	39,207
	<u>39,207</u>	<u>-</u>	<u>39,207</u>
Total liabilities	<u>589,263</u>	<u>-</u>	<u>589,263</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	191,103	48,702	239,805
	<u>191,103</u>	<u>48,702</u>	<u>239,805</u>
Total deferred inflows of resources	<u>191,103</u>	<u>48,702</u>	<u>239,805</u>
FUND BALANCE			
Nonspendable	660,625	-	660,625
Committed			
CAD to CAD System	-	267,083	267,083
Benefits reserve	1,854,273	-	1,854,273
Assigned			
Equipment replacement	2,329,317	-	2,329,317
Unassigned	9,972,532	-	9,972,532
	<u>9,972,532</u>	<u>-</u>	<u>9,972,532</u>
Total fund balance	<u>14,816,747</u>	<u>267,083</u>	<u>15,083,830</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 15,597,113</u>	<u>\$ 315,785</u>	<u>\$ 15,912,898</u>

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

Consolidated Fire Agencies (CONFIRE)

**Reconciliation of the Balance Sheet of the Governmental Fund
to the Statement of Net Position
June 30, 2023**

Fund balance of the governmental funds	\$ 15,083,830
Net capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	2,209,757
Deferred outflows and inflows of resources related to pensions have not been included in the governmental fund activity:	
Deferred outflows of resources	3,231,297
Deferred inflows of resources	(947,715)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Compensated absences	(467,427)
Net pension liability	(3,821,071)
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.	<u>239,805</u>
Net position of the governmental activities	<u><u>\$ 15,528,476</u></u>

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

Consolidated Fire Agencies (CONFIRE)

**Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2023**

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Contributions from agencies	\$ 13,663,817	\$ 60,688	\$ 13,724,505
Investment income	235,319	4,868	240,187
Intergovernmental - federal and state	401,740	560,400	962,140
Total revenues	<u>14,300,876</u>	<u>625,956</u>	<u>14,926,832</u>
EXPENDITURES			
Salaries and benefits	7,452,124	-	7,452,124
Services and supplies	4,343,351	256,676	4,600,027
Capital outlay	364,256	-	364,256
Total expenditures	<u>12,159,731</u>	<u>256,676</u>	<u>12,416,407</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(500,000)</u>	<u>(500,000)</u>	<u>(1,000,000)</u>
Total other financing sources (uses)	<u>(500,000)</u>	<u>(500,000)</u>	<u>(1,000,000)</u>
Net change in fund balance	1,641,145	(130,720)	1,510,425
FUND BALANCE, BEGINNING OF YEAR	<u>13,175,602</u>	<u>397,803</u>	<u>13,573,405</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 14,816,747</u></u>	<u><u>\$ 267,083</u></u>	<u><u>\$ 15,083,830</u></u>

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

Consolidated Fire Agencies (CONFIRE)

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance to the Statement of Activities
For the Year Ended June 30, 2023**

Net change in fund balances - total governmental funds \$ 1,510,425

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	364,256
Depreciation expense	(758,696)

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	79,235
Net pension related adjustments	222,145

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.

	<u>(295,177)</u>
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Change in net position \$ 1,122,188

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

Consolidated Fire Agencies (CONFIRE)

Statement of Net Position

Proprietary Funds

June 30, 2023

	<u>Emergency Medical Services</u>
ASSETS	
Current assets:	
Cash and investments	\$ 1,120,574
Receivables:	
Interest	<u>3,591</u>
Total current assets	<u>1,124,165</u>
NET POSITION	
Unrestricted	<u>1,124,165</u>
Total net position	<u>\$ 1,124,165</u>

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

Consolidated Fire Agencies (CONFIRE)

**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2023**

	<u>Emergency Medical Services</u>
OPERATING REVENUES	
Contributions from agencies	\$ 124,192
Non operating investment income (loss)	<u>(27)</u>
Total operating revenues	<u>124,165</u>
Operating income	<u>124,165</u>
TRANSFERS	
Transfers in	<u>1,000,000</u>
Change in net position	1,124,165
NET POSITION	
Net position, beginning	<u>-</u>
Net position, ending	<u><u>\$ 1,124,165</u></u>

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

Consolidated Fire Agencies (CONFIRE)

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2023

	<u>Emergency Medical Services</u>
Cash flows from operating activities	
Cash received from customers and users	<u>\$ 124,192</u>
Net cash provided by operating activities	<u>124,192</u>
Cash flows from noncapital financing activities	
Transfer from other funds	<u>1,000,000</u>
Net cash provided for noncapital financing activities	<u>1,000,000</u>
Cash flows from investing activities:	
Investment income received	<u>(3,618)</u>
Net cash used for investing activities	<u>(3,618)</u>
Net increase in cash and cash equivalents	1,120,574
Cash and cash equivalents, beginning of year	<u>-</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,120,574</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 124,192</u>
Net cash provided by operating activities	<u><u>\$ 124,192</u></u>

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

Consolidated Fire Agencies (CONFIRE)

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2023

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.

Government-Wide Financial Statements

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 governmental funds of the Agency.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to the Agency's members who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Major individual governmental funds are reported as separate columns in the fund financial statements.

Consolidated Fire Agencies (CONFIRE)

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Government-Wide Financial Statements (continued)

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

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 the following major governmental funds:

- The General Fund, which is the Agency's primary operating fund. It accounts for all financial resources of the general government.
- The CAD-to-CAD Special Revenue Fund accounts for the financial resources and uses related to the implementation of the regional computer aided dispatch CAD-to-CAD system.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for the proprietary fund.

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total Net Position.

Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Consolidated Fire Agencies (CONFIRE)

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Proprietary Fund Financial Statements (continued)

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The Agency reports the following major proprietary funds:

- The Emergency Medical Services Fund, accounts for all expenses related to the County of San Bernardino Ground Ambulance Contract.

D. Budgetary Practice

The Agency’s Administrative Committee meetings are currently scheduled for the 4th Tuesday of every month. The Agency’s tentative budget for the following fiscal year shall be submitted by the Communications Director to the Administrative Committee by the Administrative Committee meeting in March. The Administrative Committee shall adopt a tentative budget on or before the Administrative Committee meeting in April and forward the same to the Board of Directors for review. The Board of Directors shall adopt the annual budget for the Agency by mid-May 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.

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

Consolidated Fire Agencies (CONFIRE)

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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/Net Position

Government-Wide Financial Statements

Net Investment in Capital Assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position - This amount is all other Net Position that does not meet the definition of "net investment in capital assets" or "restricted net position."

Fund Financial Statements

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.

Consolidated Fire Agencies (CONFIRE)

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Agency has one item that qualifies for reporting in this category. It is the deferred pension related items, which is reported in the government-wide statement of net position.

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two types of items, which arise only under a modified accrual basis of accounting that qualify for reporting in this category. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from the grant reimbursements. These amounts are recognized as an inflow of resources in the period that the amounts become available. The other item is the deferred pension related items, which is reported in the governmentwide statement of net position.

I. 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.

Consolidated Fire Agencies (CONFIRE)

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. 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.

K. 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.

L. 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.

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, 2022
Measurement Date (MD)	June 30, 2022
Measurement Period (MP)	July 1, 2021 to June 30, 2022

Consolidated Fire Agencies (CONFIRE)

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023**

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, 2023 consisted of the following:

	Credit Quality Ratings	Amount
Cash and investments	*	\$ 15,947,741
Imprest cash	Not rated	250
Total cash and investments		<u>\$ 15,947,991</u>

* 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	\$ (107,850)
Interest income	348,010
Total investment income	<u>\$ 240,160</u>

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, 2023. The fair value of the Agency's cash and investments totaled \$15,947,741 of which the Agency had a contractual withdrawal value of \$15,839,891 as of June 30, 2023. These portfolio balance changes are unrealized unless sold.

Consolidated Fire Agencies (CONFIRE)

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023**

NOTE 2 – CASH AND INVESTMENTS (continued)

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, 2023, the cash and investments with the County Treasury were allocated as follows:

<u>Investment Type</u>	<u>Fair Value</u>
Asset-Backed Security	\$ 1,081,257
U.S. Treasury Bill	28,706
Certificates of Deposit	582,093
Commercial Paper	1,294,957
Corporate Note	910,616
Federal Agency Bond/Note	4,546,699
Federal Agency Discount Note	194,562
Federal Agency Commercial Mortgage-Backed Security	1,538,957
Joint Powers Authority	717,648
Money Market Mutual Fund	735,191
Federal Agency Mortgage-Backed Security	127,582
Supra-National Agency Bond/Note	192,968
Repurchase Agreement	116,419
U.S. Treasury Bond/Note	3,763,667
Cash Balance	<u>116,419</u>
 Total cash and investments with county treasury pool	 <u>\$ 15,947,741</u>

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.

Consolidated Fire Agencies (CONFIRE)

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2023

NOTE 2 – CASH AND INVESTMENTS (continued)

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, 2023 were as follows:

	Balance as of June 30, 2022	Additions	Deletions	Balance as of June 30, 2023
Capital assets, being depreciated				
Building	\$ 460,476	\$ -	\$ -	\$ 460,476
Leasehold improvements	84,680	-	-	84,680
Vehicles	179,731	-	-	179,731
Computer equipment and software	7,597,273	364,256	-	7,961,529
Total capital assets being depreciated	8,322,160	364,256	-	8,686,416
Accumulated depreciation				
Building	(336,148)	(18,419)	-	(354,567)
Leasehold improvements	(37,398)	(8,468)	-	(45,866)
Vehicles	(50,816)	(14,191)	-	(65,007)
Computer equipment and software	(5,293,601)	(717,618)	-	(6,011,219)
Total accumulated depreciation	(5,717,963)	(758,696)	-	(6,476,659)
Total capital assets, being depreciated, net	2,604,197	(394,440)	-	2,209,757
Total capital assets, net	\$ 2,604,197	\$ (394,440)	\$ -	\$ 2,209,757

For the fiscal year ended June 30, 2023, depreciation expense of \$758,696 was charged to Public Safety.

Consolidated Fire Agencies (CONFIRE)

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023**

NOTE 4 – RISK MANAGEMENT

A. Liability

The Agency is insured with Alliant Insurance Services, a private insurance company for commercial general liability, damages to rental properties, personal liability injuries, automobile liability, public officials and employment practices and Cyber Security Insurance.

Commercial General Liability coverage is \$5,000,000 per each occurrence, \$1,000,000 for damage to rented properties, \$5,000,000 for personal injuries claims. The Agency is insured for \$5,000,000 combined single limit per accident, for any owned automobiles.

The Agency has a zero-dollar deductible for General Liability damages to rental properties, personal liability injuries, and non-owned hired auto liability. The deductible for all owned auto and Public Officials Errors and Omissions insurance coverage is \$5,000,000 for each occurrence and \$2,000,000 for each occurrence on Employment Practices insurance. Public Officials and Employment Practices insurance covers disappearance, destruction and dishonesty covering The Agency monies and securities. The Agency's deductible for Employment practices liability is \$10,000.

The Agency's Cyber Liability coverage has a \$10,000 Security & Privacy/Regulatory Action Self Insured Retention (SIR), \$10,000 Media Content Self Insured Retention (SIR), \$10,000 Event Management Self Insured Retention (SIR), \$10,000 in the case of an 18 Hour Waiting Period Network Interruption Sublimit and \$10,000 Cyber Extortion Self Insured Retention (SIR).

B. Worker's Compensation

The Agency is a member of the California Intragovernmental Risk Authority (CIRA), a joint powers insurance authority providing Workers' Compensation coverage. The Agency's self-insured retentions are \$5,000 for workers' compensation and employer's liability coverages. Coverage is provided up to California statutory requirements for workers' compensation.

Consolidated Fire Agencies (CONFIRE)

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023**

NOTE 5 – 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, 2023. SBCERA publishes its own annual comprehensive 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:

Consolidated Fire Agencies (CONFIRE)

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023**

NOTE 5 – DEFINED BENEFIT PENSION PLAN (continued)

A. General Information about the Pension Plan (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 10 years age 50 30 years any age	Age 70 any years 5 years age 52 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.

Consolidated Fire Agencies (CONFIRE)

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2023

NOTE 5 – DEFINED BENEFIT PENSION PLAN (continued)

A. General Information about the Pension Plan (continued)

Employee contribution rates for the fiscal year ended June 30, 2023 ranged between 9.54% and 15.19% for Tier 1 General members and between 9.08% and 9.09% for Tier 2 General members. The required employer contributions and the amount paid to SBCERA by the Agency for the year ended June 30, 2023 was \$1,152,486.

B. Net Pension Liability

At June 30, 2023, the Agency reported a net pension liability of \$3,821,071 for its proportionate share of SBCERA's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022. The Agency's reported liability at June 30, 2023, increased by \$2,118,639 from the Agency's prior year liability of \$1,702,432 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, 2023 was based on the Agency's contributions received by SBCERA during the measurement period for employer payroll paid from dates July 1, 2021 through June 30, 2022, relative to the total contributions received from all of SBCERA's participating employers. At measurement date June 30, 2022, the Agency's proportionate share of total employer contributions was 0.20%, which was an increase of 0.04% from its proportion measured as of measurement date June 30, 2021. 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, 2023 are as follows:

Valuation Date (VD)	June 30, 2022
Measurement Date (MD)	June 30, 2022
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	7.25%
Inflation	2.75%
Salary Increases ¹	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, real "across the board" salary increases of 0.50%, plus merit and promotional increases. Amounts vary by service.

Consolidated Fire Agencies (CONFIRE)

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023**

NOTE 5 – DEFINED BENEFIT PENSION PLAN (continued)

B. Net Pension Liability (continued)

Mortality rates used in the June 30, 2022 and 2021 actuarial valuations are based on the Pub-2010 Amount-Weighted Above-Median Mortality Table projected generationally with the two-dimensional MP-2019 projection scale. For healthy General members, the General Healthy Retiree rates increased by 10% were used. For healthy Safety members, the Safety Healthy Retiree rates were used. For disabled General members, the Non-Safety Disabled Retiree rates were used. For disabled Safety members, the Safety Disabled Retiree rates were used. For beneficiaries, the General Contingent Survivor rates increased by 10% were used.

The actuarial assumptions used to determine the Net Pension Liability as of June 30, 2022 and 2021, were based on the results of an experience study for the period from July 1, 2016 through June 30, 2019. They are the same assumptions used in the June 30, 2022 and 2021 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. These returns 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, adding expected inflation, and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, are shown in the table below. This information was used in the derivation of the long-term expected investment rate of return assumptions in the June 30, 2022, actuarial valuation. This information will change every three years based on the actuarial experience study.

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Consolidated Fire Agencies (CONFIRE)

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023**

NOTE 5 – 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, 2022 (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	3.50%	4.57%
Value Added Real Estate	Real Estate	3.50%	6.50%
International Credit	Foreign Alternatives	11.00%	5.89%
Absolute Return	Domestic Alternative/Foreign Alternatives	7.00%	3.69%
Real Assets	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	2.00%	-0.03%
Total		<u>100.00%</u>	

(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 ended rate used to measure the total pension liability was 7.25% for the measurement period ended June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers and active members are made at the actuarially determined contribution rates. For this purpose, only employer and member contributions that are intended to fund benefits of current member and their beneficiaries are included.

Consolidated Fire Agencies (CONFIRE)

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023**

NOTE 5 – 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 measurement date June 30, 2022.

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	\$ 8,198,064	\$ 3,821,071	\$ 241,036

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 6/30/2021 (MD)	\$ 19,318,470	\$ 17,616,038	\$ 1,702,432
Balance at 6/30/2022 (MD)	25,691,366	21,870,295	3,821,071
Net change	\$ 6,372,896	\$ 4,254,257	\$ 2,118,639

Consolidated Fire Agencies (CONFIRE)

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023**

NOTE 5 – 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, 2023 was as follows:

Proportionate share at June 30, 2023 (measurement date June 30, 2022)	0.20%
Proportionate share at June 30, 2022 (measurement date June 30, 2021)	<u>0.16%</u>
Change – Increase (Decrease)	<u>0.04%</u>

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, 2021 (the beginning of the measurement period ended June 30, 2022) is 5.30 years.

Consolidated Fire Agencies (CONFIRE)

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023**

NOTE 5 – 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, 2023, the Agency recognized pension expense of \$930,342 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	\$ 95,290	\$ (86,061)
Changes in assumptions	264,440	-
Net difference between projected and actual earnings on pension plan investments	-	(69,833)
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,719,081	(791,821)
Employer contributions paid by Agency subsequent to the measurement date	1,152,486	-
Total	<u>\$ 3,231,297</u>	<u>\$ (947,715)</u>

The amounts above are net of outflows and inflows recognized in the 2021-2022 measurement period expense. Deferred outflows of resources related to contributions subsequent to the measurement date of \$1,152,486 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
2024	\$ 413,652
2025	218,309
2026	(209,199)
2027	625,594
2028	82,740
Thereafter	-
Total	<u>\$ 1,131,096</u>

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, 2023.

Consolidated Fire Agencies (CONFIRE)

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023**

NOTE 6 – SHORT-TERM LEASES

The Agency entered into a month-to-month lease and year-to-year leases that are cancelable by either the lessee or the lessor, which results in a noncancelable period less than one year and are considered short-term leases in accordance with Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*.

The Agency entered into a ten-year 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. 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 executed for lease term beginning September 1, 2020. The lease expense for the year ended June 30, 2023, was \$59,387. The future minimum payments on the lease are as follows:

Fiscal Year Ending	Lease Payments
6/30/2024	\$ 61,465
6/30/2025	63,615
6/30/2026	<u>10,663</u>
Total	<u>\$ 135,743</u>

The Agency entered into a three-year lease commencing April 2020 with Konica Minolta Business Solutions for three copiers. The lease expense for the year ended June 30, 2023 was \$5,796. The lease expired in March 2023.

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, 2023 was \$5,884. The future minimum payments on the lease are as follows:

Fiscal Year Ending	Lease Payments
6/30/2024	\$ <u>2,697</u>
Total	<u>\$ 2,697</u>

Consolidated Fire Agencies (CONFIRE)

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023**

NOTE 6 – SHORT-TERM LEASES (continued)

The Agency entered into a 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, 2023 was \$35,924. The future minimum payments on the lease are as follows:

Fiscal Year Ending	Lease Payments
6/30/2024	\$ 37,184
6/30/2025	25,360
Total	<u>\$ 62,544</u>

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.

The lease expense for the year ended June 30, 2023 was \$83,651. The future minimum payments on the lease are as follows:

Fiscal Year Ending	Lease Payments
6/30/2024	\$ 86,579
6/30/2025	89,610
6/30/2026	92,746
6/30/2027	95,992
6/30/2028	99,313
6/30/2029	85,002
Total	<u>\$ 549,242</u>

Consolidated Fire Agencies (CONFIRE)

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023**

NOTE 7 – COMPENSATED ABSENCES

The following table presents the compensated absences activity for the year ended June 30, 2023:

Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
\$ 546,662	\$ 504,253	\$ (583,488)	\$ 467,427

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

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REQUIRED SUPPLEMENTARY INFORMATION

Consolidated Fire Agencies (CONFIRE)

**Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended June 30, 2023**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Contributions from agencies	\$ 14,137,705	\$ 13,945,452	\$ 13,663,817	\$ (281,635)
Investment income	-	-	235,319	235,319
Intergovernmental - federal and state	1,050,000	1,914,235	401,740	(1,512,495)
Total revenues	<u>15,187,705</u>	<u>15,859,687</u>	<u>14,300,876</u>	<u>(1,558,811)</u>
EXPENDITURES				
Salaries and benefits	9,776,341	9,844,752	7,452,124	2,392,628
Services and supplies	4,832,466	5,712,953	4,343,351	1,369,602
Capital outlay	578,898	628,898	364,256	264,642
Total expenditures	<u>15,187,705</u>	<u>16,186,603</u>	<u>12,159,731</u>	<u>4,026,872</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(22,125)	(22,125)	(500,000)	(477,875)
Total other financing sources (uses)	<u>(22,125)</u>	<u>(22,125)</u>	<u>(500,000)</u>	<u>(477,875)</u>
Net change in fund balance	(22,125)	(349,041)	1,641,145	1,990,186
FUND BALANCE, BEGINNING OF YEAR	<u>13,175,602</u>	<u>13,175,602</u>	<u>13,175,602</u>	-
FUND BALANCE, END OF YEAR	<u>\$ 13,153,477</u>	<u>\$ 12,826,561</u>	<u>\$ 14,816,747</u>	<u>\$ 1,990,186</u>

See accompanying note to required supplementary information.

Consolidated Fire Agencies (CONFIRE)

**Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
CAD-to-CAD Special Revenue Fund
For the Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Contributions from agencies	\$ 117,088	\$ 117,088	\$ 60,688	\$ (56,400)
Investment income	-	-	4,868	4,868
Intergovernmental - federal and state	<u>740,000</u>	<u>740,000</u>	<u>560,400</u>	<u>(179,600)</u>
Total revenues	<u>857,088</u>	<u>857,088</u>	<u>625,956</u>	<u>(231,132)</u>
EXPENDITURES				
Services and supplies	839,213	839,213	256,676	582,537
Capital outlay	<u>40,000</u>	<u>40,000</u>	-	<u>40,000</u>
Total expenditures	<u>879,213</u>	<u>879,213</u>	<u>256,676</u>	<u>622,537</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(22,125)</u>	<u>(22,125)</u>	<u>(500,000)</u>	<u>(477,875)</u>
Total other financing sources (uses)	<u>(22,125)</u>	<u>(22,125)</u>	<u>(500,000)</u>	<u>(477,875)</u>
Net change in fund balance	(44,250)	(44,250)	(130,720)	(86,470)
FUND BALANCE, BEGINNING OF YEAR	<u>397,803</u>	<u>397,803</u>	<u>397,803</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 353,553</u>	<u>\$ 353,553</u>	<u>\$ 267,083</u>	<u>\$ (86,470)</u>

See accompanying note to required supplementary information.

Consolidated Fire Agencies (CONFIRE)

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%
6/30/2021	0.16%	1,702,432	3,804,094	44.75%	91.19%
6/30/2022	0.20%	3,821,071	3,803,552	100.46%	85.12%

Notes to Schedule:

In 2023, there was no changes of assumptions. Amounts reported in 2023 primarily reflect the -2.37 return on the market value of assets during 2021-2022 that was lower than the assumed return of 7.25%. Additionally, the results of the Board adopted Resolution 2020-5 in this valuation reflect the refunds of member contributions previously paid in conjunction with certain pay items for inclusion in compensation earnable, which increased the net pension liability by \$12.3 million.

In 2022, there was no changes of assumptions. Amounts reported in 2022 primarily reflect the 32.61% return on the market value of assets during 2020-2021 that was higher than the assumed return of 7.25% and the changes in benefit terms based on a decision in the Alameda County Deputy Sheriffs' Assn. et al. v. Alameda County Employees' Retirement Assn. litigation issued by the California Supreme Court on July 30, 2020. The Board of Retirement adopted Resolution 2020-5, which detailed the implementation of the Alameda decision including reclassifying certain pay items for inclusion in compensation earnable. The results in this valuation reflect the reclassification of those pay codes, which reduced the Plan's net pension liability by \$132.8 million.

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 closely 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.

See accompanying note to required supplementary information.

Consolidated Fire Agencies (CONFIRE)

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

<u>Fiscal Year</u>	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered payroll ⁽¹⁾</u>	<u>Contributions as a percentage of covered payroll</u>
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	940,816	(1,236,533)	(295,717)	3,804,094	32.51%
6/30/2022	1,014,893	(1,327,134)	(312,241)	3,803,552	34.89%
6/30/2023	1,024,568	(1,152,486)	(127,918)	4,021,717	28.66%

*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 Seegal Consulting on the GASB 68 Report.

See accompanying note to required supplementary information.

Consolidated Fire Agencies (CONFIRE)

**Note to Required Supplementary Information
June 30, 2023**

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.

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OTHER REPORTS



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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**

PARTNERS

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Independent Auditor's Report

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

MANAGERS / STAFF

Seong-Hyea Lee, CPA, MBA
Evelyn Morentin-Barcena, CPA
Veronica Hernandez, CPA
Laura Arvizu, CPA
John Maldonado, CPA, MSA
Julia Rodriguez Fuentes, CPA, MSA
Demi Hite, CPA
Jeffrey McKennan, CPA

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, 2023, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated February 6, 2024.

Report on 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) as a basis for designing 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.

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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.

Report on 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
February 6, 2024