

**YOLO EMERGENCY COMMUNICATIONS  
AGENCY**

Independent Auditor's Reports,  
Basic Financial Statements, and  
Required Supplementary Information

For the Fiscal Year Ended June 30, 2016



Certified  
Public  
Accountants

**YOLO EMERGENCY COMMUNICATIONS AGENCY**

For the Fiscal Year Ended June 30, 2016

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## Independent Auditor's Report

Board of Directors  
Yolo Emergency Communications Agency  
Woodland, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the Yolo Emergency Communications Agency (YECA), as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise YECA's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. 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.

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

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

#### *Opinions*

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 YECA, as of June 30, 2016, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the schedule of YECA's proportionate share of the net pension liability, schedule of YECA's pension contributions, schedule of funding progress for other postemployment benefits plan, and schedule of revenues, expenditures, and changes in fund balance – budget and actual – General Fund on pages 27 through 32 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 requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2016 on our consideration of YECA'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 YECA's internal control over financial reporting and compliance.



Sacramento, California

November 29, 2016

# YOLO EMERGENCY COMMUNICATIONS AGENCY

## Statement of Net Position Governmental Activities June 30, 2016

<b>ASSETS</b>	
Imprest cash	\$ 300
Cash in County Treasury	1,874,762
Prepaid expense	212,112
Capital assets:	
Depreciable, net	<u>5,595,993</u>
Total Assets	<u>7,683,167</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to pensions	<u>608,871</u>
 <b>LIABILITIES</b>	
Accounts payable	13,954
Accrued payroll	86,100
Accrued interest	20,939
Net OPEB obligation	481,581
Net pension liability	2,451,730
Long-term liabilities:	
Due within one year	388,838
Due in more than one year	<u>2,348,390</u>
Total Liabilities	<u>5,791,532</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to pensions	<u>419,814</u>
 <b>NET POSITION</b>	
Net investment in capital assets	3,014,926
Unrestricted	<u>(934,234)</u>
Total Net Position	<u>\$ 2,080,692</u>

See accompanying notes to the basic financial statements.

# YOLO EMERGENCY COMMUNICATIONS AGENCY

Statement of Activities  
Governmental Activities  
For the Fiscal Year Ended June 30, 2016

## PROGRAM EXPENSES

Public safety - 911 communications	
Salaries and employee benefits	\$ 3,615,441
Services and supplies	1,061,227
Depreciation	575,124
Interest on long-term debt	176,653
Total Program Expenses	<u>5,428,445</u>

## PROGRAM REVENUES

Operating grants and contributions	5,532,529
Capital grants and contributions	58,358
Total Program Revenues	<u>5,590,887</u>

Net Program Revenue	<u>162,442</u>
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## GENERAL REVENUES

Interest	18,385
Other	116,213
Total General Revenues	<u>134,598</u>

Change in Net Position	297,040
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Net Position - beginning of year	<u>1,783,652</u>
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Net Position - end of year	<u><u>\$ 2,080,692</u></u>
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See accompanying notes to the basic financial statements.

**YOLO EMERGENCY COMMUNICATIONS AGENCY**

Balance Sheet  
General Fund  
June 30, 2016

**ASSETS**

Imprest cash	\$ 300
Cash in County Treasury	1,874,762
Prepaid items	212,112
Total Assets	<u>\$ 2,087,174</u>

**LIABILITIES AND FUND BALANCE**

Liabilities:

Accounts payable	\$ 13,954
Accrued payroll	86,100
Total Liabilities	<u>100,054</u>

Fund Balance:

Nonspendable - prepaid items	212,112
Assigned:	
Encumbrances	73,595
Subsequent year's budget	310,000
Reserves	760,000
Unassigned	631,413
Total Fund Balance	<u>1,987,120</u>

Total Liabilities and Fund Balance	<u>\$ 2,087,174</u>
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**YOLO EMERGENCY COMMUNICATIONS AGENCY**

Reconciliation of the Balance Sheet  
to the Statement of Net Position  
June 30, 2016

Fund balance - General Fund \$ 1,987,120

Amounts reported in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the General Fund. 5,595,993

Deferred outflows of resources related to pensions are not reported in the General Fund. 608,871

Deferred inflows of resources related to pensions are not reported in the General Fund. (419,814)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the General Fund.

Net OPEB obligation (481,581)

Net pension liability (2,451,730)

Accrued interest (20,939)

Capital lease (2,581,067)

Compensated absences (156,161)

Net position - Governmental Activities \$ 2,080,692



## YOLO EMERGENCY COMMUNICATIONS AGENCY

### Statement of Revenues, Expenditures, and Change in Fund Balance - General Fund For the Fiscal Year Ended June 30, 2016

#### REVENUES

##### Intergovernmental:

Federal	\$	63
State		58,295
Contributions		5,532,529
Interest		18,385
Other		116,213
Total Revenues		<u>5,725,485</u>

#### EXPENDITURES

##### Current:

Public safety - 911 communications		
Salaries and employee benefits		4,112,476
Services and supplies		1,061,227
Debt service:		
Principal		224,588
Interest		178,475
Capital outlay		72,604
Total Expenditures		<u>5,649,370</u>

Change in Fund Balance 76,115

Fund Balance - beginning of year 1,911,005

Fund Balance - end of year \$ 1,987,120

See accompanying notes to the basic financial statements.

**YOLO EMERGENCY COMMUNICATIONS AGENCY**

Reconciliation of the Statement of Revenues, Expenditures,  
and Change in Fund Balance to the Statement of Activities  
For the Fiscal Year Ended June 30, 2016

Change in fund balance - General Fund \$ 76,115

Amounts reported in the statement of activities are different because:

The General Fund reports capital outlay as expenditures. However, in the statement of activities, the cost of those items is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 72,604	
Depreciation expense	<u>(575,124)</u>	(502,520)

Repayment of long-term liabilities are expenditures in the General Fund, but reduce long-term liabilities in the statement of net position. 224,588

Other expenses in the statement of activities that do not use current financial resources are not reported as expenditures in the General Fund.

Change in compensated absences	20,945	
Change in net OPEB obligation	(69,890)	
Change in net pension liability and related amounts	545,980	
Change in accrued interest	<u>1,822</u>	<u>498,857</u>

Change in net position - Governmental Activities \$ 297,040

## **BASIC FINANCIAL STATEMENTS**

## YOLO EMERGENCY COMMUNICATIONS AGENCY

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Reporting Entity

The Yolo Emergency Communications Agency (YECA), was established June 21, 1988 by Agreement No. 88-133, which is a Joint Exercise of Powers Agreement (Agreement) pursuant to Government Code 6500 et seq.

YECA includes all operating activities considered to be a part of YECA. YECA reviewed the criteria developed by the Governmental Accounting Standards Board (GASB) in its issuance of Statement No. 14, which was amended by Statement No. 61, relating to the financial reporting entity to determine whether YECA is financially accountable for other entities. YECA has determined that no other outside entity meets the above criteria, and therefore, no agency has been included as a component unit in YECA's financial statements.

The parties making up the Joint Powers Agency (JPA) are the County of Yolo and the cities of Woodland, West Sacramento, and Winters. The parties each appoint members to the governing board of YECA.

YECA was created to provide mutual benefits, such as cost savings and greater operational efficiency, to the county and the cities through the sharing of communication facilities, emergency services, and increased management control.

Each party retains ownership of its radio frequencies, but allows the use of those frequencies by YECA.

Under the Agreement, each party in YECA contributes to the budget of YECA. These contributions are based on various formulas outlined in Section 9.2 of the JPA Agreement.

#### Basis of Presentation and Accounting

##### *Government-Wide Statements*

The Statement of Net Position and Statement of Activities display information about the primary government (YECA). These statements include the financial activities of the overall government.

The Statement of Activities presents a comparison between direct expenses and program revenues for YECA's governmental activity. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include grants and contributions, as well as contributions received from JPA members that are restricted to meeting the operational or capital requirements of YECA. Revenues that are not classified as program revenues, including investment income, are presented instead as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

## YOLO EMERGENCY COMMUNICATIONS AGENCY

Notes to the Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2016

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Basis of Presentation and Accounting (Continued)**

##### *Fund Financial Statements*

Separate financial statements are provided for the General Fund. YECA's General Fund accounts for all of its financial resources and activities. The General Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available to finance expenditures of the current period. "Measurable" means the amount of the transaction can be determined and "available" means collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. YECA uses an availability period of 365 days for revenue recognition for its General Fund revenues. Those revenues susceptible to accrual include intergovernmental revenues, contributions, and investment income. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Nonexchange transactions, in which YECA gives (or receives) value without directly receiving (or giving) value in exchange, include grants, entitlements, and donations. On a modified accrual basis, revenues from nonexchange transactions are recognized when all eligibility requirements have been satisfied and have met the 365-day availability criteria.

#### **Cash in County Treasury**

YECA maintains cash and investments with the Yolo County Treasurer (Treasurer) in a cash and investment pool. On a quarterly basis, the Treasurer allocates interest to participants based upon their average daily balances. Required disclosure information regarding the categorization of investments and other deposit and investment risk disclosures can be found in the County of Yolo's (County) Comprehensive Annual Financial Report (CAFR). The County's financial statements may be obtained by contacting the County Auditor-Controller's office at 625 Court Street, Room 103, Woodland, California 95776. The Yolo County Treasury Oversight Committee oversees the Treasurer's investments and policies.

YECA has no deposit or investment policy that addresses interest rate, credit, or custodial credit risk. Investments held in the County's investment pool are available on demand and are stated at fair value.

#### **Capital Assets**

Capital assets have been acquired for general operational purposes. Assets purchased are recorded as expenditures in the General Fund and capitalized at cost or estimated cost where no historical records are available in the government-wide financial statements. Donated capital assets are valued at their estimated fair market value on the date contributed. YECA defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets, including intangible assets, are depreciated using the straight-line method over their estimated useful lives of 5 to 15 years in the government-wide financial statements.

## YOLO EMERGENCY COMMUNICATIONS AGENCY

Notes to the Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2016

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Pensions

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

GASB Statement No. 68 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:	June 30, 2014
Measurement Date:	June 30, 2015
Measurement Period:	July 1, 2014 to June 30, 2015

#### Compensated Absences

Unused vacation leave and compensatory time off may be accumulated up to a specified maximum and is paid at the time employment with YECA is terminated. YECA is not obligated to pay for unused sick leave if employment is terminated prior to retirement.

The accumulated benefits will be liquidated in future years as employees elect to use them. In the normal course of business, compensated absences do not require the use of current financial resources as all payments of these accumulated benefits will be funded from appropriations of the year in which they are to be paid; therefore, the total liability is recorded in the government-wide financial statements only. In accordance with the provisions of GASB No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulated rights to receive sick pay benefits.

#### Fund Balance/Net Position

##### *Fund Balance*

The provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established the following classification of fund balance:

- *Nonspendable Fund Balance* – amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. YECA has nonspendable fund balance for the prepaid items (not in spendable form).
- *Restricted Fund Balance* – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. YECA has no restricted fund balance.

## YOLO EMERGENCY COMMUNICATIONS AGENCY

Notes to the Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2016

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Fund Balance/Net Position (Continued)

##### *Fund Balance (Continued)*

- *Committed Fund Balance* – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action by the entity’s “highest level of decision-making authority,” which YECA considers to be resolutions adopted by YECA’s Board of Directors. YECA has no committed fund balance.
- *Assigned Fund Balance* – includes amounts of fund balance that reflect YECA's intended use of resources for specific purposes that are neither restricted nor committed. YECA has assigned fund balance for encumbrances, the portion used to balance the subsequent year’s budget, and reserves.
- *Unassigned Fund Balance* – includes resources in fund balance that cannot be classified into any of the other categories.

YECA's spending priority is to spend restricted fund balance first, followed by committed, assigned, and unassigned fund balance.

##### Reserves

YECA has established a policy to set aside funds into two designated reserves to address unforeseen emergencies or disasters, significant changes in the economic environment, and key infrastructure and capital projects. These two reserves are the General Reserve and the Capital/Special Projects Reserve.

Reserve Levels – YECA commits to maintaining the General Reserve at a minimum of 20% of General Fund annual operating expenditures (minus one-time expenditures). The General Fund Reserve policy is reviewed by the Board as part of the annual operating budget review and adoption process. Appropriations of any reserve require formal Board authorization.

General Reserve – Funds reserved under this category shall be used to mitigate costs associated with unforeseen emergencies, including natural disasters or catastrophic events that impair the operating infrastructure of YECA’s communications. Should unforeseen and unavoidable events occur that require the expenditure of YECA’s resources beyond those provided for in the annual budget, the Executive Director or designee shall have authority to approve appropriations with the knowledge of the Chair or Co-chair of the Board. The Executive Director or designee shall then present to the Board a budget amendment confirming the nature of the emergency and authorizing the appropriation of reserve funds. Other funds reserved under this category shall be used to mitigate budgetary issues and/or one-time expenditures that will result in future efficiencies and/or budget savings or as deemed by the Board for authorization.

In keeping with the principles discussed in this policy, the Board will develop a 1 to 7 year reserve replenishment plan to meet the minimum threshold of 20% of General Fund ongoing expenditures, excluding one-time expenditures.

## YOLO EMERGENCY COMMUNICATIONS AGENCY

Notes to the Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2016

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Fund Balance/Net Position (Continued)

At the end of each fiscal year, YECA reports on the audited year-end budgetary fiscal results. Should actual General Fund revenues exceed expenditures and encumbrances, a year-end operating surplus shall be reported. Any year-end surplus that results in the General Fund balance exceeding the level required by the reserve policy shall be available for allocation for the following, subject to Board approval:

- Capital/Special Projects Reserve
- One-time funding, non-recurring needs
- Member share reductions

Capital/Special Projects Reserve – Funds reserved under this category are designated for key infrastructure and capital/special projects as identified in YECA's 5-year Capital Improvement Plan, as there is no ongoing funding source to support YECA's capital needs.

#### *Net Position*

Net position comprises the various net earnings from YECA's revenues, expenses, and contributions of capital. Net position is classified in the following three components:

- *Net Investment in Capital Assets* – Consists of all capital assets, net of accumulated depreciation and any related outstanding debt attributable to the acquisition, construction, or improvements of those assets.
- *Restricted Net Position* – Restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- *Unrestricted Net Position* – All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

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

#### Members' Contributions

Each member of YECA contributes annually based on YECA's budget. Members' contributions are determined by various formulas set forth in the Joint Powers Agreement. Contributions are payable in quarterly installments before the first day of each quarter.

#### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.



**YOLO EMERGENCY COMMUNICATIONS AGENCY**

Notes to the Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2016

**NOTE 2: CASH AND INVESTMENTS**

Deposits held in the County's investment pool are available on demand and are stated at fair value. As of June 30, 2016, YECA's total cash in the County of Yolo Treasury was \$1,874,762.

Cash and investments as of June 30, 2016, are classified in the accompanying statement of net position as follows:

Cash in County Treasury	\$ 1,874,762
Imprest cash	<u>300</u>
Total Cash and Investments	<u><u>\$ 1,875,062</u></u>

**Investments Authorized by the California Government Code**

The table below identifies the investment types that are authorized for YECA by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	No limit	No limit
U.S. Treasury Obligations	5 years	No limit	No limit
U.S. Agency Securities	5 years	No limit	No limit
Bankers' Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	No limit
Repurchase Agreements	1 year	No limit	No limit
Reverse Repurchase Agreements	92 days	20% of base value	No limit
Medium-Term Notes	5 years	30%	No limit
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	No limit
County Pooled Investment Funds	N/A	No limit	No limit
Local Agency Investment Fund (LAIF)	N/A	No limit	No limit
JPA Pools (other investment pools)	N/A	No limit	No limit

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value is to changes in market interest rates. The weighted average maturity of the County's external investment pool as of June 30, 2016 was 397 days.

**YOLO EMERGENCY COMMUNICATIONS AGENCY**

Notes to the Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2016

**NOTE 2: CASH AND INVESTMENTS (Continued)**

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (Standard and Poor's). The County's external investment pool is not rated.

**Custodial Credit Risk**

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2016, YECA does not have any deposits with financial institutions.

**NOTE 3: CAPITAL ASSETS**

A summary of changes in capital assets for the fiscal year ended June 30, 2016, is as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
<b>CAPITAL ASSETS, BEING DEPRECIATED</b>				
Building and improvements	\$ 150,000	\$ -	\$ -	\$ 150,000
Equipment	8,087,670	72,604	(724,303)	7,435,971
Vehicles	40,520	-	-	40,520
Furniture and fixtures	129,033	-	-	129,033
Total capital assets, being depreciated	<u>8,407,223</u>	<u>72,604</u>	<u>(724,303)</u>	<u>7,755,524</u>
<b>LESS ACCUMULATED DEPRECIATION FOR:</b>				
Building and improvements	(44,670)	(7,500)	-	(52,170)
Equipment	(2,110,115)	(562,261)	724,303	(1,948,073)
Vehicles	(40,520)	-	-	(40,520)
Furniture and fixtures	(113,405)	(5,363)	-	(118,768)
Total accumulated depreciation	<u>(2,308,710)</u>	<u>(575,124)</u>	<u>724,303</u>	<u>(2,159,531)</u>
Governmental activities capital assets, net	<u>\$ 6,098,513</u>	<u>\$ (502,520)</u>	<u>\$ -</u>	<u>\$ 5,595,993</u>

Depreciation expense was charged to the public safety - 911 communications function in the amount of \$575,124 for the fiscal year ended June 30, 2016.

**YOLO EMERGENCY COMMUNICATIONS AGENCY**

Notes to the Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2016

**NOTE 4: LONG-TERM LIABILITIES**

The following is a summary of long-term liabilities transactions for the fiscal year ended June 30, 2016:

	Balance <u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2016</u>	Amounts Due Within <u>One Year</u>
Capital lease	\$ 2,805,655	\$ -	\$ (224,588)	\$ 2,581,067	\$ 232,677
Compensated absences	177,106	231,286	(252,231)	156,161	156,161
Total Long-Term Liabilities	<u>\$ 2,982,761</u>	<u>\$ 231,286</u>	<u>\$ (476,819)</u>	<u>\$ 2,737,228</u>	<u>\$ 388,838</u>

On November 18, 2010, YECA and the County of Yolo as co-issuer, issued \$3,724,000 in ARRA-Recovery Zone Economic Development Bonds (the Bonds) to finance (and reimburse for prior expenditures related to) the expansion, refurbishment, improvement, and equipping of its regional emergency communications system. Net proceeds, after the payment of issuance costs, were deposited with Deutsch Bank, acting as trustee. Concurrently, YECA along with the County of Yolo as co-issuer, entered into a Master Equipment Lease/Purchase Agreement with Bank of America to finance the lease purchase of emergency communications equipment. Lease payments will be used to finance the repayment of the Bonds. The Bonds provide for a Federal subsidy of 45% of the interest paid on the Bonds to the issuer. The interest rate on the lease is 6.49%, with a maturity date of November 18, 2025. To obtain the subsidy, YECA must file a claim with the Internal Revenue Service (IRS) when an interest payment on the Bonds is made.

Future debt service requirements at June 30, 2016, are as follows:

<u>Year Ending June 30,</u>	<u>Payments</u>
2017	\$ 396,446
2018	389,590
2019	382,487
2020	375,129
2021	367,505
2022-2026	1,551,831
Total Future Lease Payments	<u>3,462,988</u>
Less: Interest	(881,921)
Net Capital Lease	<u>\$ 2,581,067</u>

The carrying amount of the assets acquired under the capital lease totaled \$3,179,733 at June 30, 2016, which is the cost of \$3,670,736, net of accumulated depreciation of \$491,003.

**YOLO EMERGENCY COMMUNICATIONS AGENCY**

Notes to the Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2016

**NOTE 5: PENSION PLANS**

**General Information about the Pension Plans**

*Plans Description* – All of YECA’s qualified employees are eligible to participate in the YECA’s Miscellaneous Plan or PEPRA Miscellaneous Plan (Plans), cost-sharing multi-employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). A full description of the Plans regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2015 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the actuarial valuation reports. These reports and CalPERS’ audited financial statements are publicly available reports that can be obtained at CalPERS’ website at [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.

The California Legislature passed and the Governor signed the “Public Employees’ Pension Reform Act of 2013” (PEPRA) on September 12, 2012. PEPRA contained a number of provisions intended to reduce future pension obligations. PEPRA primarily affects new pension plan members who are enrolled for the first time after December 2012. Benefit provisions under the Plans and other requirements are established by State statute and YECA resolution.

*Benefits Provided* – The benefits for the Plans are based on members’ years of services, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

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

Hire date	<u>Prior to January 1, 2013</u>	<u>On or After January 1, 2013</u>
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 to 67	52 to 67
Monthly benefits, as a % of eligible compensation	1.426 to 2.418%	1.000 to 2.500%

*Contributions* – Section 20814(c) of the California Public Employees Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Contributions are determined through the CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. YECA is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

**YOLO EMERGENCY COMMUNICATIONS AGENCY**

Notes to the Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2016

**NOTE 5: PENSION PLANS (Continued)**

**General Information about the Pension Plans (Continued)**

For the measurement period ended June 30, 2015 (the measurement date), the active employee contribution rate was 7.000% and 6.250% of member earnings and the employer contribution rate was 13.460% and 6.250% of member earnings for the Miscellaneous Plan and PEPRM Miscellaneous Plan, respectively. Employer contribution rates may change if plan contracts are amended. It is the responsibility of YECA to make necessary accounting adjustments to reflect the impact due to any employer-paid member contributions or situations where members are paying a portion of the employer contribution.

For the fiscal year ended June 30, 2016, the contributions recognized as part of pension expense were \$292,497.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

As of June 30, 2016, YECA reported a liability of \$2,451,730 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. YECA's net pension liability is the difference between its proportion of the total pension liability based on its share of the actuarial accrued liability and its proportion of the fiduciary net position based on its share of the market value of assets. YECA's proportion of the net pension liability as of June 30, 2015 and 2014 was 0.035719% and 0.038235%, respectively, for a decrease of 0.002516%.

For the fiscal year ended June 30, 2016, YECA recognized pension expense of \$42,784. At June 30, 2016, YECA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Pension contributions subsequent to measurement date	\$ 588,764	\$ -
Differences between expected and actual experience	20,107	-
Changes in assumptions	-	190,233
Net differences between projected and actual earnings on pension plan investments	-	95,366
Change in employer's proportion	-	86,904
Differences between the employer's contributions and the employer's proportionate share of contributions	-	47,311
	<u>                    </u>	<u>                    </u>
Totals	<u>\$ 608,871</u>	<u>\$ 419,814</u>

**YOLO EMERGENCY COMMUNICATIONS AGENCY**

Notes to the Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2016

**NOTE 5: PENSION PLANS (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

The \$588,764 reported as deferred outflows of resources related to pension contributions subsequent to measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. The remainder reported as deferred outflows and inflows of resources will be recognized as pension expense as follows:

Year Ending June 30	Deferred Inflows (Outflows) of Resources
2017	\$ (187,098)
2018	(183,747)
2019	(150,762)
2020	121,900
Total	\$ (399,707)

*Actuarial Assumptions* – For the measurement period ended June 30, 2015 (measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2015 total pension liability was based on the following actuarial method and assumptions:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.65% Net of Pension Plan Investment and Administrative Expenses, includes Inflation
Mortality Rate Table <sup>(1)</sup>	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

<sup>(1)</sup> The mortality table used was developed based on CalPERS' specific data. The table includes 20 year of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS website under Forms and Publications.

## YOLO EMERGENCY COMMUNICATIONS AGENCY

Notes to the Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2016

### NOTE 5: PENSION PLANS (Continued)

#### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

*Change of Assumptions* – GASB 68 states that the long-term expected rate of return should be determined net of pension plan investment expenses, but without reduction for pension plan administrative expense. The discount rate changed from 7.50% (net of administrative expense in 2014) to 7.65% as of the June 30, 2015 measurement date to correct the adjustment, which previously reduced the discount rate for administrative expenses.

*Discount Rate* – The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

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

In determining the long-term expected rate of return, CalPERS staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

**YOLO EMERGENCY COMMUNICATIONS AGENCY**

Notes to the Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2016

**NOTE 5: PENSION PLANS (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

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

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10 <sup>(1)</sup></u>	<u>Real Return Years 11+ <sup>(2)</sup></u>
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	10.0	4.50	5.13
Infrastructure and Forestland	2.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

<sup>(1)</sup> An expected inflation of 2.5% used for this period.

<sup>(2)</sup> An expected inflation of 3.0% used for this period.

*Sensitivity of YECA's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate –* The following presents the net pension liability as of the measurement date, calculated using the discount rate of 7.65 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	<u>Discount Rate - 1% (6.65%)</u>	<u>Current Discount Rate (7.65%)</u>	<u>Discount Rate + 1% (8.65%)</u>
YECA's Proportionate Share of Plans' Net Pension Liability	\$ 4,189,996	\$ 2,451,730	\$ 1,016,590

*Pension Plans Fiduciary Net Position –* Detailed information about the Plans' fiduciary net position is available in the separately issued CalPERS financial report.



## **YOLO EMERGENCY COMMUNICATIONS AGENCY**

Notes to the Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2016

### **NOTE 6: DEFINED CONTRIBUTION PLAN**

YECA offers to each non-safety employee a 401(a) Money Purchase Plan (MPP) administered by the VALIC Retirement Services Company. Each participant has an individual account with VALIC into which all contributions are recorded. The participants are offered various investment options through the MPP and are allowed to invest moneys in their account, at their own discretion, among the options. YECA may amend, modify, or terminate the MPP, upon approval of such amendment, modification, or termination by YECA's Board of Director's approval. Employees covered by the MPP are eligible to participate from the date of employment. The MPP defines YECA contributions which range from 3-6 percent of employees base salary based on the employees designated employee group. Employee contributions to the MPP are not permitted. Under the MPP each participant is 100 percent vested in the amounts credited to the participants account at all times. During the fiscal year ended June 30, 2016, contributions paid to the MPP were \$8,517.

### **NOTE 7: OTHER POSTEMPLOYEMENT BENEFITS (OPEB)**

#### **Plan Description**

YECA sponsors a single-employer defined benefit plan to provide postemployment health benefits to eligible retirees and their spouses through CalPERS (the Plan). Benefit allowance provisions are established through resolution between YECA and three employee groups: general, supervisor, and management. The Plan does not issue a publicly available financial report.

Plan members include current retirees and active employees of YECA. Eligible plan members are YECA employees who have retired from active employment with YECA and have five years of service credit with CalPERS. There is not a minimum service period with YECA to be eligible for the retiree health/medical benefit. The benefit allowance provides a lifetime allowance to eligible plan members and their surviving spouses, if applicable. The benefit allowance is provided in conjunction with the MOU terms allowing retirees to continue their current health insurance which also covers active members.

#### **Funding Policy**

The contribution requirements of YECA are established and may be amended by YECA's Board of Directors. For eligible plan members, YECA provides a maximum monthly benefit allowance of \$253 for general and supervisor members and \$700 per month for management. Any and all insurance premium costs incurred by retirees above the monthly benefit allowance are borne by the retiree. YECA's actuarially determined contribution rate for the fiscal year ended June 30, 2016 was 5.4% based on the June 30, 2013 actuarial valuation.

**YOLO EMERGENCY COMMUNICATIONS AGENCY**

Notes to the Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2016

**NOTE 7: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

**Annual OPEB Cost and Net OPEB Obligation**

YECA's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. However, YECA contributes on a pay-as-you-go basis, which for the fiscal year ended June 30, 2016 amounted to \$55,110, or approximately 2.5% of payroll. As a result of paying less than the ARC, YECA has a net OPEB obligation.

The following table shows the components of YECA's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in YECA's net OPEB obligation.

Annual Required Contribution	\$ 129,000
Interest on net OPEB obligation	15,000
Adjustment to ARC	<u>(19,000)</u>
Annual OPEB cost (expense)	125,000
Contributions made	<u>(55,110)</u>
Increase in net OPEB obligation	69,890
Net OPEB obligation - beginning of year	411,691
Net OPEB obligation - end of year	<u><u>\$ 481,581</u></u>

YECA's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation were as follows:

<u>Fiscal Year Ended:</u>	<u>Annual OPEB Cost</u>	<u>Amount Contributed</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2014	\$ 113,000	\$ 46,921	41.52%	\$ 342,835
June 30, 2015	119,100	50,244	42.19%	411,691
June 30, 2016	125,000	55,110	44.09%	481,581

**Funded Status and Funding Progress**

As of June 30, 2013, the date of the most recent actuarial valuation, the actuarial accrued liability for benefits was \$1,356,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,243,000, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 60.5 percent.

## YOLO EMERGENCY COMMUNICATIONS AGENCY

Notes to the Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2016

### **NOTE 7: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

#### **Funded Status and Funding Progress (Continued)**

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

#### **Actuarial Methods and Assumptions**

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

In YECA's June 30, 2013 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumption for asset valuation included a discount rate of 4.0%. The actuarial assumption for medical costs increase between 7.5% and 7.8% for the year ending June 30, 2016, reduced by decrements to an ultimate rate of 5.0% after the year ending June 30, 2020. Both rates include 3.0% general inflation. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The amortization period at June 30, 2013 was 27 years.

The benefit allowance was deemed a community rated plan and therefore, no implicit rate subsidy was determined in the actuarial valuation.

**YOLO EMERGENCY COMMUNICATIONS AGENCY**

Notes to the Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2016

**NOTE 8: RISK MANAGEMENT**

YECA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters.

YECA participates in the Yolo County Public Agency Risk Management Insurance Agency (YCPARMIA), a joint power agency (risk-sharing pool) made up of other governmental entities within the County. YECA is covered for general and automobile, workers' compensation, property, pollution, fidelity, and cyber through YCPARMIA. Through YCPARMIA membership in the California Joint Powers Risk Management Authority (CJPRMA), YECA is provided with an excess coverage fund for catastrophic general and automobile losses. Through YCPARMIA membership in the CSAC Excess Insurance Authority (CSAC), YECA is provided with an excess coverage fund for catastrophic workers' compensation, property, and pollution losses. Through YCPARMIA membership in the Fidelity and Deposit Company of Maryland (FDCM), YECA is provided with an excess coverage fund for catastrophic fidelity losses. Through YCPARMIA membership in Lloyd's of London, YECA is provided with an excess coverage fund for catastrophic cyber losses. Loss contingency reserves established by YCPARMIA are funded by contributions from member agencies.

The annual contribution YCPARMIA charges to each agency is based upon its pro-rata share of excess insurance premiums, charges for the pooled risk (losses) recognizing the deductible selected, claims adjusting and legal costs, and administrative and other costs to operate the YCPARMIA. Settled claims from these risks did not exceed coverage for the past three years. YECA's deductible and maximum coverage are as follows:

Coverage	Deductible	YCPARMIA	CJPRMA	CSAC	FDCM	Lloyd's
General and automobile	\$ 5,000	\$ 500,000	\$ 40,000,000	\$ -	\$ -	\$ -
Workers' compensation	1,000	500,000	-	50,000,000	-	-
Property	1,000	25,000	-	959,357,100	-	-
Pollution	-	100,000	-	10,000,000	-	-
Fidelity	1,000	25,000	-	-	2,000,000	-
Cyber	-	-	-	-	-	1,000,000

**NOTE 9: LEASE COMMITMENTS**

As of June 30, 2016, future lease payments under operating leases were as follows:

Year Ending	
June 30:	
2017	\$ 40,246
2018	41,454
2019	28,183
Total Future Lease Payments	<u>\$ 109,883</u>

Rental expenditures were \$38,977 for the fiscal year ended June 30, 2016.

## YOLO EMERGENCY COMMUNICATIONS AGENCY

Notes to the Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2016

### **NOTE 10: FUTURE IMPLEMENTATION OF NEW GOVERNMENTAL ACCOUNTING STANDARDS**

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employer and Agent Multiple-Employer Plans*, for OPEB. This statement will require YECA to record a net OPEB liability related to its OPEB plan, as defined by the standard. This statement is effective for YECA's fiscal year ending June 30, 2018.

**YOLO EMERGENCY COMMUNICATIONS AGENCY**

Required Supplementary Information

Schedule of YECA's Proportionate Share  
of the Net Pension Liability  
Last 10 Years\*

<u>Fiscal Year</u>	<u>Measurement Period</u>	<u>YECA's Proportion of the Net Pension Liability</u>	<u>YECA's Proportionate Share of the Net Pension Liability</u>	<u>YECA's Covered-Employee Payroll</u>	<u>YECA's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll</u>	<u>Plan's Fiduciary Net Postion as a Percentage of the Plan's Total Pension Liability</u>
2016	2015	0.035719%	\$ 2,451,730	\$2,320,340	105.66%	78.40%
2015	2014	0.038235%	\$ 2,379,173	\$2,192,316	108.52%	80.43%

\* - GASB 68 was implemented in 2015 (2014 measurement period).

**YOLO EMERGENCY COMMUNICATIONS AGENCY**

Required Supplementary Information

Schedule of YECA's Pension Contributions  
Last 10 Years\*

Measurement Year	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Excess	YECA's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2016	\$ 348,330	\$ 588,764	\$ 240,434	\$ 2,384,950	24.69%
2015	292,497	292,497	-	2,320,340	12.61%
2014	284,046	284,046	-	2,192,316	12.96%

\* - GASB 68 was implemented in 2015 (2014 measurement period).

**REQUIRED SUPPLEMENTARY INFORMATION**  
**(Unaudited)**



**YOLO EMERGENCY COMMUNICATIONS AGENCY**

Required Supplementary Information

Schedule of Funding Progress for Other Postemployment Benefit Plan  
June 30, 2016

<u>Valuation Date</u>	<u>Actuarial Accrued Liability (AAL) Simplified Entry Age</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Payroll</u>
June 30, 2010	\$ 1,067,080	\$ -	\$ 1,067,080	0.0%	\$ 2,710,290	39.4%
June 30, 2013	1,356,000	-	1,356,000	0.0%	2,243,000	60.5%

See accompanying notes to the required supplementary information.

**YOLO EMERGENCY COMMUNICATIONS AGENCY**

Required Supplementary Information

Schedule of Revenues, Expenditures, and Changes in  
Fund Balance - Budget and Actual - General Fund  
For the Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Intergovernmental revenue:				
Federal	\$ 93,511	\$ 93,511	\$ 63	\$ (93,448)
State	-	-	58,295	58,295
Contributions	5,501,990	5,501,990	5,532,529	30,539
Interest	-	-	18,385	18,385
Other	-	-	116,213	116,213
Total Revenues	<u>5,595,501</u>	<u>5,595,501</u>	<u>5,725,485</u>	<u>129,984</u>
<b>EXPENDITURES</b>				
Current:				
Public safety - 911 communications				
Salaries and employee benefits	4,295,254	4,295,254	4,112,476	182,778
Services and supplies	1,588,184	1,588,184	1,061,227	526,957
Debt service:				
Principal	224,588	224,588	224,588	-
Interest	178,475	178,475	178,475	-
Capital outlay	37,000	37,000	72,604	(35,604)
Contingencies	760,000	760,000	-	760,000
Total Expenditures	<u>7,083,501</u>	<u>7,083,501</u>	<u>5,649,370</u>	<u>1,434,131</u>
Excess (deficiency) of revenues over (under) expenditures	(1,488,000)	(1,488,000)	76,115	1,564,115
<b>OTHER FINANCING SOURCES</b>				
Capital lease proceeds	<u>55,000</u>	<u>55,000</u>	<u>-</u>	<u>(55,000)</u>
Changes in Fund Balance	(1,433,000)	(1,433,000)	76,115	1,509,115
Fund Balance - beginning of year	<u>1,433,000</u>	<u>1,433,000</u>	<u>1,911,005</u>	<u>478,005</u>
Fund Balance - end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,987,120</u></u>	<u><u>\$ 1,987,120</u></u>

See accompanying notes to the required supplementary information.

**YOLO EMERGENCY COMMUNICATIONS AGENCY**

Notes to the Required Supplementary Information  
For the Fiscal Year Ended June 30, 2016

**NOTE 1: SCHEDULE OF YECA'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

In 2016 and 2015, there were no changes to the benefit terms or assumptions.

**NOTE 2: SCHEDULE OF YECA'S PENSION CONTRIBUTIONS**

The actuarial methods and assumptions used to determine contribution rates for the fiscal year ended June 30, 2016 were from the actuarial valuation as of June 30, 2014.

Actuarial cost method	Entry-Age Normal
Actuarial assumptions:	
Inflation	2.75%
Salary increase	Varies <sup>(1)</sup>
Payroll growth	3.00% <sup>(2)</sup>
Investment rate of return	7.50%
Retirement age	2010 Experience Study <sup>(3)</sup>
Mortality	2010 Experience Study <sup>(4)</sup>

(1) Depending on age, service, and type of employment.

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

(3) The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.

(4) The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

**NOTE 3: SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS**

Because the June 30, 2010 actuarial valuation was the first valuation prepared under the provisions of GASB Statement No. 45, there is only historical information of two valuations. Information from the three most recent valuations will be presented once available.

## **YOLO EMERGENCY COMMUNICATIONS AGENCY**

Notes to the Required Supplementary Information (Continued)  
For the Fiscal Year Ended June 30, 2016

### **NOTE 4: BUDGET AND BUDGETARY ACCOUNTING**

YECA prepares and legally adopts a final budget on or before June 30 of each fiscal year. YECA operations, commencing July 1, is governed by the proposed budget, adopted by the JPA Board of Directors in June of the prior year.

After the budget is approved, the Executive Director is authorized to execute transfers between major budget units as long as the total expenditures for each budget unit remain unchanged.

An operating budget is adopted each fiscal year on the modified accrual basis. Additionally, encumbrance accounting is utilized to assure effective budgetary control. Encumbrances outstanding at year-end represent the estimated amount of the expenditures ultimately to result if the unperformed contracts in process at year-end are completed or purchase commitments satisfied. Such year-end encumbrances are reported as unassigned fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year and included in the subsequent year's budget. Unencumbered appropriations lapse at year-end and are subject to appropriation in the subsequent periods.

## **OTHER REPORT**



**Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Board of Directors  
Yolo Emergency Communications Agency  
Woodland, California

We have audited, 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, the financial statements of the governmental activities and the general fund of the Yolo Emergency Communications Agency (YECA), as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise YECA’s basic financial statements, and have issued our report thereon dated November 29, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered YECA’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 YECA’s internal control. Accordingly, we do not express an opinion on the effectiveness of YECA’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 YECA’s financial statements are free of 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.

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, flowing style.

Sacramento, California  
November 29, 2016

## YOLO EMERGENCY COMMUNICATIONS AGENCY

Status of Prior Year Findings  
For the Fiscal Year Ended June 30, 2016

### Item 2015-001 – Prepaid Items

Criteria:

Under generally accepted accounting principles, costs related to services should be expended within the fiscal year in which the service takes place. Costs related to future periods should be recorded as prepaid expenses/items.

Condition:

YECA did not record prepaid expenses/items for costs related to future fiscal years.

Cause:

YECA records disbursements as expenses/expenditures when paid and does not analyze at year-end for prepayments, thus prepaid expenses/items were not identified and reclassified as such.

Effect:

As a result of this condition, an audit adjustment increasing “Prepaid items” on the Balance Sheet and “Prepaid expense” on the Statement of Net Position by \$189,813 was made.

Recommendation:

YECA should begin identifying and tracking the timeframes for which costs are for, and then analyzing them at year-end and adjusting for any portion that are for future fiscal years, thus improving the financial reporting process.

Management Response and Corrective Action:

YECA will book any prepaids separately in a prepay account and expense it at the end of the year to account for the overlap of contract services between two fiscal years for amounts \$5,000 and above.

Status:

YECA performed an analysis at June 30, 2016 recording prepaid expenses/items in the amount of \$212,112, therefore this recommendation is considered implemented.



## YOLO EMERGENCY COMMUNICATIONS AGENCY

Status of Prior Year Findings (Continued)  
For the Fiscal Year Ended June 30, 2016

### **Item 2015-002 – General Ledger Account Activity**

Criteria:

All transactions should be posted to the general ledger.

Condition:

Not all capital assets and long-term debt activity were posted to the general ledger. Although YECA did have their other postemployment benefits (OPEB) actuarial valuation, YECA did not adjust the year-end net OPEB obligation in the general ledger. And although YECA implemented GASB Statement No. 65 in fiscal year 2013, deferred charges were still recorded in the general ledger. Also, YECA did not post accrued interest, the change in compensated absences, or depreciation expense in the general ledger.

Cause:

YECA's staff did review capital assets on hand at year-end to determine which ones needed to be added and which ones needed to be deleted from YECA's capital assets listing and to determine depreciation expense for the year. In addition, YECA's staff did review compensated absences activity for the year. And although YECA staff did adjust the year-end capital assets balances in the general ledger, they neglected to post the depreciation expense and most of the long-term debt activity in the general ledger.

Effect:

As a result of this condition, audit adjustments needed to be made to correct the general ledger accounts to decrease capital assets for a net of \$236,986, to increase net OPEB obligation for \$248,562, to eliminate the deferred charges amount of \$48,000, to add accrued interest of \$22,761, and to increase compensated absences for \$108.

Recommendation:

YECA should post capital assets and long-term debt activity to the general ledger at year-end, before the audit.

Management Response and Corrective Action:

YECA will work with Yolo County Financial Services, who maintains YECA's accounting records, to create a year-end closeout to capture the above items.

Status:

YECA posted capital assets and long-term debt activity to the general ledger at year-end, before the audit, therefore the recommendation is considered implemented.