

# Basic Financial Statements and Independent Auditors' Reports



**Barstow Fire Protection District**  
Barstow, California  
for the year ended **June 30, 2013**

A component unit of the City of Barstow  
Prepared by the Finance Department



# Barstow Fire Protection District

## Basic Financial Statements and Independent Auditors' Report

For the year ended June 30 ,2013



A component unit of the City of Barstow

Prepared by the Finance Department



# Barstow Fire Protection District

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January 15, 2014

Board of Directors  
& Citizens of the City of Barstow

It is our pleasure to submit the Basic Financial Statements and the Independent Auditors' Report for the Barstow Fire Protection District. The District annually issues a report on its financial position and activity, audited by an independent firm of certified public accountants as required by State law. This report is published to fulfill that requirement for the fiscal year ended June 30, 2013.

Responsibility for the accuracy of the data, and the completeness and fairness of the presentations including disclosures, rests with the management of the District. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the presentation of the District's financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not outweigh their benefits, internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. Also, all disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

Badawi & Associates, Certified Public Accountants, have issued an unmodified ("clean") opinion on the Barstow Fire Protection District financial statements for the year ended June 30, 2013. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

## **PROFILE OF THE GOVERNMENT**

The Barstow Fire Protection District, formed in 1926, is located in the northern part of the County of San Bernardino. Today the District serves approximately 35,000 people within an area of about 45 square miles. The City of Barstow is still in the heart of the district but we also protect the communities of Barstow Heights, Lenwood, Grandview, Skyline North, Skyline East, Irwin Estates, and the Soapmine area. On November 17, 2010 the Barstow Fire Protection District became a subsidiary district of the City of Barstow.

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Ph: 760-256-3531 Fax: 760-256-1750 [www.barstowca.org](http://www.barstowca.org)



The City Council of the City of Barstow serves as the Barstow Fire Protection District's Board of Directors. The City Council/Board of Directors are elected by their constituents and each serving a four-year term, governs the District. The Fire Board meetings are held once a month, concurrent with the Barstow City Council's first meeting of each month.

The Barstow Fire Protection District is required to adopt a preliminary budget by no later than the close of the fiscal year. The District is required to adopt a final budget on or after July 1st of each fiscal year, in accordance with the requirements of Health & Safety Code Section 13893(b). The annual budget serves as the foundation for the District's financial planning and established control. The Fire Chief may transfer resources within a department and the City Manager has authority to transfer resources within an individual fund. Supplemental appropriations, and transfers between funds require approval from the governing body.

## **HISTORY**

On May 24, 1926 the San Bernardino County Board of Supervisors authorized the formation of the Barstow Fire Protection District, and Dr. A.C. Pratt, R. M. Dillingham and E. L. "Gene" White were the first district commissioners. E. L. "Gene" White was the first fire chief.

The District included approximately four square miles and had no equipment for fire fighting. The population was barely 1000. The total assessed tax valuation was less than one million dollars. In September 1926, through a tax initiative by the tax payers, the District acquired its first fire engine, a 1922 Model T Ford. "The new chemical engine made its first emergency call and made a good showing," the Printer (a local newspaper) reported on Nov. 4, 1926. After that, it was possible to buy fire insurance in Barstow.

In January of 1936, the District continued to expand and the first fire station was incorporated within the town meeting hall, to be located at 209 North First Avenue. The Town Hall / Station was dedicated on September 23, 1939. Volunteers were called to emergencies by sirens that were placed throughout the community. Personnel would respond to their station for that assignment. The first person to arrive at the station would then call the alarm center, (located in someone's house) to get the assignment and write it on a chalk board.

The District expanded in the early 1950's. Two stations were built and equipped with apparatus. One was located on Nancy and "G" Streets and the other on Paris, just off of West Main Street in Lenwood. An additional station was built behind a house on the Northeast corner of Bigger Street and Adele Drive. On July 1, 1957, the District changed from an "all-volunteer" district to a combination of volunteer and career personnel. The present fire station at the top of Barstow Road was completed in 1979.





In early 2010 the City Council and Fire Board held a joint meeting and approved an application to change the Fire District to a subsidiary district of the City.

In November of 2010 the Fire board and City of Barstow were granted approval from the Local Agency Formation to change the District from being an independent special district to a subsidiary district of the City of Barstow. The only significant change is that the City Council is now the Fire Board.

### **LOCAL ECONOMY**

Major industries located within the government's boundaries or in close proximity include major military installations including both military and civilian personnel; national defense contractors; transportation and rail firms; and numerous educational and financial institutions. The most current population figures show San Bernardino County has increased its population by .85% from January 1, 2012 to January 1, 2013. Coincidentally, the population for the Barstow Fire Protection District increased .85% also during the same timeframe. The unemployment rate as of April 2013 for this City is 12% and has continued to decline each month.

### **LONG-TERM FINANCIAL PLANNING**

The Fiscal Year 2013-14 budget falls within the policy guidelines set by the City Council for budgetary and planning purposes. The District has maintained a conservative approach to fiscal matters by managing ongoing expenditures and tracking revenues.

The District's financial condition is consistently being monitored. Reports are presented periodically to the Board regarding the performance of the District. Current economic factors continue to play an important role in management of District's finances and require close observation.

### **ACKNOWLEDGEMENTS**

The preparation of the Basic Financial Statements was made possible by the efforts of many individuals and the diligent work of the Assistant Finance Director, Mary Stapp. We especially wish to acknowledge the assistance and diligence of our auditors, Badawi & Associates, CPAs.

Respectfully submitted,

Charles C. Mitchell  
City Manager

Cindy M. Prothro  
Finance Director

**Barstow Fire Protection District  
List of Ex-Officio Members  
June 30, 2013**

***Ex-Officio Members***

Chairman	Timothy Silva
Vice Chairman	Carmen Hernandez
Director	Merrill Gracey
Director	Julie Hackbarth-McIntyre
Director	Richard Harpole
City Treasurer	Michael J. Lewis
City Clerk	JoAnne Cousino

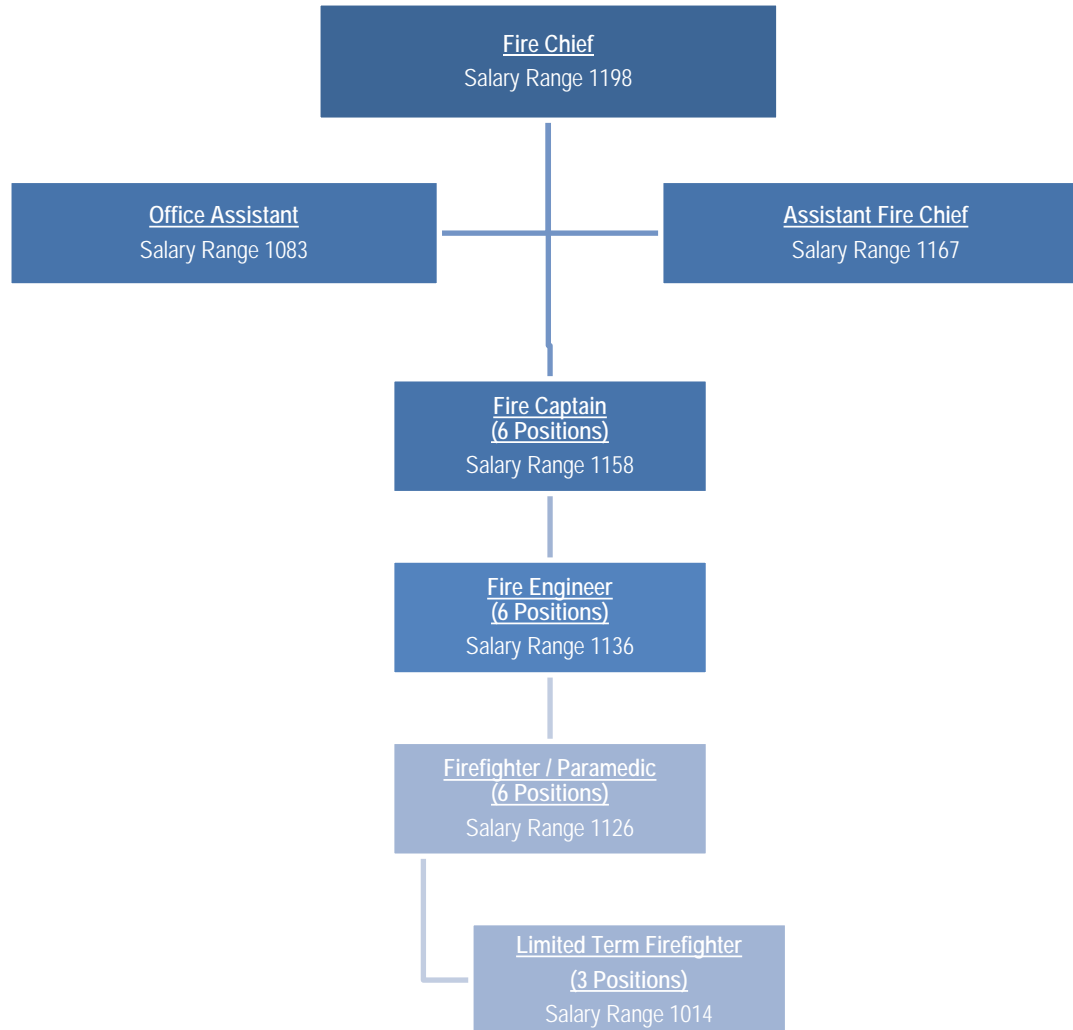
***Appointed Officials***

City Manager	Curt Mitchell
Finance Director	Cindy Prothro
City Attorney	Terri Highsmith
Fire Chief	Richard A. Ross



## BARSTOW FIRE PROTECTION DISTRICT ORGANIZATIONAL CHART

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
of the Barstow Fire Protection District  
Barstow, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Barstow Fire Protection District, California (District), a component unit of the City of Barstow, California (City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District'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.

To the Board of Directors  
of the Barstow Fire Protection District  
Barstow, California  
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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 each major fund of the District as of June 30, 2013, and the respective changes in financial position for the 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 management's discussion and analysis, and budgetary comparison information on pages 5-11 and 38-39 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.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

To the Board of Directors  
of the Barstow Fire Protection District  
Barstow, California  
Page 3

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2014, on our consideration of the District'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 District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi & Associates, CPAs  
Oakland, California  
January 15, 2014

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**BARSTOW FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2013**

As management of the Barstow Fire Protection District (District), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013. It is designed to:

- Highlight significant financial issues
- Provide an overview of the District's financial activity
- Discuss changes in the District's financial position
- Explain any material deviations from the approved budget

We encourage readers to consider the information presented here in conjunction with the letter of transmittal and the financial statements.

**FINANCIAL HIGHLIGHTS**

- The District's revenues were \$4,630,166.
- The District obtained lease financing in the amount of \$443,119 for a new fire engine.
- The District's expenditures totaled \$5,089,191
- Actual revenues exceeded budgeted revenues by \$530,116, while actual expenditures exceeded budgeted expenditures by \$330,853; variance details are covered on pages 9-10 of the Management Discussion and Analysis.
- The Barstow Fire Protection District became a subsidiary district of the City of Barstow as of November 17, 2010; for fiscal year 2012/2013 the district ended the fiscal year with \$776,358 in fund balance, a decrease of \$9,050.
- The Barstow Fire Protection District approved a new Memorandum of Understanding (MOU) with the Barstow Professional Firefighters' Association (BFPA) on May 20, 2013 which capped the District's cost at 42% of pensionable income, a reduction of 15.82% for FY2013-14, in exchange for setting the BFPA member pay at levels commensurate with established salary levels in the City of Barstow Police Department. As a result of the new MOU, the District expects to save nearly \$250,000 per year.

**USING THIS ANNUAL REPORT**

This discussion and analysis is intended to serve as an introduction to the Barstow Fire Protection District's basic financial statements, which are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

**BARSTOW FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2013**

This annual report consists of financial statements for the District as a whole with more detailed information about the District's general fund. The statement of net position and the statement of activities provide information about the activities of the District as a whole and present a long-term view of the District's finances. (They include capital assets and long-term liabilities.) The fund financial statements present a short-term view of the District's activities. (They include only current assets expected to be collected in the very near future and liabilities expected to be paid in the very near future.)

The basic fund financial statements can be found on pages 20-22 of this report.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are located on pages 25-36 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District's budgetary information and compliance for the Barstow Fire Protection District fund. The District adopted an annual appropriated budget for its general fund in fiscal year 2013.

Required supplementary information can be found on page 37 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### **Net Position**

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$1,250,044 at the close of the most recent fiscal year, a decrease of 9% over the previous year.

The largest portion (74%), \$920,896, represents investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The remaining balance of the District's Net Position, unrestricted (26%), \$329,148, is available to be spent at the discretion of the Board of Directors.

**BARSTOW FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2013**

**BARSTOW FIRE PROTECTION DISTRICT NET POSITION**

	<b>Governmental Activities</b>	
	<b>2013</b>	<b>2012</b>
Current and other assets	\$ 939,319	\$ 1,017,050
Capital assets	1,279,569	899,486
Total assets	<b>2,218,888</b>	<b>1,916,536</b>
Long-term liabilities	805,883	192,613
Other liabilities	162,961	355,077
Total liabilities	<b>968,844</b>	<b>547,690</b>
Net position:		
Net investment in capital assets	920,896	899,486
Unrestricted	329,148	469,360
<b>Total Net Position:</b>	<b>\$ 1,250,044</b>	<b>\$ 1,368,846</b>

**Barstow Fire Protection District Changes in Net Position**

The District's Net Position decreased by \$118,802 for fiscal year 2013. Key variances of this year's activity in relation to the prior year are:

- General revenues increased by \$755,012 due to the one-time redistribution of property tax increment held by the Former Redevelopment Agency of the City of Barstow.
- Program revenues increased by \$42,704 or 26.4%, from the previous year due primarily to the Fire Protection District addition. The revenues reflect a full year of increased property tax revenue for fire services.
- Capital assets increased by \$380,083 due to the acquisition of a fire engine through a capital lease and the consolidation and the expansion of the dispatch center.
- Long-term liabilities increased \$355,361 with the addition of the capital lease acquisition for the new fire engine.

More information about the District's activities can be found on the following pages.

**BARSTOW FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2013**

**Governmental Activities Net Position**

	<b>Governmental Activities</b>	
	<b>2013</b>	<b>2012</b>
<b>Revenues:</b>		
Program Revenues		
Charges for service	\$ 23,149	\$ 30,963
Operating contributions and grants	181,116	130,598
Capital contributions and grants		-
Total Program Revenues	204,265	161,561
General Revenues		
Property taxes	4,376,181	3,655,191
Other revenues	49,720	15,698
Total General Revenues	4,425,901	3,670,889
<b>Total Revenues</b>	<b>4,630,166</b>	<b>3,832,450</b>
<b>Expenses</b>		
Public & fire safety	4,748,968	4,282,102
<b>Total expenses</b>	<b>4,748,968</b>	<b>4,282,102</b>
Excess (Deficiency) of Revenues over (under) Expenses	(118,802)	(449,652)
	<b>(118,802)</b>	<b>(449,652)</b>
<b>Transfers and Special Item:</b>		
Transfers in/(out)	-	-
<b>Total Transfers and Special Item:</b>	-	-
Changes in Net Position	(118,802)	(449,652)
Net position beginning of year	1,368,846	1,818,498
<b>Net position June 30</b>	<b>\$ 1,250,044</b>	<b>\$ 1,368,846</b>

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the District's *governmental fund* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, *fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental fund reported an ending fund balance of \$776,358, a decrease of \$9,050 when compared to the fund balances of the prior year. The entire fund balance of \$776,358 is *unassigned fund balance*, which is available for spending at the government's discretion.

**BARSTOW FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2013**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The schedule below summarizes the general fund budgetary highlights and actual amounts for fiscal year 2012/2013.

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual Amounts</i>	<i>Variance with Final Budget</i>
Total Revenues	<u>\$4,100,050</u>	<u>\$4,100,050</u>	<u>\$4,630,166</u>	<u>\$530,116</u>
<b>Expenditures:</b>				
Current – Public Safety				
Salaries and benefits	3,014,609	3,014,609	3,514,245	(499,636)
Services and supplies	840,990	831,510	785,638	45,872
Capital Outlay		912,219	789,308	122,911
<b>Total Expenditures</b>	<u><b>3,855,599</b></u>	<u><b>4,758,338</b></u>	<u><b>5,089,191</b></u>	<u><b>(330,853)</b></u>
Revenues Over (Under) Expenditures	244,451	(658,288)	(459,025)	199,263
Other Financing Sources (Uses)			<u>449,975</u>	<u>449,975</u>
<b>Net Change in Fund Balance</b>	<u><b>(244,451)</b></u>	<u><b>(658,288)</b></u>	<u><b>(9,050)</b></u>	<u><b>649,238</b></u>
Fund balance, beginning of the year			<u>785,408</u>	
Fund balance, end of year			<u><b>\$776,358</b></u>	

There was no change between the original revenue budget and the final revenue budget. The difference in the original expenditure budget and the final amended expenditure budget was an increase in appropriations of \$902,739. Both variances are briefly summarized below:

- **REVENUE BUDGET** - The final revenue budget understated the impact of the one-time residual payment for the dissolution of the former redevelopment agency by \$530,116. This was the payment for the redistribution of the remaining property tax increment cash balances held by the former redevelopment agency.

**BARSTOW FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2013**

- **EXPENDITURE BUDGET** - The original expenditure budget was increased from \$3.8 million to \$4.7 million, or an increase of \$.9 million. The adjustment was part of the separate annual update by the District of its Capital Outlay budget. Actual amounts differed from the final budget as follows:
  - Salaries and benefits exceeded the final budget by \$499,636 due to workers' compensation related costs exceeding budget by \$173,369 which also resulted in overtime costs exceeding budget by \$183,389. In addition, retirement, medicare and leave pay out costs exceeded budget by \$137,564.
  - Due to the deferral of the acquisitions of a mobile generator (\$40,000) and heart monitors (\$22,000) and the carry-forward (\$41,309) of the remaining dispatch center start-up costs into FY 2013-14, capital outlay underran budget by \$122,911.
- **OTHER FINANCING SOURCES BUDGET** - Due to a timing issue, the Capital Lease financing for the acquisition of the fire engine commenced in FY 2011-12 and completed in FY 2012-13. While the financing for the fire engine and the related budget were approved by the Board in FY 2011-12, the budget was not formally carried forward in FY 2012-13, resulting in an excess of other financing sources.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

The District's investment in capital assets for its governmental activities as of June 30, 2013, amounts to \$920,896 (net of accumulated depreciation). This investment in capital assets includes land, building and system improvements, machinery and equipment. The total change in the District's investment in capital assets for the current fiscal year, when compared to the previous year's capital assets, was an increase of 2.38%.

**Increases in Capital Assets:**

The District entered into a lease with Oshkosh Capital to acquire a Pierce fire engine. The fire engine was accepted on February 21, 2013. In addition, the District collaborated with the City of Barstow Police Department to consolidate dispatch services; the consolidated dispatch went live in February 2013.

Additional information on the District's capital assets can be found in Note 4 of the Notes to Financial Statements on page 33 of this report.

**Long-term Debt**

At the end of the current fiscal year, the Barstow Fire Protection District had total debt outstanding of the government of \$805,883. Further analysis indicates the District's total debt increased by \$489,835 or 155%. Additional detail is located in Note 6 of the Notes to Basic Financial Statements beginning on page 33. Further details are provided below:

- The District obtained lease financing in the amount of \$443,119 for a new fire engine. This lease balance on June 30, 2013 was \$358,673 due to the deduction of lease payments totaling \$84,446.

**BARSTOW FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2013**

- Compensated absences increased by \$138,622. This is due primarily to increasing leave balances for compensation time, sick and vacation as compared with fiscal year 2012. Increases resulting from the Memorandum of Understanding setting the BFPA member pay at levels commensurate with established salary levels in the City of Barstow Police Department also played a key factor.
- The note payable for \$7,460 with the State of California was satisfied.

**Barstow Fire Protection District's Outstanding Debt**

	2013	2012
Capital Lease Agreement	358,673	-
Compensated Absences	447,210	308,588
Note Payable	-	7,460
<b>Total</b>	<b>\$ 805,883</b>	<b>\$ 316,048</b>

Additional information on the District's long-term debt can be found in Note 6 on page 33 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The economy continues to be at the forefront of management's consideration in leading and providing services for the residents of the Barstow Fire Protection District. The economy continues to improve at a very slow rate. District management continues to closely monitor economic indicators and make adjustments as needed. The management team continuously takes the necessary steps required to address the needs of its residents for the short-term and the long-term, focusing on needed infrastructure improvements, community services including recreation and activities for all ages, business and economic development and planning for long-term growth in conjunction with the Board of Directors.

- The unemployment rate for the Barstow Fire Protection District as of March 2013 was 10.5%. This is an improvement from March 2012, when it was 12.4%. The District's Economic Division team continually explores ways to bring new businesses and subsequent employment opportunities to residents.

Financial activity is being closely monitored to ensure resources and expenses are in-line with budgeted projections. All of these factors were considered in the preparation of the District's budget for fiscal year 2013/13.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 220 E. Mountain View Street, Suite A, Barstow, California 92311.

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## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Barstow Fire Protection District**  
**Statement of Net Position**  
**For the year ended June 30, 2013**

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<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 923,654
Receivables:	
Accounts	14,568
Interest	631
Prepayments	466
Total current assets	<u>939,319</u>
Noncurrent assets:	
Capital assets:	
Non-depreciable	45,129
Depreciable, net	1,234,440
Total capital assets, net	<u>1,279,569</u>
Total noncurrent assets	<u>1,279,569</u>
<b>Total assets</b>	<u><u>2,218,888</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	162,961
Long-term debt - due in one year	265,369
Total current liabilities	<u>428,330</u>
Noncurrent liabilities:	
Long-term debt - due in more than one year	540,514
Total noncurrent liabilities	<u>540,514</u>
<b>Total liabilities</b>	<u><u>968,844</u></u>
<b>NET POSITION</b>	
Net investment in capital assets	920,896
Unrestricted	329,148
<b>Net position</b>	<u><u>\$ 1,250,044</u></u>

See accompanying Notes to Basic Financial Statements.

**Barstow Fire Protection District**  
**Statement of Activities**  
**For the year ended June 30, 2013**

	Program Revenues				Net
	Expenses	Charges for Services	Operating Grants and Contributions	Total	(Expense) Revenue and Changes in Net Position
<b>Governmental activities</b>					<b>Governmental Activities</b>
Public safety - fire protection	\$ 4,748,968	\$ 23,149	\$ 181,116	\$ 204,265	\$ (4,544,703)
<b>Total governmental activities</b>	<b>\$ 4,748,968</b>	<b>\$ 23,149</b>	<b>\$ 181,116</b>	<b>\$ 204,265</b>	<b>(4,544,703)</b>

**General Revenues:**

Taxes:	
Property	4,376,181
Unrestricted investment earnings	20,306
Other	29,414
<b>Total general revenues</b>	<b>4,425,901</b>
<b>Change in net position</b>	<b>(118,802)</b>
<b>Net position - beginning of year</b>	<b>1,368,846</b>
<b>Net position - end of year</b>	<b>\$ 1,250,044</b>

See accompanying Notes to Basic Financial Statements.

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## FUND FINANCIAL STATEMENTS

**Barstow Fire Protection District**  
**Balance Sheet - Governmental Funds**  
**June 30, 2013**

	General
<b>ASSETS</b>	
Cash and investments	\$ 923,654
Receivables:	
Accounts	14,568
Interest	631
Prepayments	466
<b>Total assets</b>	<b>\$ 939,319</b>
<b>LIABILITIES AND FUND EQUITY</b>	
<b>Liabilities and Fund Balances:</b>	
Liabilities:	
Accounts payable and accrued liabilities	162,961
<b>Total liabilities</b>	<b>162,961</b>
<b>Fund Balances:</b>	
Unassigned	776,358
<b>Total fund balances</b>	<b>776,358</b>
<b>Total liabilities and fund balances</b>	<b>\$ 939,319</b>

See accompanying Notes to Basic Financial Statements.



**Barstow Fire Protection District**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
**For the year ended June 30, 2013**

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<b>Fund Balances of Governmental Funds</b>	\$ 776,358
Amounts reported for governmental activities 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 governmental funds.	1,279,569
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the funds.	
Capital lease payable	(358,673)
Compensated absences payable	(447,210)
	<u>                    </u>
<b>Net Position of Governmental Activities</b>	<u><u>\$ 1,250,044</u></u>

See accompanying Notes to Basic Financial Statements.

**Barstow Fire Protection District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2013**

	General
<b>REVENUES:</b>	
Taxes	\$ 4,376,181
Licences and permits	23,149
From other agencies	181,116
Other	29,414
Use of money and property	20,306
<b>Total revenues</b>	<b>4,630,166</b>
<b>EXPENDITURES:</b>	
Current - public safety	
Salaries and benefits	3,514,245
Services and supplies	785,638
Capital outlay	789,308
<b>Total expenditures</b>	<b>5,089,191</b>
<b>OTHER FINANCING SOURCES</b>	
Capital lease financing	443,119
Proceeds from sale of assets	6,856
<b>Total other financing sources</b>	<b>449,975</b>
<b>Net change in fund balances</b>	<b>(9,050)</b>
<b>FUND BALANCES:</b>	
Beginning of year	785,408
End of year	\$ 776,358

See accompanying Notes to Basic Financial Statements.

**Barstow Fire Protection District**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund**  
**Balances of Governmental Funds to the Statement of Activities**  
**For the year ended June 30, 2013**

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**Net Change in Fund Balances - Total Governmental Funds** \$ (9,050)

because:

Governmental funds report capital outlay as expenditures. In the statement of activities, however, the cost of those assets is allocated over their estimated useful lives as depreciation expense, or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:

Cost of assets capitalized	547,220	
Depreciation expense	(167,137)	

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt related items:

Increase in capital lease obligations	(443,119)	
Decrease in notes payable	7,460	
Payments on capital lease obligations	84,446	(351,213)

Compensated absences 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.

Increase in compensated absences payable		(138,622)
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**Change in Net Position of Governmental Activities** \$ (118,802)

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## **NOTES TO BASIC FINANCIAL STATEMENTS**

**Barstow Fire Protection District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2013**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Barstow Fire Protection District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below:

**A. Description of Reporting Entity**

Barstow Fire Protection District (the District) was organized on May 24, 1926. On November 17, 2010, Resolution No. 23-10 was passed by the City of Barstow Council establishing the District as a component unit of the City. Previously the District was an independent district. Barstow Fire Protection District continues to be operated according to the applicable state fire protection district laws and the property taxes collected within the District will be used exclusively for the administration and operational costs of the District. The City of Barstow is responsible for the District's obligations. The City Council acts as the District's governing board and exerts significant influence of over its operations.

The District is an integral part of the City of Barstow (City) and the Accompanying Basic Financial Statements are included as a component unit of the basic financial statements prepared by the City.

**B. Basis of Accounting/Measurement Focus**

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government - Wide Financial Statements - The District's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental activities for the District.

These financial statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in 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.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities, which are presented as internal balances and eliminated in the total primary government column. The District had no interfund activities for the fiscal year ended June 30, 2013.

**Barstow Fire Protection District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2013**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**B. Basis of Accounting/Measurement Focus, Continued**

Governmental Fund Financial Statements - Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the government-wide financial statements. The District has one major fund.

The following is the District's major fund:

*General Fund* - This fund is the District's primary operating fund. It accounts for all financial resources of the District.

All governmental funds are accounted for on a spending or "*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. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except that revenues subject to accrual (generally received within 60 days after year-end). The primary revenue sources, which have been treated as susceptible to accrual by the District, are property taxes, intergovernmental revenues, and other taxes and investment income. Expenditures are recorded in the accounting period in which the related fund liability is incurred except for claims, judgments, compensated absence, interest on long-term debt which is recognized when paid.

Unavailable revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Unavailable revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the unavailable revenue is removed from the combined balance sheet and revenue is recognized.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

**C. Cash and cash equivalents**

The District considers cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition to be cash and cash equivalents.

**Barstow Fire Protection District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2013**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*D. Investments*

The District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 31 "Accounting and Financial Reporting for Certain Investments and External Pools", which require 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. In accordance with GASB Statement No. 31, the District has adjusted certain investments to fair value (when material).

Investments, if any, are reported in the financial statements at fair value, unless fair value reasonably approximates cost, in which case cost is used.

*E. Use of estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*F. Accounts receivable and allowance for bad debts*

During the course of normal operations, the District carries various receivable balances for taxes and interest. Receivables are shown net of an allowance for doubtful accounts. As of June 30, 2013, no allowance was required to be recorded.

*G. Capital assets*

Purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend the assets' lives are not capitalized. Capital assets are defined by the District as assets with an initial cost of more than \$5,000, and an estimated life in excess of two years. Depreciation is recorded in the government-wide financial statements on a straight-line basis over the useful life of the assets as follows:

<u>Asset</u>	<u>Years</u>
Buildings	20 to 50
Machinery and equipment	5 to 20

*H. Liability for compensated absences*

The District is required to recognize a liability for compensated absences when future payments for such absences have been earned by employees based on pay and salary rated in effect at the balance sheet date. For the District, this consists of accumulated sick leave, vacation and holiday pay.



**Barstow Fire Protection District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2013**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**I. Property Taxes**

The County of San Bernardino collects property taxes for the District. Tax liens attach annually as of 12:01 A.M. on the first day in March preceding the fiscal year for which the taxes are levied. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1, the second installment is due February 1. All taxes are delinquent, if unpaid, on December 10 and April 10 respectively. Unsecured personal property taxes become due on the first of March each year and are delinquent, if unpaid, on August 31.

**J. Fund Balances**

In the fund financial statements, fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities.

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2013, fund balances for governmental funds are made up of the following:

Nonspendable Fund Balance - includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term loans receivable. The District does not have any nonspendable fund balances.

Restricted Fund Balance - includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers. The District does not have any restricted fund balances.

Committed Fund Balance - includes amounts that can only be used for the specific purposes determined by a formal action of the District's highest level of decision-making authority, the Board of Directors by passage of an ordinance or resolution. Commitments may be changed or lifted only by the District taking the same formal action that imposed the constraint originally. The District does not have any committed fund balances.

Assigned Fund Balance - comprises amounts intended to be used by the District for specific purposes that are neither restricted nor committed. The District has not designated any level of authority for assigning fund balance; therefore, the Board of Directors can assign fund balance. The District does not have any assigned fund balances.

Unassigned Fund Balance - is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. In other governmental funds, if expenditures exceed amounts restricted, committed, or assigned, the negative amount is reflected as negative unassigned fund balance.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

**Barstow Fire Protection District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2013**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**K. Net Position**

In the government-wide financial statements, net position is classified in the following categories:

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 the remaining net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

**2. CASH AND INVESTMENTS**

The City's treasurer maintains a cash and investment pool used by all funds of the City and by certain component units of the City, including the District. The District does not own specifically identifiable securities of the City's pool. The District's portion of this pool is reported on the financial statements as "cash and investments". Investment policies and associated risk factors applicable to the District's funds are those of the City of Barstow and are included in the City's Comprehensive Annual Financial Report.

Cash and investments are reported as follows:

Statement of Net Position	
Cash and Investments	<u>\$923,654</u>

The following disclosures are based upon the City of Barstow's investment policy which the District is subject to.

**A. Custodial credit risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits, or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do 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.

**Barstow Fire Protection District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2013**

**2. CASH AND INVESTMENTS, Continued**

*A. Custodial credit risk, Continued*

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 City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2013, none of the City's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. As of June 30, 2013, no City investments were held by the same broker-dealer (counterparty) that was used by the City to buy the securities.

*Investments authorized by the California Government Code and the City of Barstow investment policy*

The table below identifies the investment types that are authorized for the District (City of Barstow) by the California Government Code and by the City's adopted investment policy. The table also identifies certain provisions of the California Government Code or the City's adopted investment policy, where more restrictive, that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Bills, Notes, or Bonds	5 years	None	None
U.S. Agencies	5 years	None	None
Time Certificates of Deposit	5 years	None	50%
Negotiable Certificates of Deposit	N/A	30%	50%
Bankers' Acceptance	180 days	40%	30%
Prime Commercial Paper	270 days	25%	50%
Repurchase Agreements	1 year	None	50%
Mutual Funds investing in eligible securities	N/A	20%	10%
Medium Term Notes	5 years	30%	50%
County Pooled Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	100%	\$50 million*

\*Limit set by LAIF Governing Board, not Government Code

**Barstow Fire Protection District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2013**

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**2. CASH AND INVESTMENTS, Continued**

*B. Disclosures related to 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 of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments, and by timing cash flows from maturities so that a portion of the portfolio is maturing, or coming close to maturity, evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Barstow Fire Protection District’s cash is pooled with the City of Barstow’s cash to maximize investments. Information about the sensitivity of the fair values of the City’s investments to market interest rate fluctuations is provided in the City of Barstow’s Comprehensive Annual Financial Report for fiscal year ended June 30, 2013, page 65.

*C. Disclosures related to 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. The District’s investment in the City’s investment pool is not rated by a nationally recognized rating organization.

**3. ACCOUNTS RECEIVABLE**

Receivables at June 30, 2013 consisted of property taxes and other local sources. All receivables are considered to be collectible in full.

	<u>General Fund</u>
Property taxes	\$ 1,610
Other	12,958
<b>Total</b>	<u><u>\$ 14,568</u></u>

**Barstow Fire Protection District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2013**

**4. CAPITAL ASSETS**

	Balance June 30, 2012	Additions	Disposal	Balance June 30, 2013
Non-depreciable Assets:				
Land	\$ 45,129	\$ -	\$ -	\$ 45,129
Total non-depreciable assets	<u>45,129</u>	<u>-</u>	<u>-</u>	<u>45,129</u>
Depreciable Assets:				
Buildings and improvements	2,038,453	25,513	-	2,063,966
Equipment	1,967,664	521,707	(53,955)	2,435,416
Total depreciable assets	<u>4,006,117</u>	<u>547,220</u>	<u>(53,955)</u>	<u>4,499,382</u>
Less accumulated depreciation	<u>(3,151,760)</u>	<u>(167,137)</u>	<u>53,955</u>	<u>(3,264,942)</u>
Total depreciable assets, net	<u>854,357</u>	<u>380,083</u>	<u>-</u>	<u>1,234,440</u>
Total capital assets, net	<u>\$ 899,486</u>	<u>\$ 380,083</u>	<u>\$ -</u>	<u>\$ 1,279,569</u>

**5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities at June 30, 2013 consisted of the following:

	General Fund
Salaries and benefits	\$ 74,779
Other	88,182
<b>Total</b>	<u>\$ 162,961</u>

**6. LONG-TERM LIABILITIES**

Long-term liabilities consisted of the following:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013	Due Within One Year
Compensated absences	\$ 308,588	\$ 382,504	\$ (243,882)	\$ 447,210	\$ 178,884
Capital lease payable	-	443,119	(84,446)	358,673	86,485
Note payable	7,460	-	(7,460)	-	-
Total long-term liabilities	<u>\$ 316,048</u>	<u>\$ 825,623</u>	<u>\$ (335,788)</u>	<u>\$ 805,883</u>	<u>\$ 265,369</u>

**Barstow Fire Protection District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2013**

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**6. LONG-TERM LIABILITIES, Continued**

*A. Compensated Absences*

The City's policy relating to compensated absences is described in Note 1. Compensated absences are liquidated by the District's General Fund. The total amount outstanding at June 30, 2013, was \$447,210 for governmental activities.

*B. Capital Lease Payable*

During the fiscal year, the District entered into a capital lease agreement for a new fire engine. The City is required to make semi-annual payments of \$47,289. The payment includes principal and interest at a variable rate. The lease is for 60 months and expires in June 2017. The fire engine acquired under this lease agreement totaled \$521,707, with accumulated depreciation of \$13,043 at June 30, 2013

As of June 30, 2013, future minimum lease payments under capital lease obligations were as follows:

<u>Fiscal Year ending June 30,</u>	
2014	\$ 94,578
2015	94,578
2016	94,578
2017	<u>94,578</u>
Total payments	378,312
Less amounts representing interest	<u>(19,639)</u>
Net present value of future minimum lease payments	<u>\$ 358,673</u>

**7. RETIREMENT PLAN**

*A. Plan Description*

The SBCERA is a cost-sharing multiple- employer defined benefit pension plan (the Plan) operating under the California County Employees' Retirement Act of 1937 (1937 Act). It provides retirement, death and disability benefits to members. Although legally established as a single employer plan, the City of Big Bear Lake, Department of Water and Power-City of Big Bear Lake, Crestline Sanitation District, California State Association of Counties, South Coast Air Quality Management District (SCAQMD), San Bernardino Associated Governments (SANBAG), Local Agency Formation Commission (LAFCO), San Bernardino County Law Library, Barstow Fire Protection District, Hesperia Recreation and Parks District, SBCERA, City of Chino Hills, Mojave Desert Air Quality Management District (MDAQMD), California Electronic Recording Transaction Network Authority (CERTNA), Inland Valley Development Agency (IVDA), San Bernardino International Airport Authority (SBIAA), the San Bernardino County Superior Court Inland Library system (ILS) and Rim of the World Recreation and Parks District (RIM-REC) were later included, along with the County, and are collectively referred to as the "Participating Members." The plan is governed by the SBCERA Board of Retirement under the 1937 Act. Employees become eligible for membership on their first day of regular employment and become fully vested after 5 years. SBCERA issues a stand-alone financial report, which may be obtained by contacting the Board of Retirement, 348 W Hospitality Lane - 3rd Floor, San Bernardino, California 92415-0014.

**Barstow Fire Protection District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2013**

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**7. RETIREMENT PLAN, Continued**

*B. Fiduciary Responsibility*

SBCERA is controlled by its own board, the Retirement Board, which acts as a fiduciary agent for the accounting and control of member and employee contributions and investment income. SBCERA publishes its own Comprehensive Annual Financial Report and received a separate independent audit. SBCERA is also a legally separate entity from the County and not a component unit. For these reasons, the county's Comprehensive Annual Financial Report excludes SBCERA pension trust fund as of June 30, 2013.

*C. Funding Policy*

Participating members are required by statute (Sections 31621, 31621.6 and 31639.25 of the California Government Code) to contribute a percentage of covered salary based on certain actuarial assumptions and their age at entry to the Plan. Employee contribution rates vary according to age and classification (general or safety). Safety members contribute between 10.65% - 16.33% of their annual covered salaries based on age on entry into the retirement system, of which, prior to May 20, 2013, the District paid approximately 50% for safety employees, and the District was required to contribute 51.73% for safety employees. Effective May 20, 2013 Barstow Fire Protection District approved a new MOU which changed the funding of the District and employees share. The employer is capped out at 42% with the employee paying the difference. For 2013, the District's pension cost of \$877,917 was equal to the District's required and actual contributions. Employee contribution rates are established and may be amended pursuant to Articles 6 and 6.8 of the 1937 Act. Employer rates are determined pursuant to Section 31453 of the 1937 Act.

The following table shows the District's required contributions and percentage contributed for the current year and two preceding years:

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2011	868,363	100%	-
6/30/2012	907,521	100%	-
6/30/2013	877,917	100%	-

**Barstow Fire Protection District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2013**

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**8. RISK MANAGEMENT**

The government is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters for which the government carried commercial insurance.

The District was a defendant in personal injury lawsuits of a nature common to many similar jurisdictions. The District's management believes that any potential claims against the District, not covered by insurance, resulting from such litigation will not materially affect the financial statements of the District.

**9. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

The following funds have expenditures in excess of appropriations:

General Fund - \$ 330,853

Salaries and benefits in fiscal year 2012/2013 exceed budget estimates. The Memorandum of Understanding for fire safety employees was approved late in May 2013 by Council, which included adjustments to their pay. The adjustment over time will reduce pension costs to the City. Barstow Fire Protection District is a fairly new fund for the City as they were formerly a separate district under the County of San Bernardino and an appropriation adjustment was not processed. Due to year-end payouts and an increase in workers compensation costs, the magnitude of this variance was not apparent until the close of the fiscal year.



**REQUIRED SUPPLEMENTARY INFORMATION**

**Barstow Fire Protection District**  
**Required Supplementary Information**  
**For the year ended June 30, 2013**

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**1. BUDGETARY INFORMATION**

*A. Budgets and budgetary accounting*

The District follows these procedures in establishing the budgets.

1. The annual budget is adopted by the City of Barstow City Council acting as the District's Board of Directors after the holding of a hearing and provides for the general operation of the District. The operating budget includes proposed expenditures and the means of financing them.
2. The City Council approves total budgeted appropriations and any amendments to appropriations throughout the year.

The City manager is authorized to transfer budgeted amounts between departments. Actual expenditures may not exceed budgeted appropriations at the fund level.

3. Formal budgetary integration is employed as a management control device during the year. Commitments for materials and services, such as purchase orders and contracts, are recorded as encumbrances to assist in controlling expenditures. Capital projects appropriations are an automatic supplemental appropriation for next year. All others lapse unless they are encumbered at year end or re-appropriated through the formal budget process.
4. Annual budgets are adopted for the General Fund on a basis substantially consistent with accounting principles generally accepted in the United States of America. Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items.

*B. Encumbrances*

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation is employed as an extension of formal budgetary integration. Encumbrances outstanding at year-end are reported as restricted or committed fund balance since they do not constitute expenditures or liabilities and are added to the subsequent year's adopted appropriations.

**Barstow Fire Protection District  
Required Supplementary Information  
For the year ended June 30, 2013**

**1. BUDGETS AND BUDGETARY ACCOUNTING, Continued**

**C. Budgetary Comparison Schedules**

Budgetary Comparison Schedule, General Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 3,900,000	\$ 3,900,000	\$ 4,376,181	\$ 476,181
Licenses and permits	42,700	42,700	23,149	(19,551)
From other agencies	115,350	115,350	181,116	65,766
Other	29,000	29,000	29,414	414
Use of money and property	13,000	13,000	20,306	7,306
<b>Total revenues</b>	<b>4,100,050</b>	<b>4,100,050</b>	<b>4,630,166</b>	<b>530,116</b>
<b>EXPENDITURES:</b>				
Current - public safety				
Salaries and benefits	3,014,609	3,014,609	3,514,245	(499,636)
Services and supplies	840,990	831,510	785,638	45,872
Capital outlay	-	912,219	789,308	122,911
<b>Total expenditures</b>	<b>3,855,599</b>	<b>4,758,338</b>	<b>5,089,191</b>	<b>(330,853)</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>244,451</b>	<b>(658,288)</b>	<b>(459,025)</b>	<b>199,263</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Capital lease financing	-	-	443,119	443,119
Proceeds from sale of assets	-	-	6,856	6,856
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>449,975</b>	<b>449,975</b>
<b>Net change in fund balance</b>	<b>\$ 244,451</b>	<b>\$ (658,288)</b>	<b>(9,050)</b>	<b>\$ 649,238</b>
<b>FUND BALANCE:</b>				
Beginning of year			785,408	
End of year			\$ 776,358	

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

To the Board of Directors  
of the Barstow Fire Protection District  
Barstow, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Barstow Fire Protection District (District), a component unit of the City of Barstow, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 15, 2014.

### **Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

To the Board of Directors  
of the Barstow Fire Protection District  
Barstow, California  
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**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 "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi & Associates  
Certified Public Accountants  
Oakland, California  
January 15, 2014