



# Basic Financial Statements and Independent Auditors' Reports



**Barstow Fire Protection District**  
Barstow, California  
for the year ended **June 30, 2015**

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, 2015



A component unit of the City of Barstow

Prepared by the Finance Department



# Barstow Fire Protection District

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December 14, 2015

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, 2015.

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, 2015. 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. Both the MD&A and the Notes address the going concern of the Barstow Fire Protection District and discuss the steps being taken to improve the deficit fund balance.

## **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.





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 is 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 now serves as 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. Over the past few years, San Bernardino County had witnessed a decrease in economic activity due to the down turn in property values. Recent activity within the region however, suggests a strengthening in home sale median prices and increased commercial activity. The most current population figures show San Bernardino County has increased its population by .97% from January 1, 2014 to January 1, 2015. The unemployment rate as of October 2015 for this City of Barstow, the largest area of the District, is 5.7% and has continued to improve each month.

## LONG-TERM FINANCIAL PLANNING

The Fiscal Year 2015/16 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 Assistant Finance Director, Mary Stapp and Accountant, Jacque Chamberlain. We especially wish to acknowledge the assistance and diligence of our auditors, Badawi & Associates, CPAs.

Respectfully submitted,

Charles C. Mitchell  
City Manager

Cindy Prothro  
Finance Director



**Barstow Fire Protection District  
List of Ex-Officio Members  
June 30, 2015**

***Ex-Officio Members***

Chairman  
Vice Chairman  
Director  
Director  
Director  
City Treasurer  
City Clerk

Timothy Silva  
Carmen Hernandez  
Merrill Gracey  
Julie Hackbarth-McIntyre  
Richard Harpole  
Michael J. Lewis  
JoAnne Cousino

***Appointed Officials***

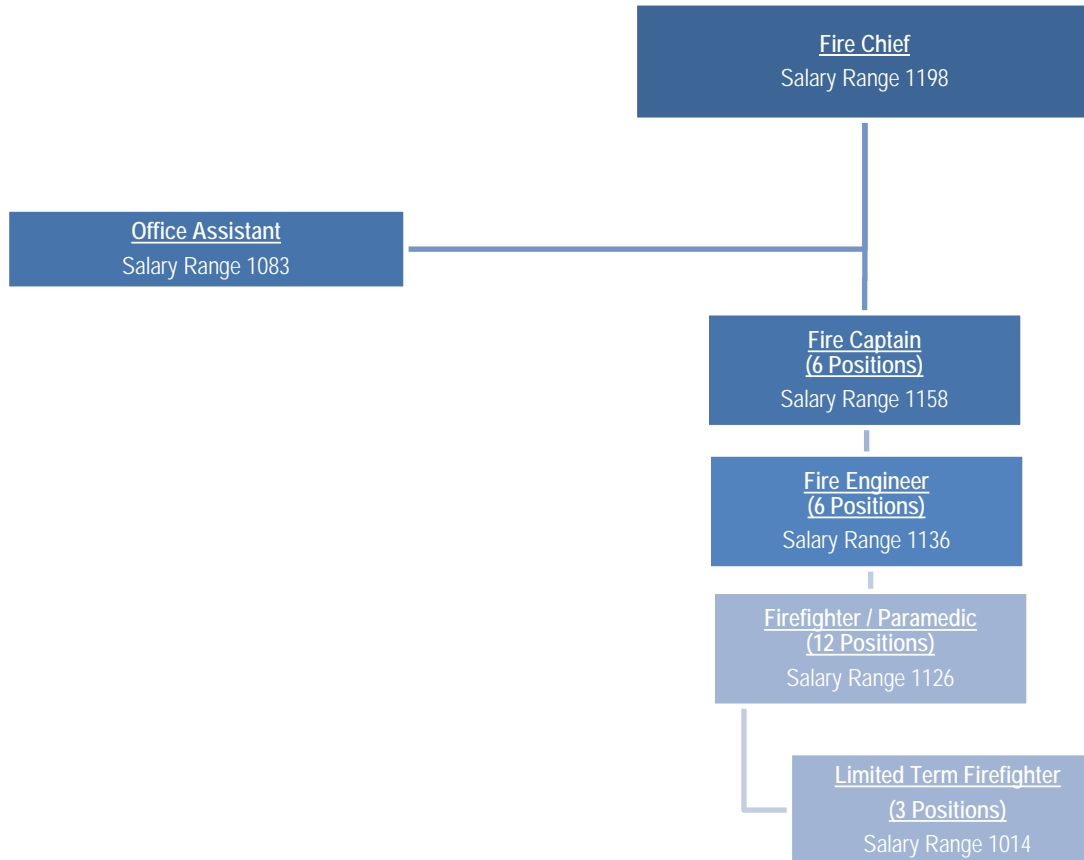
City Manager  
Finance Director  
City Attorney  
Fire Chief

Charles C. Mitchell  
Cindy Prothro  
Terri Highsmith  
Richard A. Ross



## BARSTOW FIRE PROTECTION DISTRICT ORGANIZATIONAL CHART-FISCAL YEAR 2015

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## INDEPENDENT AUDITORS' 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, 2015, 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.

### **Auditors' 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, 2015, 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.

### **Emphasis of Matter Regarding Going Concern**

The accompanying financial statements have been prepared assuming that the District will continue as a going concern. As discussed in Note 11 to the financial statements, the District has suffered recurring losses from operations and has a deficit fund balance of \$1,179,180 in the General Fund and a deficit net position of \$7,442,915 on the government-wide financial statements that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 11. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension information, and schedule of funding progress - OPEB on pages 5-12 and 49-54 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.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2015, 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.



Badawi & Associates, CPAs  
Oakland, California  
December 14, 2015

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**BARSTOW FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2015**

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, 2015. 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 \$4,529,220
- The District's expenditures totaled \$5,020,833
- Actual revenues were less than budget estimates by \$187,169
- Actual expenditures exceeded budgeted appropriations by \$502,183; variance details are covered on pages 8-9 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 2015 the district ended the fiscal year with deficit fund balance of \$1,179,180. The deficit from fiscal year 2014 (\$291,600) increased by \$887,580.
- The Barstow Fire Protection District secured a Federal grant, the *Staffing for Adequate Fire and Emergency Response (SAFER)* through April 2016.

**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.

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.

**BARSTOW FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2015**

The Notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. This section also includes new information and detail as required by the Government Accounting Standards Board (GASB), Statement No. 68 regarding the *San Bernardino County Employees' Retirement Association* (SBCERA) plan. The schedule of funding progress, which presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits, is also presented as required supplementary information as required by GASB Statement No. 45.

The Notes to the financial statements begin on page 25.

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 2015. Required supplementary information can be found on page 49 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, the change in net position for fiscal year 2014 (restated) to fiscal year 2015 was a negative increase of \$491,613. The net position at June 30, 2015 was a deficit \$7,442,915. This was due mainly to the recording of net pension liability of \$7,076,401 as required by GASB 68.

Net investments in capital assets, or \$919,772 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 is an unrestricted negative balance of \$8,362,687; therefore no funds were available as of June 30, 2015.

**BARSTOW FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2015**

**BARSTOW FIRE PROTECTION DISTRICT STATEMENT OF NET POSITION**

	2015	2014
Current and other assets	\$ 128,380	\$ 247,939
Capital assets	1,103,387	1,215,120
<b>Total assets</b>	<b>1,231,767</b>	<b>1,463,059</b>
Deferred Outflows	<b>3,912,906</b>	<b>1,433,928</b>
Current liabilities	1,540,227	761,499
Other liabilities	7,531,792	534,341
<b>Total liabilities</b>	<b>9,072,019</b>	<b>1,295,840</b>
Deferred Inflows	<b>3,515,569</b>	<b>1,519,466</b>
Net position:		
Net investment in capital assets	919,772	942,932
Unrestricted	(8,362,687)	(7,894,234)
<b>Total Net Position:</b>	<b>\$ (7,442,915)</b>	<b>\$ (6,951,302)</b>

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

The District's Net Position decreased by \$491,613 for fiscal year 2015. Key variances of the year's activity in relation to the prior year are:

- The District was required to add its net pension liability in fiscal year 2014 adding approximately \$7.1 million to its liability. This is also shown in the Statement of Net Position chart. Note *Other Liabilities* increased to \$7,531,792 whereas in the previous year they were \$534,341.
- As shown in the *Statement of Activities* chart, program revenues increased due mainly to the revenue received for the SAFER grant reimbursement as noted in the *Operating grants and contributions* revenue category.
- General revenues, which include *Property taxes*, the District's main source of revenue, had a marginal increase in revenue (\$26,033).
- The increases in revenue were offset by an increase in expense. This was due to primarily to the salary and benefit expense to hire new fire protection personnel for the SAFER grant.

More information about the District's activities is in the chart below.

**BARSTOW FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2015**

**Statement of Activities**

	Governmental Activities	
	2015	2014
<b>Revenues:</b>		
Program Revenues		
Charges for service	\$ 25,462	\$ 43,025
Operating grants and contributions	832,533	254,748
Capital contributions and grants		
Total Program Revenues	857,995	297,773
General Revenues		
Property taxes	3,662,206	3,622,173
Other revenues	9,019	23,019
Total General Revenues	3,671,225	3,645,192
<b>Total Revenues</b>	<b>4,529,220</b>	<b>3,942,965</b>
<b>Expenses</b>		
Public safety & fire protection	5,020,833	4,898,183
<b>Total expenses</b>	<b>5,020,833</b>	<b>4,898,183</b>
Excess (Deficiency) of Revenues over (under) Expenses	(491,613)	(955,218)
<b>Changes in net position</b>	<b>(491,613)</b>	<b>(955,218)</b>
<b>Restatement to add net pension:</b>		<b>(7,118,521)</b>
Changes in Net Position	(491,613)	(955,218)
Net position beginning of year	(6,951,302)	1,122,437
<b>Net position June 30</b>	<b>\$ (7,442,915)</b>	<b>\$ (6,951,302)</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 a deficit fund balance of \$1,179,180. The entire fund balance is *unassigned fund balance*. The deficit status means there are no funds available for spending. In order to address this deficit, the District is looking at changing its retirement provider for *San Bernardino County Employees' Retirement Association (SBCERA)* to *California Public Employees' Retirement System (CALPERS)* and began the process to convert earlier in the fiscal year. We believe there will be substantial savings and in time, will reduce the deficit. The District also expects property tax to increase due to new development in the area.

**BARSTOW FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2015**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The schedule below summarizes the general fund budgetary highlights and actual amounts for fiscal year 2015.

	<i><b>Original Budget</b></i>	<i><b>Final Budget</b></i>	<i><b>Actual Amounts</b></i>	<i><b>Variance with Final Budget</b></i>
<b>Total Revenues</b>	<b><u>\$4,699,484</u></b>	<b><u>\$4,721,664</u></b>	<b><u>\$4,534,495</u></b>	<b><u>(\$187,169)</u></b>
<b>Expenditures:</b>				
Salaries and benefits	3,910,698	3,980,698	4,457,156	(476,458)
Services and supplies	666,211	666,211	698,978	(32,767)
Capital Outlay	157,450	272,983	262,591	10,392
Debt-Interest and fiscal charges			3,350	(3,350)
<b>Total Expenditures</b>	<b><u>4,734,359</u></b>	<b><u>4,919,892</u></b>	<b><u>5,422,075</u></b>	<b><u>(502,183)</u></b>
Revenues Over (Under) Expenditures	(34,875)	(198,228)	(887,580)	(689,352)
<b>OTHER FINANCING SOURCES (USES):</b>		3,067		(3,067)
<b>Net Change in Fund Balance</b>	<b><u>(34,875)</u></b>	<b><u>(195,161)</u></b>	<b><u>(887,580)</u></b>	<b><u>(692,419)</u></b>
<b>Fund balance, beginning of the year</b>			<b><u>(291,600)</u></b>	
<b>Fund balance, end of year</b>			<b><u>(\$1,179,180)</u></b>	

The budget differences are discussed in further detail below for both revenue and expenditures.

**REVENUE BUDGET** - The final revenue budget includes an additional appropriation for \$22,180. The adjustments were for two grants awarded to the Fire District for additional fire equipment. Actual revenues came in lower than anticipated primarily due to lower property tax revenue. This occurred because of the success of property tax appeals approved in fiscal year 2015. Since property tax is the District's main source of revenue, management meets with a consultant to monitor revenue projections.

**EXPENDITURE BUDGET** - The original expenditure budget increased by \$185,533. The budget was adjusted in the following categories:

- \$70,000 was appropriated to cover the cost of worker compensation claims.
- \$115,533 was appropriated for Capital Outlay. These included \$36,679 for a new network connection in the fire station facility; \$13,098 for 8 laptop computers; \$27,583 for a hydraulic rescue tool; \$38,173 for various fire equipment reimbursable by grant funds.

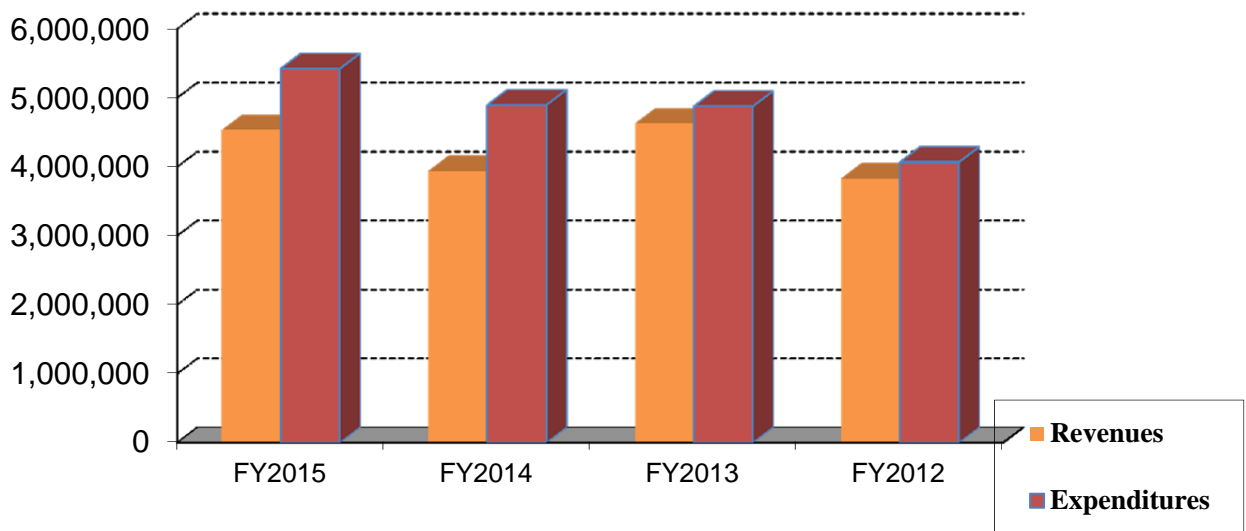
**BARSTOW FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2015**

Actual expenditures differed from the final budget primarily in the category of salary and benefits. Variances are detailed below:

- Salaries and benefits exceeded the final budget by \$476,458 due to the impact of unanticipated fire strike team activity and the unanticipated retirement of an employee towards the end of the fiscal year. The employee was paid for long-term benefits due upon retirement increasing expenditure cost.
- Supplies and services had a positive variance as fire personnel worked to save budget in these categories. But, these savings were offset by high insurance and risk claims during the fiscal year.

Below is a chart summarizing the District's revenue and expenditures for the past four fiscal years.

**Barstow Fire Protection District Revenues & Expenditures**



**BARSTOW FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2015**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

The District's investment in capital assets for its governmental activities as of June 30, 2015 is \$1,103,387 (net of accumulated depreciation). This investment in capital assets includes land, work in progress, building and structures, and 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 a decrease of 9%.

**Barstow Fire Protection District's Capital Assets**  
*(Net of Depreciation)*

	2015	2014
Land	\$ 45,129	\$ 45,129
Work in progress	75,424	43,321
Buildings & Structures	2,063,966	2,063,966
Machinery and equipment	2,497,061	2,497,061
Less Accumulated Depreciation	(3,578,193)	(3,434,357)
<b>Total</b>	<b>\$ 1,103,387</b>	<b>\$ 1,215,120</b>

**Increase in Work in Progress / Capital Assets:**

The District's only capital asset activity was to add \$32,103 to work in progress for the purchase and installation of a vehicle hoist. This represents 25% of the total cost since the expense for the vehicle hoist was shared with the City's General Fund, the Wastewater Fund and Solid Waste Fund. The installation was completed at the beginning of the new 2016 fiscal year.

The increase in normal depreciation is for the capital assets already recorded as Barstow Fire Protection District assets from previous years .

Additional information on the District's capital assets can be found in Note 4 of the Notes to Financial Statements on page 34 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 \$566,374. Further analysis indicates the District's total debt decreased by \$74,995.

Further details are provided on the next page.

- Compensated absences increased by \$13,578. The variance was minimal and reduced to the retirement of a long time employee.

**BARSTOW FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2015**

- In fiscal year 2013, the District obtained lease financing for a new fire engine. This lease balance on June 30, 2015 was \$183,615 which reflected the contracted lease payment made as agreed for the fiscal year. The lease will be satisfied in fiscal year 2017.

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

	2015	2014
Compensated Absences	382,759	369,181
Capital Lease Agreement	183,615	272,188
Net Pension Liability	7,076,401	7,032,983
<b>Total</b>	<b>\$ 7,642,775</b>	<b>\$ 7,674,352</b>

Additional detail is located in Note 6 of the Notes to Basic Financial Statements beginning on page 34.

**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. District management continues to closely monitor economic indicators. Management is aware of ongoing fiscal issues and has worked with the Fire Chief to implement staffing changes to lessen the impact of overtime costs. Staffing changes were approved by the District Board in fiscal year 2016. The District is working with *California Public Employees' Retirement System (CALPERS)* to transfer its retirement plan from *San Bernardino County Employees' Retirement Association (SBCERA)*. If approved, the District should be able to realize substantial savings and help in reducing the deficit.

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 public safety, including fire safety needs, necessary 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 City of Barstow as of October 2015 was 5.7%. The rate has declined as compared with the previous years. The District's Economic Division continually explores ways to bring new businesses and subsequent employment opportunities to residents. Improvements in the economy will be beneficial to the District.

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 2016.

**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.



## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Barstow Fire Protection District**  
**Statement of Net Position**  
**June 30, 2015**

<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 1,038
Receivables:	
Accounts	115,694
Prepayments	11,648
<b>Total current assets</b>	<u>128,380</u>
Noncurrent assets:	
Capital assets:	
Non-depreciable	120,553
Depreciable, net	982,834
<b>Total capital assets, net</b>	<u>1,103,387</u>
<b>Total noncurrent assets</b>	<u>1,103,387</u>
<b>Total assets</b>	<u>1,231,767</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred employer pension contributions	1,286,370
Deferred outflows of resources - pension	2,626,536
<b>Total deferred outflows of resources</b>	<u>3,912,906</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	157,329
Due to the City of Barstow	1,141,221
Long-term debt - due in one year	241,677
<b>Total current liabilities</b>	<u>1,540,227</u>
Noncurrent liabilities:	
Net OPEB Obligation	130,694
Long-term debt - due in more than one year	7,401,098
<b>Total noncurrent liabilities</b>	<u>7,531,792</u>
<b>Total liabilities</b>	<u>9,072,019</u>
<b>DEFERRED inFLOWS OF RESOURCES</b>	
Deferred inflows of resources - pension	3,515,569
<b>Total deferred outflows of resources</b>	<u>3,515,569</u>
<b>NET POSITION</b>	
Net investment in capital assets	919,772
Unrestricted	(8,362,687)
<b>Net position</b>	<u>\$ (7,442,915)</u>

See accompanying Notes to Basic Financial Statements.

**Barstow Fire Protection District**  
**Statement of Activities**  
**For the year ended June 30, 2015**

	Program Revenues			Total	Net
	Expenses	Charges for Services	Operating Grants and Contributions		(Expense) Revenue and Changes in Net Position
					Governmental Activities
<b>Governmental activities</b>					
Public safety - fire protection	\$ 5,020,833	\$ 25,462	\$ 832,533	\$ 857,995	\$ (4,162,838)
<b>Total governmental activities</b>	<u>\$ 5,020,833</u>	<u>\$ 25,462</u>	<u>\$ 832,533</u>	<u>\$ 857,995</u>	<u>(4,162,838)</u>
<b>General Revenues:</b>					
Taxes:					
Property 3,662,206					
Unrestricted investment earnings 7,241					
Other 1,778					
<b>Total general revenues</b> 3,671,225					
<b>Change in net position</b> (491,613)					
<b>Net position - beginning of year (restated)</b> (6,951,302)					
<b>Net position - end of year</b> \$ (7,442,915)					

See accompanying Notes to Basic Financial Statements.

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## **FUND FINANCIAL STATEMENTS**

**Barstow Fire Protection District**  
**Balance Sheet - Governmental Funds**  
**June 30, 2015**

	General
<b>ASSETS</b>	
Cash and investments	\$ 1,038
Receivables:	
Accounts	115,694
Prepayments	11,648
	11,648
<b>Total assets</b>	<b>\$ 128,380</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	
<b>Liabilities:</b>	
Accounts payable and accrued liabilities	157,329
Due to the City of Barstow	1,141,221
	1,141,221
<b>Total liabilities</b>	<b>1,298,550</b>
<b>Deferred inflows of resources:</b>	
Unavailable revenues	9,010
	9,010
<b>Total deferred inflows of resources</b>	<b>9,010</b>
<b>Fund Balances:</b>	
Unassigned	(1,179,180)
	(1,179,180)
<b>Total fund balances</b>	<b>(1,179,180)</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 128,380</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, 2015**

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<b>Fund Balances of Governmental Funds</b>	\$ (1,179,180)
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.	1,103,387
Long-term receivables are not available for current period expenditures and, therefore are deferred on the modified accrual basis in governmental funds.	9,010
Employer contributions for pension were recorded as expenditures in the governmental funds. However in the Government-Wide Financial Statements, these contributions are deferred.	1,286,370
In the Government-Wide Financial Statements, certain differences between actuarial amounts and actual results for pension are deferred and amortized over a period of time, however these differences do not impact the Governmental Funds Balance Sheet:	
Deferred outflows of resources - pension	2,626,536
Deferred inflows of resources - pension	(3,515,569)
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the funds.	
Net OPEB Obligation	(130,694)
Long term debt due within one year	(241,677)
Long term debt due in more than one year	(7,401,098)
	<hr/>
<b>Net Position of Governmental Activities</b>	<b>\$ (7,442,915)</b>
	<hr/> <hr/>

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, 2015**

	General
<b>REVENUES:</b>	
Taxes	\$ 3,662,206
Licences and permits	25,462
From other agencies	837,808
Other	1,778
Use of money and property	7,241
<b>Total revenues</b>	<b>4,534,495</b>
<b>EXPENDITURES:</b>	
Current - public safety	
Salaries and benefits	4,457,156
Services and supplies	698,978
Capital outlay	262,591
Debt service:	
Interest and fiscal charges	3,350
<b>Total expenditures</b>	<b>5,422,075</b>
<b>Net change in fund balances</b>	<b>(887,580)</b>
<b>FUND BALANCES:</b>	
Beginning of year	(291,600)
End of year	\$ (1,179,180)

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, 2015**

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**Net Change in Fund Balances - Total Governmental Funds** \$ (887,580)

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	32,103
Depreciation expense	(143,836)

Employer contributions for pension were recorded as expenditures in the governmental funds. However, in the Government-Wide Financial Statements, these contributions are deferred. 1,286,370

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:

Payments on capital lease obligations	88,573
---------------------------------------	--------

OPEB expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (1,477)

Pension expense is recorded as incurred in the Government-Wide Statement of Activities, however pension expense does not require the use of current financial resources, and is not recognized in the governmental funds. (846,913)

Some revenues reported in the statement of activities do not represent current financial resources and therefore are not reported as revenue in the governmental funds. This amount represents the change in deferred inflows. (5,275)

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	<u>(13,578)</u>
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**Change in Net Position of Governmental Activities** \$ (491,613)

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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, 2015**

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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, 2015.

**Barstow Fire Protection District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2015**

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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, 2015**

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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, 2015, no allowance was required to be recorded.

*G. Capital assets*

The District's buildings, machinery, equipment, infrastructure and intangible assets with useful lives of more than two years are stated at historical cost or estimated historical cost and reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The District updated its Capital Asset Policy on June 16, 2014 per Board approval. The District capitalizes its assets as follows:

Buildings and Building Improvement	Costs of \$50,000 or more
Furniture	Costs of \$20,000 or more
Equipment	Costs of \$20,000 or more
Infrastructure	Costs of \$100,000 or more

The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.



**Barstow Fire Protection District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2015**

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

*G. Capital assets, Continued*

Amortization of assets acquired under capital leases is based on the shorter of the lease term or the estimated useful life of the asset and is included in depreciation and amortization. Water rights, which are intangible assets, are not amortized. Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	50 years
Infrastructure and improvements other than buildings	10-100 years
Machinery and equipment	3-15 years

*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 compensation time.

*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, 2015, 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.

**Barstow Fire Protection District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2015**

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

***J. Fund Balances, Continued***

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.

***K. Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government reports deferred employer pension contributions and other deferred outflows related to the District's pension plans in this category.

In addition to liabilities, the statement of net position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The government reports two items in this category, unavailable revenue and amounts related to changes in the District's net pension liability that are deferred and amortized over a stated period. Unavailable revenue arises only under a modified accrual basis of accounting and accordingly is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: grant revenues. These amounts are deferred and will be recognized as an inflow of resources in the period that the amounts become available. Certain changes in the District's net pension liability are required to be deferred and reflected in pension expense over a closed amortization period. The District reported the unamortized net difference between the projected and actual earnings on pension plans as deferred inflows of resources in the government-wide and enterprise funds' statements of net position.

**Barstow Fire Protection District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2015**

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

*L. Pension*

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's San Bernardino County Employees' Retirement Association (SBCERA) plan (Plan) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by SBCERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

*M. 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>\$1,038</u>

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

**Barstow Fire Protection District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2015**

**2. CASH AND INVESTMENTS, Continued**

*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.

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, 2015, 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, 2015, 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, 2015**

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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, 2015, page 64.

*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, 2015 consisted of property taxes and other local sources. All receivables are considered to be collectible in full.

	<u>General Fund</u>
Property taxes	\$ 21,100
Other	<u>94,594</u>
<b>Total</b>	<u><u>\$ 115,694</u></u>

**Barstow Fire Protection District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2015**

**4. CAPITAL ASSETS**

	Balance June 30, 2014	Additions	Disposal	Balance June 30, 2015
Non-depreciable Assets:				
Land	\$ 45,129	\$ -	\$ -	\$ 45,129
Construction in progress	43,321	32,103	-	75,424
Total non-depreciable assets	88,450	32,103	-	120,553
Depreciable Assets:				
Buildings and improvements	2,063,966	-	-	2,063,966
Equipment	2,497,061	-	-	2,497,061
Total depreciable assets	4,561,027	-	-	4,561,027
Less accumulated depreciation	(3,434,357)	(143,836)	-	(3,578,193)
Total depreciable assets, net	1,126,670	(143,836)	-	982,834
Total capital assets, net	\$ 1,215,120	\$ (111,733)	\$ -	\$ 1,103,387

**5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities at June 30, 2015 consisted of the following:

	General Fund
Salaries and benefits	\$ 57,187
Other	100,142
<b>Total</b>	<b>\$ 157,329</b>

**6. LONG-TERM LIABILITIES**

Long-term liabilities consisted of the following:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015	Due Within One Year
Compensated absences	\$ 369,181	\$ 295,257	\$ (281,679)	\$ 382,759	\$ 153,104
Capital lease payable	272,188	-	(88,573)	183,615	88,573
Net pension liability	7,032,983	43,418	-	7,076,401	-
Total long-term liabilities	\$ 7,674,352	\$ 338,675	\$ (370,252)	\$ 7,642,775	\$ 241,677

**Barstow Fire Protection District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2015**

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

*A. Compensated Absences*

The District'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, 2015, was \$382,759 for governmental activities.

*B. Capital Lease Payable*

In fiscal year 2013, the District entered into a capital lease agreement for a new fire engine. The District 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 \$65,213 at June 30, 2015.

As of June 30, 2015, future minimum lease payments under capital lease obligations were as follows:

<u>Fiscal Year ending June 30,</u>	
2016	\$ 94,578
2017	<u>94,578</u>
Total payments	189,156
Less amounts representing interest	<u>(5,541)</u>
Net present value of future minimum lease payments	<u><u>\$ 183,615</u></u>

**Barstow Fire Protection District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2015**

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**7. RETIREMENT PLAN**

The District became a component of the City from November 17, 2010 and effective that date all of the employees of the District have become employees of the City. The District employees were covered under the pension plan of the San Bernardino County Employees' Retirement Association (SBCERA). Subsequent to the merger, the members of Barstow Professional Firefighters Association are enrolled in the City's retirement program through the SBCERA.

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.

Benefits Provided

SBCERA provides service retirement, disability, death and survivor benefits to eligible employees. Generally, any employee of the County of San Bernardino or participating employers who is appointed to a regular position whose service is greater than fifty percent of the full standard of hours required by a participating SBCERA employer (e.g. 20 hours per week or more) must become a member of SBCERA effective on the first day of employment. There are separate retirement benefits for General and Safety member employees. Safety membership is extended to those involved in active law enforcement and fire suppression. All other members are classified as General Members.



**Barstow Fire Protection District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2015**

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**7. RETIREMENT PLAN, Continued**

There are currently two tiers applicable to both General and Safety members. Members with membership dates before January 1, 2013 are included in General Tier 1 or Safety Tier 1. Any new member who becomes a member on or after January 1, 2013 is designated as General Tier 2 or Safety Tier 2 and is subject to the provisions of California Public Employees' Pension Reform Act of 2013 (CalPEPRA), California Government Code 7522 et seq. and Assembly Bill (AB) 197.

General members prior to January 1, 2013, are eligible to retire once they attain the age of 70 regardless of service or at age 50 and have acquired 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. General members who are first hired on or after January 1, 2013, are eligible to retire once they attain the age of 70 regardless of service or at age 52 and have acquired five or more years of retirement service credit.

Safety members prior to January 1, 2013, are eligible to retire once they attain the age of 70 regardless of service or at age 50 and have acquired 10 or more years of retirement service credit. A member with 20 years of service is eligible to retire regardless of age. Safety members who are first hired on or after January 1, 2013, are eligible to retire once they attain the age of 70 regardless of service or at age 50, and have acquired five or more years of retirement service credit.

The retirement benefit the member will receive is based upon age at retirement, final average compensation, years of retirement service credit and retirement plan and tier.

General Tier 1 benefit is calculated pursuant to the provisions of California Government Code of Section 31676.15. The monthly allowance is equal to 2% of final compensation times years of accrued retirement service credit times age factor from Section 31676.15. General Tier 2 benefit is calculated pursuant to the provisions found in California Government Code Section 7522.20(a). The monthly allowance is equal to the final compensation multiplied by years of accrued retirement credit multiplied by the age factor from Section 7522.20(a).

Safety Tier 1 benefit is calculated pursuant to the provisions of California Government Code Section 31664.1. The monthly allowance is equal to 3% of final compensation times years of accrued retirement service credit times age factor from Section 31664.1. Safety Tier 2 benefit is calculated pursuant to the provisions found in California Government Code Section 7522.25(d). The monthly allowance is equal to the final compensation multiplied by years of accrued retirement credit multiplied by the age factor from Section 7522.25(d).

**Barstow Fire Protection District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2015**

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**7. RETIREMENT PLAN, Continued**

For Tier 1 members, the maximum monthly retirement allowance is 100% of final compensation. There is no final compensation limit on the maximum retirement benefit for Tier 2 members. However, the maximum amount of compensation earnable that can be taken into account for 2015 for Tier 1 members with membership dates on or after July 1, 1996 is \$265,000. The maximum amount of pensionable compensation for Tier 2 members that can be taken into account for 2015 is equal to \$140,424. These limits are adjusted on an annual basis. Members are exempt from paying member contributions and employers are exempt from paying employer contributions on compensation in excess of the annual cap.

Final average compensation consists of the highest 12 consecutive months for Tier 1 members and the highest 36 consecutive months for Tier 2 members

The member may elect an unmodified retirement allowance, or choose an optional retirement allowance. The unmodified retirement allowance provides the highest monthly benefit and a 60% continuance to an eligible surviving spouse or domestic partner. An eligible surviving spouse or domestic partner is one married to or registered with the member one year prior to the effective retirement date or at least two years prior to the date of death and has attained age 55 on or prior to the date of death. There are four optional retirement allowances the member may choose. Each of the optional retirement allowances requires a reduction in the unmodified retirement allowance in order to allow the member the ability to provide certain benefits to a surviving spouse, domestic partner, or named beneficiary having an insurable interest in the life of the member.

SBCERA provides an annual cost-of-living benefit to all retirees. The cost-of-living adjustment, based upon the Consumer Price Index for All Urban Consumers for the Los Angeles-Riverside-Orange County Area, is capped at 2.0%.

The County of San Bernardino and participating employers contribute to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from SBCERA's actuary after the completion of the annual actuarial valuation. The average employer contribution rate as of June 30, 2014 for 2013-2014 (based on the June 30, 2012 valuation) was 23.08% of compensation.

All members are required to make contributions to SBCERA regardless of the retirement plan or tier in which they are included. The average member contribution rate as of June 30, 2014 for 2013-2014 (based on the June 30, 2012 valuation) was 10.58% of compensation.

Fire safety members contribute the required employee share of their pension. The percentage of pay varies between 10.94-16.87%.

**Barstow Fire Protection District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2015**

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**7. RETIREMENT PLAN, Continued**

The District pays a capped percentage of the employer’s pension cost per the Barstow Professional Fire Fighters Association Memorandum of Understanding. Employer pension costs have two tiers. Employees hired prior to January 1, 2013 are in Tier 1 and the total pension cost is 69.01%. Employees hired after January 1, 2013 are Tier 2 employees and the total pension cost is 58.61%. The employer’s costs are capped at 42% with the employee paying the difference.

**Contributions** – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by SBCERA. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2015, the contributions recognized against net pension liability for the Plans were as follows:

	<u>Safety</u>
Contributions - employer	\$ 1,286,370

Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plans as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Safety	<u>\$ 7,076,401</u>
<b>Total Net Pension Liability</b>	<b><u><u>\$ 7,076,401</u></u></b>

**Barstow Fire Protection District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2015**

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**7. RETIREMENT PLAN, Continued**

The District's net pension liabilities for the Plans are measured as the proportionate share of the total net pension liability of each Plan. The net pension liability of the Plans are measured as of June 30, 2015, and the total pension liability for the Plans used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The District's proportionate of the net pension liability was based on the District's share of all actual contributions, actuarially determined.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 were as follows:

	<u>Safety</u>
Proportion - June 30, 2013	0.354%
Proportion - June 30, 2014	0.416%
Change - Increase (Decrease)	0.062%

For the year ended June 30, 2015, the District recognized pension expense of \$846,913. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 1,286,370	\$ -
Changes of assumptions or other inputs	1,148,955	-
Changes in employer's proportion and differences between the employer's contribution and the employer's proportionate share of contributions	1,477,581	-
Net differences between projected and actual earnings on plan investments	-	(2,167,357)
Difference between expected and actual experience in the total pension liability	-	(1,348,212)
Total	<u>\$ 3,912,906</u>	<u>\$ (3,515,569)</u>

**Barstow Fire Protection District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2015**

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**7. RETIREMENT PLAN, Continued**

\$1,286,370 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period	
Ending June 30:	
2016	\$ (388,169)
2017	(388,169)
2018	(388,169)
2019	(27,517)
2020	246,109
Thereafter	56,882

*Actuarial Assumptions* – The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	3.25%
Projected Salary Increase	General: 4.60% to 13.75% and Safety: 4.55 to 13.75%
Investment Rate of Return (1)	7.50%

Mortality

Mortality rates are based on the RP-2000 Combined Healthy mortality table projected to 2020 using Projection Scale BB. For healthy General members, no adjustments are made. For healthy Safety members, ages are set back two years for males and one year for females. For disabled General members, ages are set forward seven years for males and set forward eight years for females. For disabled Safety members, ages are set forward two years for males and females. Beneficiaries are assumed to have the same mortality as a General member of the opposite sex who is receiving a service retirement.

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

**Barstow Fire Protection District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2015**

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**7. RETIREMENT PLAN, Continued**

*Discount Rate* - The discount rates used to measure the Total Pension Liability was 7.50% as of June 30, 2014. The projection of cash flows used to determine the discount rate assumed employer and member contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments of 7.50% was applied to all periods of projected benefit payments to determine the Total Pension Liability as of both June 30, 2014, respectively.

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.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin.

The June 30, 2014 target allocations (approved by the Board) and projected arithmetic real rates of return for each major asset class, after deducting inflation but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption is summarized in the table on the following page.

**Barstow Fire Protection District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2015**

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**7. RETIREMENT PLAN, Continued**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Large Cap U.S. Equity	5.00%	5.94%
Small Cap U.S. Equity	2.00%	6.50%
Developed International Equity	6.00%	6.87%
Emerging Market Equity	6.00%	8.06%
U.S. Core Fixed Income	2.00%	0.69%
High Yield/Credit Strategies	13.00%	3.10%
Global Core Fixed Income	1.00%	0.30%
Emerging Market Debt	6.00%	4.16%
Real Estate	9.00%	4.96%
Cash & Equivalents	2.00%	-0.03%
International Credit	10.00%	6.76%
Absolute Return	13.00%	2.88%
Real Assets	6.00%	6.85%
Long/Short Equity	3.00%	4.86%
Private Equity	16.00%	9.64%
Total	100%	

**Barstow Fire Protection District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2015**

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**7. RETIREMENT PLAN, Continued**

*Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* – The following presents the District’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease		6.50%
Net Pension Liability	\$	12,505,639
Current Discount Rate		7.50%
Net Pension Liability	\$	7,076,401
1% Increase		8.50%
Net Pension Liability	\$	2,580,073

*Pension Plan Fiduciary Net Position* – Detailed information about each pension plan’s fiduciary net position is available in the separately issued SBCERA financial reports.

Payable to the Pension Plan

At June 30, 2015 the District reported a payable of \$0 for outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

**8. POST-EMPLOYMENT HEALTH CARE BENEFITS**

**A. Plan Description**

The Barstow Fire Protection District became part of the City of Barstow in November 2010 as a special revenue fund. The Barstow Fire Professional Fire Fighters Association has a separate health insurance plan, Aetna, apart from City employees. The City provides retiree medical benefits to eligible retirees and their spouses in accordance with their labor agreements.

**B. Eligibility**

Employees are eligible for retiree health benefits if they retire from the District on or after age 50 (unless disabled) and are eligible for a pension. The benefits are available only to employees who retire from the District. Below are the District employees age 50 or older that are eligible to retire or have retired as of June 30, 2015:

PEMCHA - 5 years of service	1
Eligible Active Retirees - 10 years service	2
Retired employees	2
	<u>5</u>



**Barstow Fire Protection District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2015**

**8. POST-EMPLOYMENT HEALTH CARE BENEFITS, Continued**

**B. Funding Policy**

The contribution requirements of plan members and the City are established and may be amended by the City Council. The City must agree to make a defined monthly payment towards the cost of each retiree's coverage. The required contribution is based on projected prefunding financing requirements. For the year ended June 30, 2015, the District contributed \$79,268 to the plan for Fire employees.

*Annual OPEB Cost and Net OPEB Obligation.* The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 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) not to exceed thirty years.

The District's OPEB actuarial accrued liability obligations as of July 1, 2013, the most recent actuarial valuation was \$69,131. The ARC was \$79,268. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$	79,268
Interest on net OPEB obligation		9,368
Amortization of net OPEB obligation		(7,891)
Annual OPEB cost		80,745
Payments made		(79,268)
Increase (decrease) in net OPEB obligation		1,477
Net OPEB obligation - beginning of the year		129,217
Net OPEB obligation - end of the year	\$	130,694

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three years is as follows:

Fiscal Year	Annual OPEB Cost	Percentage of APC Contributed	Net OPEB Obligation
6/30/2013	\$ 127,607	0.0%	\$ 127,607
6/30/2014	78,486	97.9%	129,217
6/30/2015	80,745	98.2%	130,694

**Barstow Fire Protection District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2015**

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**8. POST-EMPLOYMENT HEALTH CARE BENEFITS, Continued**

*C. Funding Status and Progress*

As of June 30, 2013, the most recent valuation date, the actuarial accrued liability for benefits was \$69,131, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$69,131 and a funded ratio (actuarial value of assets as a percentage of the actuarial accrued liability) of 0.0%. Covered payroll for the year was \$1,910,631 and the UAAL as a percentage of covered payroll was 3.62%.

Actuarial valuations of an ongoing plan involve 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 financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

*D. 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 the 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 employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used for determining the benefit obligations is the Entry Age Normal Cost Method, with a level percent of pay. The actuarial assumptions included a 4.00% investment rate of return for fire employees, which is based on assumed long-term investment returns on plan assets, as provided by CalPERS, and an annual healthcare cost trend rate which varies from 4.5 to 10 percent annually. The UAAL is being amortized as a level percentage of projected payroll over 30 years. It is assumed the District's payroll will increase 3.25% per year, which includes an assumption of general inflation of 3%.

**9. 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.

**Barstow Fire Protection District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2015**

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**10. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

The following funds have expenditures in excess of appropriations:

General Fund - \$502,183

The budget was impacted by unanticipated fire strike team activity, which also impacted overtime costs. The Fire District had an unexpected retirement of an employee. There was an additional payment due to San Bernardino County Employees' Retirement Association for additional pension costs. The Fire District experienced work compensation related injuries in fiscal year 2015. Management also worked with the Fire Chief to implement staffing changes to lessen the impact of overtime. Staffing changes were approved by the Board/Council in fiscal year 2016. The budget was not adjusted for these additional items.

**11. NEGATIVE FUND BALANCE**

The Barstow Fire Protection District had a deficit fund balance of \$1,179,180 and a deficit net position on the government-wide statements of \$7,442,915 as of June 30, 2015. Management is aware of the increasing deficit. Both the Board and management have studied and reviewed a variety of options to address this issue.

1. The District is pursuing a change of its retirement provider from *San Bernardino County Employees' Retirement Association (SBCERA)* to *California Public Employees' Retirement System (CALPERS)*. The process to initiate the conversion began in the of Spring of 2015. Per the analysis, management believes there will be substantial savings and in time, will reduce the deficit.
2. The District worked with the Barstow Professional Firefighters Association to update its current District staffing policy. The goal of the update was to ensure the fair distribution of overtime, ease of use, flexibility in staffing levels for special events and to ensure the best possible coverage levels based on budget scenarios. The new policy will assist the duty captains when covering shifts on a daily basis. Adopted by the Board on September 9, 2015, the new policy will allow flexibility with regards to appropriate daily staffing and assist in reducing overtime costs.
3. The economy has shown continued improvement and new development growth is expected within the City of Barstow. Management is anticipating increases in property tax revenue to continue. The District has hired Hdl Coren & Cone, an experienced property tax tracking firm, to keep management abreast of property tax trends and meets with them on a quarterly basis. All indicators reflect the district boundaries are posed for an increase in property tax revenue.

The Board and management will monitor the Barstow Fire Protection District financial situation, and continue to explore all avenues of potential savings. Management will keep the Board informed of developing highlights and concerns regarding the District.

**Barstow Fire Protection District**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2015**

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**12. PRIOR PERIOD ADJUSTMENT**

The District recorded prior period adjustment to recognize deferred outflows of resources, deferred inflows of resources, and net pension liability as of June 30, 2014.

Government-wide Statements

	Net Position, as Previously Reported	Prior Period Adjustment			Net Position as Restated	
		Deferred Employer Pension Contributions	Deferred outflow of resources - pension	Net Pension Liability		Deferred inflow of resources - pension
Government-Wide Statements						
Governmental Activities	\$ 167,219	\$ 1,110,646	\$ 323,282	\$ (7,032,983)	\$ (1,519,466)	\$ (6,951,302)

**REQUIRED SUPPLEMENTARY INFORMATION**

**Barstow Fire Protection District**  
**Required Supplementary Information**  
**For the year ended June 30, 2015**

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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, 2015**

**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	\$ 3,662,206	\$ (237,794)
Licenses and permits	45,000	45,000	25,462	(19,538)
From other agencies	740,984	763,164	837,808	74,644
Other	5,500	5,500	1,778	(3,722)
Use of money and property	8,000	8,000	7,241	(759)
<b>Total revenues</b>	<u>4,699,484</u>	<u>4,721,664</u>	<u>4,534,495</u>	<u>(187,169)</u>
<b>EXPENDITURES:</b>				
Current - public safety				
Salaries and benefits	3,910,698	3,980,698	4,457,156	(476,458)
Services and supplies	666,211	666,211	698,978	(32,767)
Capital outlay	157,450	272,983	262,591	10,392
Debt service				
Interest and fiscal charges	-	-	3,350	(3,350)
<b>Total expenditures</b>	<u>4,734,359</u>	<u>4,919,892</u>	<u>5,422,075</u>	<u>(502,183)</u>
<b>REVENUES OVER (UNDER) EXPENDITURE</b>	<u>(34,875)</u>	<u>(198,228)</u>	<u>(887,580)</u>	<u>(689,352)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	3,067	-	(3,067)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>3,067</u>	<u>-</u>	<u>(3,067)</u>
<b>Net change in fund balance</b>	<u>\$ (34,875)</u>	<u>\$ (195,161)</u>	<u>(887,580)</u>	<u>\$ (692,419)</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>(291,600)</u>	
End of year			<u>\$ (1,179,180)</u>	

**Barstow Fire Protection District  
Required Supplementary Information  
For the year ended June 30, 2015**

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**2. DEFINED BENEFIT PENSION PLAN**

Barstow Fire Protection District SBCERA Plan, a Cost Sharing Defined Benefit Pension Plan  
As of June 30, 2015  
Last of 10 Years\*

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

	<u>6/30/2012</u>		<u>6/30/2013</u>		<u>6/30/2014</u>
Proportion of the net pension liability	0.33900%		0.35400%		0.41600%
Proportionate share of the net pension liability	\$ 8,236,719	\$	7,032,983	\$	7,076,400
Covered - employee payroll	\$ 1,661,960	\$	1,607,162	\$	1,863,261
Proportionate Share of the net pension liability as percentage of covered-employee payroll	495.60%		437.60%		379.79%
Plan's fiduciary net position	\$ 9,467,991	\$	12,669,824	\$	14,400,131
Plan fiduciary net position as a percentage of the total pension liability	53.90%		64.30%		67.05%

**Notes to Schedule:**

\*- Only three years of information available.



**Barstow Fire Protection District  
Required Supplementary Information  
For the year ended June 30, 2015**

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**2. DEFINED BENEFIT PENSION PLAN, Continued**

Barstow Fire Protection District SBCERA Plan, a Cost Share Plan Defined Benefit Pension Plan  
As of June 30, 2015  
Last 10 Years\*

**SCHEDULE OF CONTRIBUTIONS**

	<b>2015</b>
Contractually required contribution (actuarially determined)	\$ 948,683
Contribution in relation to the actuarially determined contributions	(948,683)
Contribution deficiency (excess)	\$ -
Covered-employee payroll	\$ 2,258,769
Contributions as a percentage of covered-employee payroll	42.00%
<b>Note to Schedule</b>	
Valuation date:	6/30/2013
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20 years
Asset valuation method	15 year smoothed market
Inflation	2.00%
Salary increases	4.75 to 14.00%
Investment rate of return	7.75%
Retirement age	45 - 75 years
Mortality	RP-2000 Combined Healthy Mortality Table

\* - Fiscal year 2015 was the 1 st year of implementation, therefore only one year is shown

**Barstow Fire Protection District  
 Required Supplementary Information  
 For the year ended June 30, 2015**

**3. OTHER POST EMPLOYMENT BENEFITS (OPEB)**

Schedules of funding progress as of the three most recent actuarial valuations are presented below.

Actuarial Valuation Date *	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll **	Unfunded Actuarial Liability as Percentage of Covered Payroll
6/30/2013	\$ -	\$ 69,131	\$ 69,131	0.00%	\$ 1,910,631	3.6%

\* Based on the most recent actuarial valuation available

\*\* Annual payroll of active employees covered by the plan



## 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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 14, 2015.

### 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  
December 14, 2015