



Basic Financial Statements and Independent Auditors' Reports



Barstow Fire Protection District
Barstow, California
for the year ended **June 30, 2017**

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

Barstow Fire Protection District

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January 29, 2018

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, 2017.

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 opinion with emphasis of matter regarding going concern on the Barstow Fire Protection District financial statements for the year ended June 30, 2017. 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



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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 twice a month, concurrent with the Barstow City Council's meeting.

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 than 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. Beginning with fiscal year 2013, property tax assessments began to decrease. In fiscal year 2015, this trend reversed and in fiscal year 2017, the property tax levy increased by 9% over the previous fiscal year. Recent activity within the region, continues to suggest 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 1.1% from January 1, 2016 to January 1, 2017. The City of Barstow city limits represent the largest portion of the District. Its population increased .5% from the previous fiscal year. The unemployment rate as of October 2017 for the City of Barstow, the largest area of the District, is 4.2%. When comparing to October 2016, this rate has decreased slightly from 5.4%.

LONG-TERM FINANCIAL PLANNING

The fiscal year 2018 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. As in the previous fiscal year, The Board in conjunction with management studied and reviewed a variety of options to address this issue. The two major considerations in fiscal year 2017 were:

- The Board has decided to hold a special municipal election on November 7, 2017. A Measure to levy a Transaction and Use Tax of One-Half of One Percent. In order for the Measure to pass, it required two-thirds of the majority vote. Unfortunately, the Measure narrowly missed by one percent.
- On April 2017, the Board approved a \$900,000 loan agreement between General Fund II and BFPD to cover the initial payment to SBCERRA for retirement contribution. The payment will help stabilize the expenditures of the BFPD.

The District's financial condition and stability 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 this report was made possible by the effort of the entire Finance Department staff. We would like to express our appreciation to all members of the department who assisted and contributed material to this document. We also would like to acknowledge the board members for their interest, dedication and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in blue ink that reads "Cindy Prothro". The signature is fluid and cursive.

Cindy Prothro
Acting City Manager

A handwritten signature in black ink that reads "Patricia Rosenberg". The signature is fluid and cursive.

Patricia Rosenberg
Finance Director



**Barstow Fire Protection District
List of Ex-Officio Members
June 30, 2017**

Ex-Officio Members

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

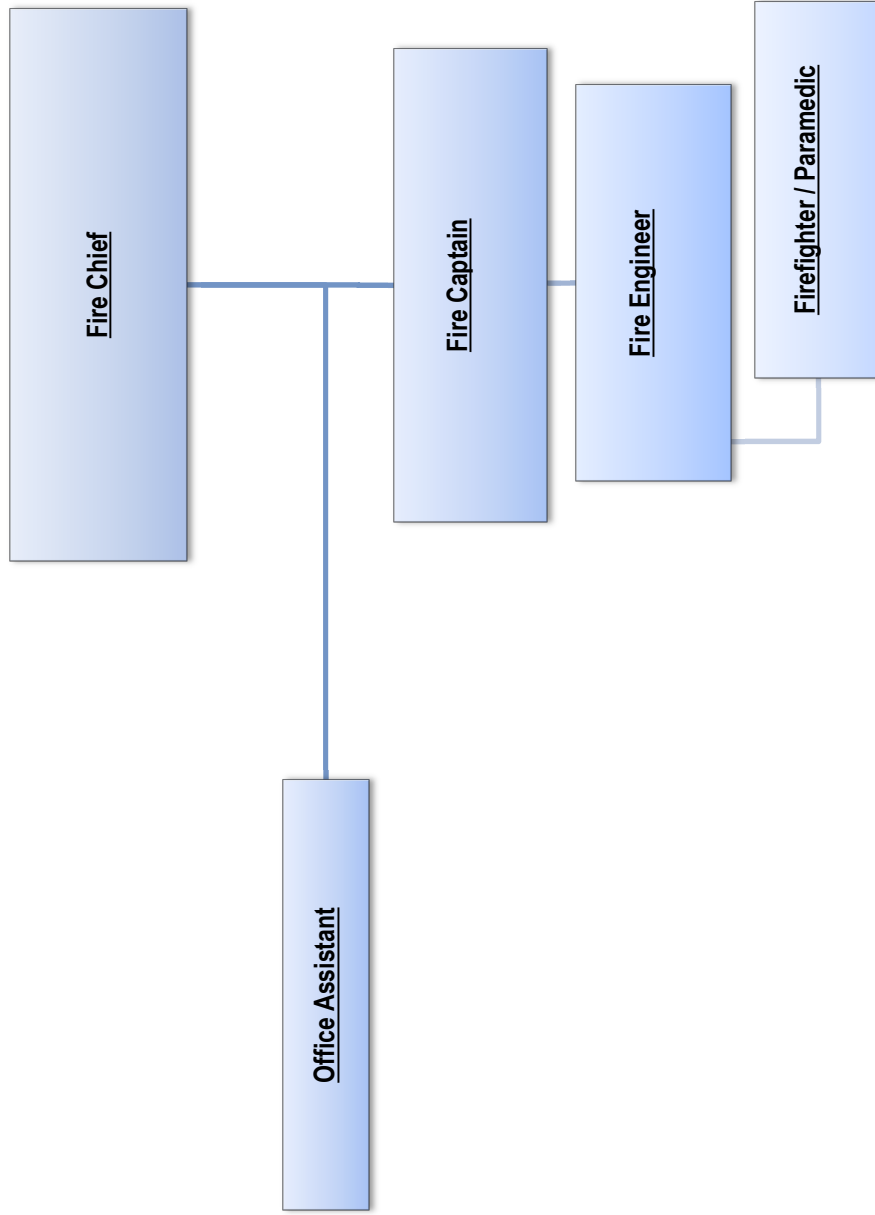
The seal of the Barstow Fire Protection District is a circular emblem. It features a central figure of a phoenix, a mythical bird that is reborn from its own ashes. The phoenix is depicted with its wings spread, holding a glowing orb in its beak. The words "BARSTOW FIRE PROTECTION DISTRICT" are inscribed around the top inner edge of the seal, and "ORGANIZED MAY 27, 1926" is inscribed around the bottom inner edge. The seal is surrounded by a series of horizontal lines that radiate outwards, giving it a sunburst or flame-like appearance.

Appointed Officials

City Manager	Charles C. Mitchell
Assistant City Manager	Cindy Prothro
Finance Director	Patricia Rosenberg
City Attorney	Terri Highsmith
Acting Fire Chief	Jamie Williams



BARSTOW FIRE PROTECTION DISTRICT ORGANIZATIONAL CHART-FISCAL YEAR 2017





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, 2017, 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, 2017, 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 10 to the financial statements, the District has suffered recurring losses from operations and has a deficit fund balance of \$2,388,632 in the General Fund and a deficit net position of \$10,338,181 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 10. 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 47-51 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 January 29, 2018, 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
Certified Public Accountants
Oakland, California
January 29, 2018

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BARSTOW FIRE PROTECTION DISTRICT
Management's Discussion and Analysis
June 30, 2017

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, 2017. 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 \$4.4 million
- The District's expenditures totaled \$5.0 million
- Actual revenues were less than budget estimates by \$780 thousand
- Actual expenditures were less than budgeted appropriations by \$313 thousand
- The Barstow Fire Protection District ended the fiscal year 2017 with deficit fund balance of \$2.4 million.

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.

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 more detailed information as required by the Government Accounting Standards Board (GASB), Statement No. 68 regarding the *San Bernardino County Employees' Retirement Association* (SBCERA) plan. The Notes to the financial statements begin on page 25.

BARSTOW FIRE PROTECTION DISTRICT
Management's Discussion and Analysis
June 30, 2017

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 2017. In addition, 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. Required supplementary information can be found on page 46 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 as shown in the chart on the following page. In the case of the District, the change in net position from fiscal year 2016 to fiscal year 2017 was a decrease of \$1.7 million. The net position at June 30, 2017 was a deficit \$10.3 million. This was due largely to the recording of the change in pensions for previous fiscal year 2016.

Net investments in capital assets, or \$903 thousand 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 \$11.2 million; therefore, no funds were available as of June 30, 2017.

BARSTOW FIRE PROTECTION DISTRICT STATEMENT OF NET POSITION

	Governmental Activities	
	2017	2016
Current and other assets	\$ 875,611	\$ 99,698
Capital assets	903,101	971,971
Total assets	1,778,712	1,071,669
Deferred Outflows	8,898,611	7,824,273
Current liabilities	3,410,721	2,028,210
Other liabilities	13,199,027	12,730,748
Total liabilities	16,609,748	14,758,958
Deferred Inflows	4,405,826	2,786,393
Net position:		
Net investment in capital assets	903,101	922,389
Unrestricted	(11,241,282)	(9,571,798)
Total Net Position:	\$ (10,338,181)	\$ (8,649,409)

BARSTOW FIRE PROTECTION DISTRICT
Management's Discussion and Analysis
June 30, 2017

Barstow Fire Protection District Changes in Net Position

The District's Net Position decreased by \$1.7 million for fiscal year 2017. Key variances of the year's activity in relation to the prior year are:

- As shown in the *Statement of Activities* chart below, program revenue decreased primarily due to a decrease in SAFER grant revenue reimbursement as noted in the *Operating grants and contributions* revenue category.
- Total General revenues, which include *Property taxes*, the District's main source of revenue, had an increase in revenue (\$58,547). In addition, fire inspection permit revenue is now being handled by City of Barstow staff, decreasing the amount of time fire personnel needs to devote to inspections. Permit & Inspection revenue is increasing due to better tracking and management.
- Expense increased from the previous fiscal year is primarily to the reported change of deferral and amortization of pension for fiscal year 2017.

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

STATEMENT OF ACTIVITIES

		Governmental Activities	
		2017	2016
Revenues:			
Program Revenues			
Charges for services	\$	63,119	\$ 38,339
Operating grants and contributions		221,104	734,325
Capital contributions and grants			
Total Program Revenues		284,223	772,664
General Revenues			
Property taxes		4,039,840	3,712,981
Other revenues		14,050	13,533
Total General Revenues		4,053,890	3,726,514
Total Revenues		4,338,113	4,499,178
Expenses:			
Public safety & fire protection		6,026,885	5,839,790
Total expenses		6,026,885	5,839,790
Excess (Deficiency) of Revenues over (under) Expenses		(1,688,772)	(1,340,612)
Changes in net position		(1,688,772)	(1,340,612)
Restatement to add net pension:			
Changes in Net Position		(1,688,772)	(1,340,612)
Net position beginning of year		(8,649,409)	(7,308,797)
Net position June 30	\$	(10,338,181)	\$ (8,649,409)

BARSTOW FIRE PROTECTION DISTRICT
Management's Discussion and Analysis
June 30, 2017

FINANCIAL ANALYSIS OF 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 \$2.4 million. The entire fund balance is *unassigned fund balance*. The deficit status means there are no funds available for spending. The District changed its retirement provider from the current small *SBCERA* pension pool they are in to the larger County pool in July 2017. The process to initiate the conversion began in Spring of 2015, and all options are being reviewed and vetted. Per analysis, management believes there will be substantial savings and in time, will reduce the deficit. The District also expects property tax revenues to continue to increase due to new development in the area.

BARSTOW FIRE PROTECTION DISTRICT BUDGETARY HIGHLIGHTS

The schedule below summarizes the BFPD budgetary highlights and actual amounts for fiscal year 2017.

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual Amounts</i>	<i>Variance with Final Budget</i>
Total Revenues	\$4,302,084	\$5,173,968	\$4,393,877	(\$780,091)
Expenditures				
Fire Public Safety	4,342,524	5,115,592	4,816,932	298,660
Capital Outlay	117,278	216,094	204,026	12,068
<i>Debt Service:</i>				
Debt-Interest and fiscal charges	4,000	4,000	2,147	1,853
Total Expenditures	4,463,802	5,335,686	5,023,105	312,581
Revenues Over (Under) Expenditures	(161,718)	(161,718)	(629,228)	(467,510)
Other Financing Sources (Uses):			48	(48)
Net Change in Fund Balance	(161,718)	(161,718)	(629,228)	(467,510)
Fund balance, beginning of year			(1,759,404)	-
Fund balance, end of year			(2,388,632)	

BARSTOW FIRE PROTECTION DISTRICT
Management's Discussion and Analysis
June 30, 2017

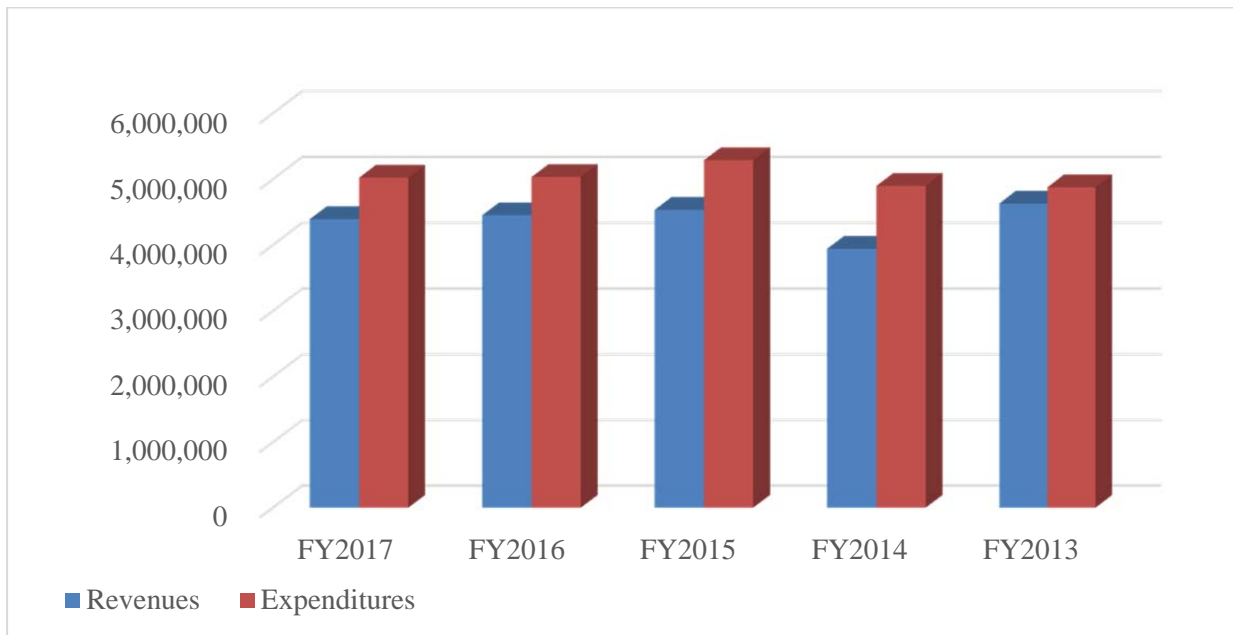
REVENUE BUDGET - The final revenue budget as compared with the original budget includes additional appropriations for \$872 thousand. The adjustments were for two grants awarded to the Fire District. In reviewing the revenue categories, actual revenues came in lower than anticipated primarily due to lower RDA residual tax revenue because of property tax appeals. The SAFER Grant revenue carried forward from 2016.

In Other Revenue and License & Permit categories, actual revenue came in slightly higher than final budget.

EXPENDITURE BUDGET - The original expenditure budget when compared by the final budget increased by \$872 thousand. This was due to appropriations to increase the budget for approved and awarded grants for SAFER grants. Actual expenditures differed from the final budget primarily in the category of salary and benefits. The Fire Department did not exceed the approved budget due to proactive budget monitoring and management of all categories.

The following chart summarizes the District's revenues and expenditures for the past four fiscal years.

Barstow Fire Protection District Revenues & Expenditures



CAPITAL ASSET AND DEBT ADMINISTRATION

The District's investment in capital assets for its governmental activities as of June 30, 2017 is \$903 thousand (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 8% due to depreciation.

BARSTOW FIRE PROTECTION DISTRICT
Management's Discussion and Analysis
June 30, 2017

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

	2017	2016
Land	\$ 45,129	\$ 45,129
Work in progress	-	-
Buildings & Structures	2,093,869	2,093,870
Machinery and equipment	2,380,701	2,380,701
Less Accumulated Depreciation	(3,616,598)	(3,547,729)
Total	\$ 903,101	\$ 971,971

Long-term Debt

At the end of the current fiscal year, the Barstow Fire Protection District had total debt outstanding of the government of \$366 thousand. Further analysis indicates the District's total debt decreased by \$62,109 as shown on the chart below.

- Compensated absences increased by \$30,794. The reason for the increase was due to increase in staffing and reduced leave due to payouts.
- In fiscal year 2017, the District obtained lease financing for a new fire engine. This lease balance on June 30, 2017 was \$0. The lease was satisfied and paid off in fiscal year 2017.

Barstow Fire Protection District's Outstanding Debt

	2017	2016
Compensated Absences	366,196	335,402
Capital Lease Agreement	-	92,903
Total	\$ 366,196	\$ 428,305

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

BARSTOW FIRE PROTECTION DISTRICT
Management's Discussion and Analysis
June 30, 2017

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 and economic indicators are closely monitored. Management and the Board are aware of ongoing fiscal issues and has worked with the Fire Chief to implement staffing changes to mitigate increasing costs while providing the necessary staffing for the Fire Department. The District has transferred its retirement plan to *San Bernardino County Employees' Retirement Association* (SBCERA) County pension pool. The District Board members have been kept apprised of the burden of rising pension costs and ongoing financial stability concerns.

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, and 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.

Improvements in the economy will be beneficial to the District and indicators reflect the economy in the surrounding area is growing. 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 2018.

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

Barstow Fire Protection District
Statement of Net Position
June 30, 2017

ASSETS	
Current assets:	
Cash and investments	\$ -
Receivables:	
Accounts	43,299
Prepayments	832,312
Total current assets	<u>875,611</u>
Noncurrent assets:	
Capital assets:	
Non-depreciable	45,129
Depreciable, net	857,972
Total capital assets, net	<u>903,101</u>
Total noncurrent assets	<u>903,101</u>
Total assets	<u><u>1,778,712</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred employer pension contributions	1,258,947
Deferred outflows of resources - pension	7,639,734
Total deferred outflows of resources	<u>8,898,681</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	253,706
Due to the City of Barstow	3,010,537
Long-term debt - due in one year	146,478
Total current liabilities	<u>3,410,721</u>
Noncurrent liabilities:	
Net OPEB Obligation	197,755
Net pension liability	12,781,554
Long-term debt - due in more than one year	219,718
Total noncurrent liabilities	<u>13,199,027</u>
Total liabilities	<u>16,609,748</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pension	4,405,826
Total deferred outflows of resources	<u>4,405,826</u>
NET POSITION	
Net investment in capital assets	903,101
Unrestricted	(11,241,282)
Net position	<u><u>\$ (10,338,181)</u></u>

See accompanying Notes to Basic Financial Statements.

Barstow Fire Protection District
Statement of Activities
For the year ended June 30, 2017

	Program Revenues			Total	Net
	Expenses	Charges for Services	Operating Grants and Contributions		(Expense) Revenue and Changes in Net Position
					Governmental Activities
Governmental activities					
Public safety - fire protection	\$ 6,026,885	\$ 63,119	\$ 221,104	\$ 284,223	\$ (5,742,662)
Total governmental activities	\$ 6,026,885	\$ 63,119	\$ 221,104	\$ 284,223	(5,742,662)
General Revenues:					
Taxes:					
Property 4,039,840					
Unrestricted investment earnings 9,720					
Other 4,330					
Total general revenues 4,053,890					
Change in net position (1,688,772)					
Net position - beginning of year (8,649,409)					
Net position - end of year \$ (10,338,181)					

See accompanying Notes to Basic Financial Statements.

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FUND FINANCIAL STATEMENTS

Barstow Fire Protection District
Balance Sheet - Governmental Funds
June 30, 2017

	General
ASSETS	
Cash and investments	\$ -
Receivables:	
Taxes	43,299
Prepayments	832,312
Total assets	\$ 875,611
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	
Liabilities:	
Accounts payable and accrued liabilities	253,706
Due to the City of Barstow	3,010,537
Total liabilities	3,264,243
Fund Balances:	
Unassigned	(2,388,632)
Total fund balances	(2,388,632)
Total liabilities, deferred inflows of resources, and fund balances	\$ 875,611

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, 2017

Fund Balances of Governmental Funds \$ (2,388,632)

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. 903,101

Employer contributions for pension were recorded as expenditures in the governmental funds. However in the Government-Wide Financial Statements, these contributions are deferred. 1,258,947

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 7,639,734
 Deferred inflows of resources - pension (4,405,826)

Long-term liabilities are not due and payable in the current period and therefore they are not reported in the funds.

Net OPEB obligation (197,755)
 Long term debt due within one year (146,478)
 Long term debt due in more than one year (219,718)
 Net pension liability (12,781,554)

Net Position of Governmental Activities \$ (10,338,181)

Barstow Fire Protection District
Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2017

	General
REVENUES:	
Taxes	\$ 4,039,840
Licences and permits	63,119
From other agencies	276,868
Other	4,330
Use of money and property	9,720
	Total revenues
	4,393,877
EXPENDITURES:	
Current - public safety	
Salaries and benefits	3,907,244
Services and supplies	909,688
Capital outlay	204,026
Debt service:	
Interest and fiscal charges	2,147
	Total expenditures
	5,023,105
Net change in fund balances	(629,228)
FUND BALANCES:	
Beginning of year	(1,759,404)
	End of year
	\$ (2,388,632)

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, 2017

Net Change in Fund Balances - Total Governmental Funds \$ (629,228)

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:

Depreciation expense (68,870)

Employer contributions for pension were recorded as expenditures in the governmental funds. However, in the Government-Wide Financial Statements, these contributions are deferred. 1,258,947

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 92,903

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. (66,048)

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. (2,189,918)

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. (55,764)

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 (30,794)

Change in Net Position of Governmental Activities \$ (1,688,772)

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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, 2017

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, 2017.

Barstow Fire Protection District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

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, 2017

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, 2016, 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, 2017

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, 2017, 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, 2017

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.

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.

Barstow Fire Protection District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

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>\$0</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, 2017

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, 2017, none of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. As of June 30, 2017, no District investments were held by the same broker-dealer (counterparty) that was used by the District 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%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Mutual Funds investing in eligible securities	N/A	20%	10%
Medium Term Notes	5 years	30%	None
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, 2017

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, 2017, page 66.

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, 2017 consisted of property taxes and other local sources. All receivables are considered to be collectible in full.

	<u>General Fund</u>
Property taxes	\$ 37,091
Other	6,208
Total	<u><u>\$ 43,299</u></u>

Barstow Fire Protection District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

4. CAPITAL ASSETS

	Balance at July 1, 2016	Increases	Decreases	Balance at June 30, 2017
Non-depreciable assets:				
Land	\$ 45,129	\$ -	\$ -	\$ 45,129
Total non-depreciable assets	45,129	-	-	45,129
Depreciable Assets:				
Buildings and improvements	2,093,869	-	-	2,093,869
Machinery and equipment	2,380,701	-	-	2,380,701
Total depreciable assets	4,474,570	-	-	4,474,570
Less accumulated depreciation:				
Buildings and improvements	(1,675,419)	(26,036)	-	(1,701,455)
Machinery and equipment	(1,872,309)	(42,834)	-	(1,915,143)
Total accumulated depreciation	(3,547,728)	(68,870)	-	(3,616,598)
Total depreciable assets, net	926,842	(68,870)	-	857,972
Total capital assets	\$ 971,971	\$ (68,870)	\$ -	\$ 903,101

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2017 consisted of the following:

	<u>General Fund</u>
Salaries and Benefits	88,515
Other	165,195
Total	<u>253,710</u>

Barstow Fire Protection District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

6. LONG-TERM LIABILITIES

Long-term liabilities consisted of the following:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year	Due in More Than One Year
Compensated absences	\$ 335,402	\$ 387,531	\$ (356,737)	\$ 366,196	\$ 146,478	\$ 219,718
Capital lease payable	92,903	-	(92,903)	-	-	-
Total long-term liabilities	\$ 428,305	\$ 387,531	\$ (449,640)	\$ 366,196	\$ 146,478	\$ 219,718

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, 2017, was \$366,196 for governmental activities.

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.

Barstow Fire Protection District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

7. RETIREMENT PLAN, Continued

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.

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, 2017

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 2017 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 2017 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.

All members are required to make contributions to SBCERA regardless of the retirement plan or tier in which they are included.

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, 2017

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. 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.

The District’s contributions to the Plan for the measurement period ended June 30, 2016 were \$1,407,336.

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

As of June 30, 2017, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$12,781,554.

The District’s net pension liability for the Plan is measured as the proportionate share of the total net pension liability of Plan. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plans used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2016. 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 the Plan as of the measurement dates June 30, 2015 and 2016 were as follows:

Proportion - June 30, 2015	0.638%
Proportion - June 30, 2016	0.518%
Change - Increase (Decrease)	<u>-0.120%</u>

Barstow Fire Protection District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

7. RETIREMENT PLAN, Continued

For the year ended June 30, 2017, the City recognized pension expense of \$2,189,928. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Pension contributions subsequent to measurement date	\$ 1,258,947	\$ -
Changes of assumptions or other inputs	882,621	-
Changes in employer's proportion and differences between the employer's contribution and the employer's proportionate share of contributions	3,988,354	(2,470,783)
Net differences between projected and actual earnings on plan investments	2,768,759	-
Difference between expected and actual experience in the total pension liability	-	(1,935,043)
	<u> </u>	<u> </u>
Total	<u>\$ 8,898,681</u>	<u>\$ (4,405,826)</u>

\$1,258,947 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	
<u> </u>	
2018	\$ 554,456
2019	1,003,055
2020	1,352,983
2021	836,386
2022	(369,636)
2023	(143,336)

Barstow Fire Protection District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

7. RETIREMENT PLAN, Continued

Actuarial Assumptions – The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2016
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 administrative expenses, including inflation

Discount Rate – The discount rates used to measure the Total Pension Liability was 7.50% as of June 30, 2016. 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, 2016, respectively.

Barstow Fire Protection District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

7. RETIREMENT PLAN, Continued

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, 2016 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 below.

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, 2017

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	\$	16,943,279
Current Discount Rate		7.50%
Net Pension Liability	\$	12,781,554
1% Increase		8.50%
Net Pension Liability	\$	9,332,923

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, 2017 the District reported a payable of \$38,782 for outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

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 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.

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, 2017, the District contributed \$12,099 to the plan for Fire employees.

Barstow Fire Protection District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

8. POST-EMPLOYMENT HEALTH CARE BENEFITS, Continued

C. Funding Policy, Continued

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 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	\$	77,308
Interest on net OPEB obligation		9,219
Amortization of net OPEB obligation		(8,380)
Annual OPEB cost		78,147
Payments made		(12,099)
Increase (decrease) in net OPEB obligation		66,048
Net OPEB obligation - beginning of the year		131,707
Net OPEB obligation - end of the year	\$	197,755

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
6/30/2015	\$ 80,745	97.9%	\$ 130,694
6/30/2016	75,914	98.7%	131,707
6/30/2017	78,147	15.5%	197,755

Barstow Fire Protection District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

8. POST-EMPLOYMENT HEALTH CARE BENEFITS, Continued

C. Funding Status and Progress

As of June 30, 2015, the most recent valuation date, the actuarial accrued liability for benefits was \$328,745, and the actuarial value of assets was \$155,329, resulting in an unfunded actuarial accrued liability (UAAL) of \$173,416 and a funded ratio (actuarial value of assets as a percentage of the actuarial accrued liability) of 47.2%. Covered payroll for the year was \$1,923,352 and the UAAL as a percentage of covered payroll was 9.0%.

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 7.00 and 7.25 percent 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, 2017

10. NEGATIVE FUND BALANCE

The Barstow Fire Protection District (BFPD) had a deficit fund balance of \$2,388,632 and a deficit net position on the government-wide statements of \$10,338,181 as of June 30, 2017. As in fiscal year 2016, The Board in conjunction with management studied and reviewed a variety of options to address this issue. The two major considerations in fiscal year 2017 are:

- The Board has decided to hold a special municipal election on November 7, 2017. A Measure to levy a Transaction and Use Tax of One-Half of One Percent. In order for the Measure to pass, it required two-thirds of the majority vote. Unfortunately, the Measure narrowly missed by one percent.
- On April 2017, the Board approved a \$900,000 loan agreement between General Fund II and BFPD to cover the initial payment to SBCERA for retirement contribution. The payment will help stabilize the expenditures of the BFPD.

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

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REQUIRED SUPPLEMENTARY INFORMATION

Barstow Fire Protection District
Required Supplementary Information
For the year ended June 30, 2017

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, 2017

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		
REVENUES:				
Property taxes	\$ 4,100,000	\$ 4,100,000	\$ 4,039,840	\$ (60,160)
Licenses and permits	31,000	31,000	63,119	32,119
From other agencies	157,084	1,028,968	276,868	(752,100)
Other	6,000	6,000	4,330	(1,670)
Use of money and property	8,000	8,000	9,720	1,720
Total revenues	4,302,084	5,173,968	4,393,877	(780,091)
EXPENDITURES:				
Current - public safety				
Salaries and benefits	3,699,806	4,472,874	3,907,244	565,630
Services and supplies	642,718	642,718	909,688	(266,970)
Capital outlay	117,278	216,094	204,026	12,068
Debt service				
Interest and fiscal charges	4,000	4,000	2,147	1,853
Total expenditures	4,463,802	5,335,686	5,023,105	312,581
Net change in fund balance	\$ (161,718)	\$ (161,718)	(629,228)	\$ (467,510)
FUND BALANCE:				
Beginning of year			(1,759,404)	
End of year			<u>\$ (2,388,632)</u>	

**Barstow Fire Protection District
Required Supplementary Information
For the year ended June 30, 2017**

2. DEFINED BENEFIT PENSION PLAN

Schedule of the District's Proportionate Share of the Net Pension Liability - Last 10 Years*

Fiscal year:	2017	2016	2015	2014	2013
Measurement date:	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
Proportion of the net pension liability	0.51800%	0.63800%	0.16302%	0.20999%	0.16302%
Proportionate share of the net pension liability	\$ 12,781,554	\$ 12,395,608	\$ 7,076,400	\$ 7,032,983	\$ 8,236,719
Covered payroll	\$ 2,518,304	\$ 2,036,785	\$ 1,863,261	\$ 1,607,162	\$ 1,661,960
Proportionate Share of the net pension liability as percentage of covered payroll	507.55%	608.59%	379.79%	437.60%	495.60%
Plan fiduciary net position as a percentage of the total pension liability	76.86%	80.98%	82.47%	78.17%	71.73%

Notes to Schedule:

*- Only 5 years of information available.

Schedule of Contributions - Last 10 Years*

Fiscal year	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 1,258,947	\$ 1,407,336	\$ 1,420,488
Contribution in relation to the actuarially determined contributions	(1,258,947)	(1,407,336)	(1,420,488)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 1,776,774	\$ 2,518,304	\$ 2,036,785
Contributions as a percentage of covered payroll	70.86%	55.88%	69.74%

Note to Schedule

Valuation date: 6/30/2015 6/30/2014 6/30/2013

* - Fiscal year 2015 was the 1 st year of implementation.

Barstow Fire Protection District
Required Supplementary Information
For the year ended June 30, 2017

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%
7/1/2015	\$ 155,329	\$ 328,745	\$ 173,416	47.25%	\$ 1,923,352	9.0%

* Based on the most recent actuarial valuation available

** Annual payroll of active employees covered by the plan

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

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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 29, 2018 .

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
Page 2

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Badawi & Associates
Certified Public Accountants
Oakland, California
January 29, 2018