

Barstow Fire Protection District

Annual Financial Report

For the year ended June 30, 2011

Barstow Fire Protection District

**Annual Financial Report
For the year ended June 30, 2011**

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

735 E. Carnegie Dr. Suite 100
San Bernardino, CA 92408
909 889 0871 T
909 889 5361 F
ramsca.net

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

Independent Auditor's Report

REPORT OF THE
INDEPENDENT AUDITORS
ON THE FINANCIAL STATEMENTS
AND FUND BALANCE INFORMATION
OF THE BARSTOW FIRE PROTECTION DISTRICT
FOR THE YEAR ENDED JUNE 30, 2011
AND THE RESPECTIVE CHANGES
IN FINANCIAL POSITION FOR THE
YEAR THEN ENDED
IN CONFORMITY WITH ACCOUNTING
PRINCIPLES GENERALLY ACCEPTED
IN THE UNITED STATES OF AMERICA
AND THE RESPECTIVE CHANGES
IN FINANCIAL POSITION FOR THE
YEAR THEN ENDED
IN CONFORMITY WITH ACCOUNTING
PRINCIPLES GENERALLY ACCEPTED
IN THE UNITED STATES OF AMERICA

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Barstow Fire Protection District (the District), a component unit of the City of Barstow, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Barstow Fire Protection District, as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

During the year under audit, the District adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

REPORT OF THE
INDEPENDENT AUDITORS
ON THE FINANCIAL STATEMENTS
AND FUND BALANCE INFORMATION
OF THE BARSTOW FIRE PROTECTION DISTRICT
FOR THE YEAR ENDED JUNE 30, 2011
AND THE RESPECTIVE CHANGES
IN FINANCIAL POSITION FOR THE
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Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Rogers Anderson Maloney & Scott, LLP

January 5, 2012

BASIC FINANCIAL STATEMENTS

Barstow Fire Protection District

Statement of Net Assets
June 30, 2011

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 738,692
Receivables:	
Taxes	52,271
Intergovernmental	40,020
Accounts	12,089
Interest	314
Deposits - workers compensation	419,316
Capital assets not being depreciated	45,129
Capital assets being depreciated, net	<u>992,929</u>
 Total assets	 <u>2,300,760</u>
LIABILITIES	
Accounts payable and accrued liabilities	241,575
Noncurrent liabilities:	
Due within one year	58,307
Due in more than one year	<u>182,380</u>
 Total liabilities	 <u>482,262</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,038,058
Restricted	140,221
Unrestricted	<u>640,219</u>
 Total net assets	 <u>\$ 1,818,498</u>

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

Barstow Fire Protection District

Statement of Activities
For the year ended June 30, 2011

	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Net Governmental Activities</u>
Governmental activities:				
Public safety - fire protection	\$ 3,856,442	\$ 125,695	\$ 36,056	\$ (3,694,691)
Interest on long-term debt	5,448	-	-	(5,448)
Total governmental activities	<u>\$ 3,861,890</u>	<u>\$ 125,695</u>	<u>\$ 36,056</u>	<u>(3,700,139)</u>
General revenues:				
Taxes:				
Property				3,289,017
Unrestricted investment earnings				10,033
Other				<u>13,399</u>
Total general revenues				<u>3,312,449</u>
Change in net assets				(387,690)
Net assets, beginning of year, as restated				<u>2,206,188</u>
Net assets, end of year				<u>\$ 1,818,498</u>

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

Barstow Fire Protection District

**Balance Sheet – Governmental Funds
June 30, 2011**

	General	Total Nonmajor Governmental Funds	Total Governmental Funds
	<u>General</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments	\$ 738,692	\$ -	\$ 738,692
Receivables:			
Taxes	52,271	-	52,271
Intergovernmental	40,020	-	40,020
Interest	314	-	314
Accounts	12,089	-	12,089
Deposits - workers compensation	419,316	-	419,316
	<u>419,316</u>	<u>-</u>	<u>419,316</u>
Total assets	<u>\$ 1,262,702</u>	<u>\$ -</u>	<u>\$ 1,262,702</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 241,575	\$ -	\$ 241,575
	<u>241,575</u>	<u>-</u>	<u>241,575</u>
Total liabilities	<u>241,575</u>	<u>-</u>	<u>241,575</u>
Nonspendable:			
Prepaid expenses	419,316	-	419,316
Committed:			
Employee benefits	140,221	-	140,221
Unassigned	461,590	-	461,590
	<u>461,590</u>	<u>-</u>	<u>461,590</u>
Total fund balances	<u>1,021,127</u>	<u>-</u>	<u>1,021,127</u>
Total liabilities and fund balances	<u>\$ 1,262,702</u>	<u>\$ -</u>	<u>\$ 1,262,702</u>

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

Barstow Fire Protection District

**Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Assets
June 30, 2011**

Fund balances of governmental funds	\$ 1,021,127
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,038,058
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Note payable	(7,460)
Compensated absences payable	<u>(233,227)</u>
Net assets of governmental activities	<u><u>\$ 1,818,498</u></u>

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

Barstow Fire Protection District

**Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the year ended June 30, 2011**

	General	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 3,289,017	\$ -	\$ 3,289,017
Intergovernmental	36,056	-	36,056
Investment earnings	10,033	-	10,033
Rents	7,520	-	7,520
Charges for services	57,983	67,712	125,695
Other	5,879	-	5,879
	<u>3,406,488</u>	<u>67,712</u>	<u>3,474,200</u>
EXPENDITURES			
Current - public safety:			
Salaries and benefits	3,102,099	-	3,102,099
Services and supplies	529,221	9,656	538,877
Capital outlay	120,357	-	120,357
Debt service:			
Principal	81,363	-	81,363
Interest	5,448	-	5,448
	<u>3,838,488</u>	<u>9,656</u>	<u>3,848,144</u>
Excess of revenues over expenditures	<u>(432,000)</u>	<u>58,056</u>	<u>(373,944)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	60,801	-	60,801
Transfers out	-	(60,801)	(60,801)
	<u>60,801</u>	<u>(60,801)</u>	<u>-</u>
Net change in fund balances	(371,199)	(2,745)	(373,944)
Fund balances, beginning of year, as restated	<u>1,392,326</u>	<u>2,745</u>	<u>1,395,071</u>
Fund balances, end of year	<u>\$ 1,021,127</u>	<u>\$ -</u>	<u>\$ 1,021,127</u>

The accompanying notes are an integral part of these 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, 2011**

Net change in fund balances - total governmental funds \$ (373,944)

Amounts reported for governmental activities in the Statement of Activities are different because:

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 an effect on net assets.

Decrease in capital lease 81,363

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense, or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:

Cost of assets capitalized, less disposals at net book value 107,652
Depreciation expense (216,563)

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.

Decrease in compensated absences payable 13,802

Change in net assets of governmental activities \$ (387,690)

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

Barstow Fire Protection District

Statement of Fiduciary Net Assets

Fiduciary Fund

June 30, 2011

	Employee Group Medical Fund
ASSETS	
Cash and cash equivalents	\$ -
LIABILITIES	-
NET ASSETS	
Held in trust for medical benefits	\$ -

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

Barstow Fire Protection District

Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the year ended June 30, 2011

	Employee Group Medical Fund
ADDITIONS	
Contributions to benefit fund	\$ 64,518
Total additions	<u>64,518</u>
DELETIONS	
Benefits	200,804
Other	<u>3,935</u>
Total deletions	<u>204,739</u>
Net change in net assets	(140,221)
Net assets, beginning of year	<u>140,221</u>
Net assets, end of year	<u><u>\$ -</u></u>

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

Barstow Fire Protection District

Notes to the Basic Financial Statements For the year ended June 30, 2011

Note 1: Summary of significant accounting policies

History and organization

Barstow Fire Protection District (the District) was organized on May 24, 1926. The District is an instrumentality of the State of California, established to function as a special district. The Board of Directors consists of six elected officials and is responsible for the fiscal control of the District. During the current fiscal year, the District and the City of Barstow (the City) agreed to have the District merge with the City. On December 6, 2010, the City passed resolution No. 23-10 which established the District as a component unit of the City.

Basis of accounting

The financial statements 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 District has implemented GASB Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*", and these statements are presented according to those requirements.

Reporting entity

The accompanying general purpose financial statements comply with the provisions of GASB Statement No. 14 (as amended by GASB Statement No. 39), *The Financial Reporting Entity*, in that the financial statements include all organizations, activities, and functions that comprise the District. Component units are legally separate entities for which an entity (the primary entity) is financially accountable. Financial accountability is defined as (1) the ability to impose its will over the organization; or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, an entity. Using these criteria, the District is considered a component unit of the City of Barstow.

Government-wide and fund financial statements

Generally accepted accounting principles (GAAP) require that the state and local governments provide a government-wide Statement of Net Assets and a government-wide Statement of Activities. The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) are required to be presented using the economic resources measurement focus and the accrual basis of accounting, the same measurement focus and basis of accounting employed by private-sector business enterprises and not-for-profit organizations. The statements report information on all of the non-fiduciary activities of the District. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Barstow Fire Protection District

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 1: Summary of significant accounting policies (continued)

Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The Statement of Net Assets is the basic government-wide statement of position that presents all of the District's permanent accounts (assets, liabilities and net assets).

Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of each related cash flow. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, investment earnings, charges for services, and rents are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are recognized as revenue in the year for which they are levied. Amounts received or recognized as receivable at fiscal year end are included in the financial statements as taxes receivable. All other revenue items are considered to be measurable and available only when cash is received by the District.

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.

The District reports the following funds:

Governmental funds:

General Fund (Major Fund): The general fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those that are required to be accounted for in another fund.

Barstow Fire Protection District

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 1: Summary of significant accounting policies (continued)

Special revenue funds (Nonmajor Funds): Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. The District maintains the following special revenue funds:

Cost Recovery Fund: The cost recovery fund accounts for the billing of reimbursement costs for emergency services provided per Ordinance 16. Billings and expenditures are not restricted by law or contractual agreement.

Victim Relief Fund: This fund was established to benefit victims of fire. The District accepts donations into this fund and makes disbursements on an as needed basis.

Fiduciary fund:

Employee Group Medical Fund: Pursuant to the District's Memorandum of Understanding with its employees, the District established trust fund bank accounts on July 1, 1985 to administer the District's employee group medical insurance program. Expenses are funded through transfers of monies held by the County. Funds are invested until needed. Use of these funds is restricted to premium costs, reimbursement to employees for the District's share of deductible costs and the District's co-insurance costs. During the District's reorganization, the monies in this fund were moved to the General Fund and restricted for employee benefits.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB).

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

Budgets and budgetary accounting

The District's annual budget is a management tool that assists its user in analyzing financial activity for its fiscal year ending June 30. The annual budget is prepared by the District and submitted to the Board of Directors for approval. Amendments and transfers are permitted during the year within statutory guidelines.

The budgetary comparison schedule - general fund - presents a comparison of budgetary data to actual results of operations. The fund utilizes the same basis of accounting for both budgetary purposes and actual results. Budgetary data for the cost recovery fund, the victim relief fund, and fiduciary fund have not been presented in the accompanying combined financial statements.

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 the Basic Financial Statements
For the year ended June 30, 2011**

Note 1: Summary of significant accounting policies (continued)

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.

Use of estimates

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

Claims and judgments

In accordance with Governmental Accounting Standards Board (GASB) Code Section C50.110, the District records a liability for claims, judgments, and litigation when it is probable that a liability has been incurred at year-end, and the probable amount of loss (net of any insurance coverage) can be reasonably estimated.

Accounts receivable and allowance for bad debts

The District considers accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is required.

Prepaid expenses

Prepaid items are recorded in the year that they become measurable as an asset benefiting a future period.

Capital assets

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

Asset	Years
Buildings	20 to 50
Machinery and equipment	5 to 20

Barstow Fire Protection District

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 1: Summary of significant accounting policies (continued)

Equity

In the government-wide financial statements, net assets are displayed in three components:

1) *Invested in capital assets, net of related debt*

This component of net assets consist of capital assets, including restricted capital assets, net of accumulated depreciation reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

2) *Restricted net assets*

This component of net assets consists of constraints placed on net assets use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

3) *Unrestricted net assets*

This component represents the net assets of the District that do not meet the definition of "invested in capital assets, net of related debt" or "restricted".

Beginning with the current fiscal year, the District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable* – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- *Restricted* – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.
- *Committed* – amounts constrained to specific purposes by a government itself, using the highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- *Assigned* – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- *Unassigned* – amounts that are for any purpose; positive amounts are reported only in a general fund.

The City of Barstow's Council, acting as the District's Board, establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. The District has not designated any level of authority for assigning fund balance; therefore, the District Board can assign fund balance. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. It is the District's policy to consider committed amounts to be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Barstow Fire Protection District

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 1: Summary of significant accounting policies (continued)

Liability for compensated absences

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

Note 2: Cash and cash equivalents

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 Assets	
Cash and investments	<u>\$ 738,692</u>

Cash and investments held by the District consist of the following at June 30, 2011:

City of Barstow investment pool	<u>\$ 738,692</u>
---------------------------------	-------------------

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

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.

Barstow Fire Protection District

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 2: Cash and cash equivalents (continued)

As of June 30, 2011, none of the City's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. As of June 30, 2011, no City investments were held by the same broker-dealer (counterparty) that was used by the City to buy the securities.

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

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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 Certificate of Deposit	N/A	30%	50%
Banker's Acceptance	180 days	40%	30%
Prime Commercial Paper	270 days	25%	50%
Repurchase Agreements	1 year	None	20%
Mutual Funds investing in eligible securities	5 years	20%	50%
Medium Term Notes	5 years	30%	50%
County Pooled Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	100%	\$50 million *

*Limit set by LAIF Governing Board, not Government Code

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. The investment in the City investment pool is considered highly liquid with a maturity of 12 months or less.

Barstow Fire Protection District

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 2: Cash and cash equivalents (continued)

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.

Note 3: Accounts receivable

Receivables at June 30, 2011 consisted of property taxes and other local sources. All receivables are considered to be collectible in full.

	<u>General Fund</u>
Property taxes	\$ 52,271
Other	<u>52,109</u>
Total	<u>\$ 104,380</u>

Note 4: Capital assets and depreciation

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets, not being depreciated				
Land and improvements	<u>\$ 45,129</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,129</u>
Total capital assets, not being depreciated	<u>45,129</u>	<u>-</u>	<u>-</u>	<u>45,129</u>
Capital assets, being depreciated:				
Buildings and improvements	1,894,953	-	-	1,894,953
Equipment	<u>1,982,292</u>	<u>107,652</u>	<u>-</u>	<u>2,089,944</u>
Total capital assets, being depreciated	3,877,245	107,652	-	3,984,897
Less accumulated depreciation	<u>(2,775,405)</u>	<u>(216,563)</u>	<u>-</u>	<u>(2,991,968)</u>
Total capital assets, being depreciated, net	<u>1,101,840</u>	<u>(108,911)</u>	<u>-</u>	<u>992,929</u>
Governmental activities capital assets, net	<u>\$ 1,146,969</u>	<u>\$ (108,911)</u>	<u>\$ -</u>	<u>\$ 1,038,058</u>

Barstow Fire Protection District

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 5: Accounts payable

Accounts payable at June 30, 2011 consisted of the following:

	<u>General Fund</u>
Salaries and benefits	\$ 226,771
Other	<u>14,804</u>
Total	<u>\$ 241,575</u>

Note 6: Long-term liabilities

Long-term liabilities consisted of the following:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>	<u>Due in one year</u>
Capital leases	\$ 81,363	\$ -	\$ (81,363)	\$ -	\$ -
Compensated absences	247,029	-	(13,802)	233,227	58,307
Note payable	<u>7,460</u>	<u>-</u>	<u>-</u>	<u>7,460</u>	<u>-</u>
Total long-term liabilities	<u>\$ 335,852</u>	<u>\$ -</u>	<u>\$ (95,165)</u>	<u>\$ 240,687</u>	<u>\$ 58,307</u>

Capital lease - KME Fire Apparatus

During the current fiscal year, the District paid off its capital lease.

Note payable

In fiscal year 1985-1986, the District received loan proceeds from the State of California in the amount of \$32,232. The loan was made under Government Code Section 16111.5 as amended. The loan is interest free and is to be repaid from 1984-1985 supplemental tax roll revenue received by the District. There was a payment in fiscal year 1992-1993 that reduced the loan balance to \$7,460. There have been no payments in fiscal year 2010-2011.

Barstow Fire Protection District

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 7: Retirement plan

Plan description

The San Bernardino County Employees' Retirement Association (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, 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, Crest Forest Fire District, 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.

Fiduciary responsibility

SBCERA is controlled by its own board, the Retirement Board, which acts as a fiduciary agent for the accounting and control of member and employee contributions and investment income. SBCERA publishes its own Comprehensive Annual Financial Report and received a separate independent audit. SBCERA is also a legally separate entity from the County and not a component unit. For these reasons, the county's Comprehensive Annual Financial Report excludes SBCERA pension trust fund as of June 30, 2010.

Funding policy

Participating members are required by statute (Sections 31621, 31621.6 and 31639.25 of the California Government Code) to contribute a percentage of covered salary based on certain actuarial assumptions and their age at entry to the Plan. Employee contribution rates vary according to age and classification (general or safety). General members are required to contribute 7.42% - 13.26% and safety members 10.37% - 15.68% of their annual covered salaries, of which the District pays approximately 50% for safety employees and 100% for general employees. The District is required to contribute 44.70% for safety employees and 20.39% for general employees of the current year covered payroll. For 2011, the District's pension cost of \$868,363 was equal to the District's required and actual contributions. Employee contribution rates are established and may be amended pursuant to Articles 6 and 6.8 of the 1937 Act. Employer rates are determined pursuant to Section 31453 of the 1937 Act.

Barstow Fire Protection District

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 7: Retirement plan (continued)

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

<u>Year ended June 30,</u>	<u>District amount</u>	<u>Percentage contributed</u>
2011	\$ 868,363	100%
2010	778,255	100%
2009	718,307	100%

Note 8: Interfund transfers

The composition of interfund transfers is as follows:

<u>Fund receiving transfer</u>	<u>Fund making transfer</u>	<u>Amount</u>
General Fund	Cost Recovery Fund	<u>\$ 60,801</u>

The transfers were made to pay the current invoices of the Cost Recovery Fund paid by the General Fund.

Note 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 management believes that any potential claims against the District, not covered by insurance, resulting from such litigation could materially affect the financial statements of the District.

Barstow Fire Protection District

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 10: Changes in equity

The government-wide net assets and the fund balance for the General Fund has been adjusted to correct errors relating interest charges from the County of San Bernardino and to close the fiduciary fund into the General Fund.

Fund financial statements:

General Fund

Beginning fund balance	\$ 1,416,255
Prior period adjustment	
County interest	(164,150)
Employee benefit	<u>140,221</u>
Beginning fund balance, restated	<u>\$ 1,392,326</u>

Government-wide financial statements:

Beginning net assets	\$ 2,230,117
Prior period adjustment	
County interest	(164,150)
Employee benefit	<u>140,221</u>
Beginning net assets, restated	<u>\$ 2,206,188</u>

Note 11: Proposition 1A borrowing by the State of California

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax and the supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to Barstow Fire Protection District was \$276,366.

Barstow Fire Protection District

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 11: Proposition 1A borrowing by the State of California (continued)

Authorized with the 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the Proposition 1A receivables and issued bonds ("Prop 1A Bonds") to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The District participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the state had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value, and as a result, no gain or loss was recorded.

Note 12: Joint venture

The District is a member of the Public Agency Self Insurance System (PASIS). The purpose of the PASIS is to provide self insurance for worker compensation coverage. Below is summarized fund level data for PASIS derived from a *draft* copy of the 2011 financial statements:

Assets	
Cash and investments	\$ 9,729,267
Liabilities and fund balance	
Fund balance	\$ 9,729,267
Revenues	
Self insurance premiums	\$ 1,600,946
Other	48,481
Total revenues	1,649,427
Expenditures	
Claims	987,988
Dividends paid	732,125
Other	513,568
Total expenditures	2,233,681
Net change in fund balance	\$ (584,254)

REQUIRED SUPPLEMENTARY INFORMATION

Barstow Fire Protection District

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the year ended June 30, 2011**

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
REVENUES				
Taxes	\$ 3,639,000	\$ 3,639,000	\$ 3,289,017	\$ (349,983)
Intergovernmental	-	-	36,056	36,056
Investment earnings	-	-	10,033	10,033
Rents	-	-	7,520	7,520
Charges for services	-	-	57,983	57,983
Other revenues	205,479	205,479	5,879	(199,600)
Total revenues	<u>3,844,479</u>	<u>3,844,479</u>	<u>3,406,488</u>	<u>(437,991)</u>
EXPENDITURES				
Current - public safety:				
Salaries and benefits	3,127,831	3,128,456	3,102,099	26,357
Services and supplies	607,498	649,358	529,221	120,137
Capital outlay	109,150	185,524	120,357	65,167
Debt service:				
Principal	-	-	81,363	(81,363)
Interest	-	-	5,448	(5,448)
Total expenditures	<u>3,844,479</u>	<u>3,963,338</u>	<u>3,838,488</u>	<u>124,850</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(118,859)</u>	<u>(432,000)</u>	<u>(313,141)</u>
OTHER FINANCING SOURCES				
Transfers in	-	-	60,801	60,801
Net change in fund balance	-	(118,859)	(371,199)	(252,340)
Fund balance, beginning of year, as restated	<u>1,392,326</u>	<u>1,392,326</u>	<u>1,392,326</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,392,326</u>	<u>\$ 1,273,467</u>	<u>\$ 1,021,127</u>	<u>\$ (252,340)</u>

NONMAJOR GOVERNMENTAL FUNDS

Barstow Fire Protection District

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011**

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Cost Recovery Fund	Victim Relief Fund	
ASSETS			
Cash and cash equivalents - restricted	\$ -	\$ -	\$ -
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES			
Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:			
Unreserved, reported in:			
Special revenue funds	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Barstow Fire Protection District

**Combining Statement of Revenues, Expenditures, and
Changes in Funds Balances
Nonmajor Governmental Funds
For the year June 30, 2011**

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Cost Recovery Fund	Victim Relief Fund	
REVENUES			
Charges for services and other revenues	\$ 67,712	\$ -	\$ 67,712
Total revenues	67,712	-	67,712
EXPENDITURES			
Current:			
Services and supplies	6,911	2,745	9,656
Total expenditures	6,911	2,745	9,656
Excess of revenues over expenditures	60,801	(2,745)	58,056
OTHER FINANCING USES			
Transfers out	(60,801)	-	(60,801)
Total other financing uses	(60,801)	-	(60,801)
Net change in fund balances	-	(2,745)	(2,745)
Fund balances, beginning of year	-	2,745	2,745
Fund balances, end of year	\$ -	\$ -	\$ -