

Barstow Fire Protection District

Barstow, California

*Basic Financial Statements
and Independent Auditors' Reports*

For the year ended June 30, 2012



BADAWI & ASSOCIATES

Barstow Fire Protection District

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BADAWI & ASSOCIATES

INDEPENDENT AUDITORS' REPORT

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

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, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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 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 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.

As described in Note 1 to the basic financial statements, these basic financial statements present only the District and are not intended to present fairly the financial position and results of operation of the City in conformity with accounting principles generally accepted in the United States of America.

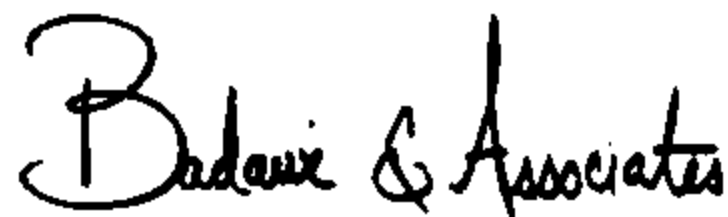
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the District, as of June 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2013 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 grants. 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 28 through 29 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.



Badawi & Associates
Certified Public Accountants
Oakland, California
June 13, 2013

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

Barstow Fire Protection District
Statement of Net Assets
For the year ended June 30, 2012

ASSETS	
Current assets:	
Cash and investments	\$ 525,598
Receivables:	
Accounts	292,102
Interest	590
Total current assets	<u>818,290</u>
Noncurrent assets:	
Deposits -workers compensation	198,760
Capital assets:	
Non-depreciable	45,129
Depreciable, net	854,357
Total capital assets, net	<u>899,486</u>
Total noncurrent assets	<u>1,098,246</u>
Total assets	<u><u>1,916,536</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	231,642
Long-term debt - due in one year	123,435
Total current liabilities	<u>355,077</u>
Noncurrent liabilities:	
Long-term debt - due in more than one year	192,613
Total noncurrent liabilities	<u>192,613</u>
Total liabilities	<u><u>547,690</u></u>
NET ASSETS	
Investment in capital assets, net of related debt	899,486
Unrestricted	469,360
Net assets	<u><u>\$ 1,368,846</u></u>

See accompanying Notes to Basic Financial Statements.

Barstow Fire Protection District
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2012

	Program Revenues				Net	
	Expenses	Charges for Services	Operating Grants and Contributions	Total	(Expense) Revenue and Changes in Net Assets	
					Governmental Activities	
Governmental activities						
Public safety - fire protection	\$ 4,282,102	\$ 30,963	\$ 130,598	\$ 161,561	\$ (4,120,541)	
Total governmental activities	\$ 4,282,102	\$ 30,963	\$ 130,598	\$ 161,561	(4,120,541)	
General Revenues:						
Taxes:						
Property						3,655,191
Unrestricted investment earnings						10,653
Other						5,045
Total general revenues						3,670,889
Change in net assets						(449,652)
Net assets - beginning of year						1,818,498
Net assets - end of year						\$ 1,368,846

See accompanying Notes to Basic Financial Statements.

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FUND FINANCIAL STATEMENTS

Barstow Fire Protection District
Balance Sheet - Governmental Funds
June 30, 2012

	General
ASSETS	
Cash and investments	\$ 525,598
Receivables:	
Accounts	292,102
Interest	590
Deposits - workers compensation	198,760
Total assets	\$ 1,017,050
LIABILITIES AND FUND EQUITY	
Liabilities and Fund Balances:	
Liabilities:	
Accounts payable and accrued liabilities	231,642
Total liabilities	231,642
Fund Balances:	
Unassigned	785,408
Total fund balances	785,408
Total liabilities and fund balances	\$ 1,017,050

See accompanying Notes to Basic Financial Statements.

Barstow Fire Protection District
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
For the year ended June 30, 2012

Fund Balances of Governmental Funds	\$ 785,408
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 governmental funds.	899,486
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the funds.	
Notes payable	(7,460)
Compensated absences payable	(308,588)
Net Assets of Governmental Activities	<u>\$ 1,368,846</u>

See accompanying Notes to Basic Financial Statements.

Barstow Fire Protection District
Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2012

	General
REVENUES:	
Taxes	\$ 3,655,191
Licences and permits	30,963
From other agencies	130,598
Other	5,045
Use of money and property	10,653
Total revenues	3,832,450
EXPENDITURES:	
Current - public safety	
Salaries and benefits	3,246,457
Services and supplies	780,040
Capital outlay	41,672
Total expenditures	4,068,169
Net change in fund balances	(235,719)
FUND BALANCES:	
Beginning of year	1,021,127
End of year	\$ 785,408

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 and Changes in Net Assets
For the year ended June 30, 2012

Net Change in Fund Balances - Total Governmental Funds \$ (235,719)

Amounts reported for governmental activities in the Statement of Activities and Changes in Net Assets are different because:

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

Cost of assets capitalized	21,220
Depreciation expense	(159,792)

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	(75,361)
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Change in Net Assets of Governmental Activities **\$ (449,652)**

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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, 2012

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. 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.

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 Assets and a Statement of Activities and Changes in Net Assets. 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 Assets. The Statement of Activities and Changes in Net Assets presents changes in net assets. 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 Assets 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, 2012.

Barstow Fire Protection District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

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 assets as presented in these statements to the net assets 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 tax, 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.

Deferred revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred 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 deferred 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, 2012

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, 2012, no allowance was required to be recorded.

G. Capital assets

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

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

H. Liability for compensated absences

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

Barstow Fire Protection District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Property Taxes

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

J. Fund Balances

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

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2012, fund balances for governmental funds are made up of the following:

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

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

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

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

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

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

Barstow Fire Protection District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

K. Net Assets

In the government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt - 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 Assets - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Assets - This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

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 Assets	
Cash and Investments	<u>\$525,598</u>

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

A. Custodial credit risk

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

Barstow Fire Protection District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

2. CASH AND INVESTMENTS, Continued

A. Custodial credit risk, Continued

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2012, 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, 2012, no City investments were held by the same broker-dealer (counterparty) that was used by the City to buy the securities.

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

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

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

*Limit set by LAIF Governing Board, not Government Code

Barstow Fire Protection District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

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.

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

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, 2012 consisted of property taxes and other local sources. All receivables are considered to be collectible in full.

	<u>General Fund</u>
Property taxes	\$ 279,817
Other	<u>12,285</u>
Total	<u>\$ 292,102</u>

Barstow Fire Protection District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

4. CAPITAL ASSETS

	Balance June 30, 2011	Additions	Disposal	Balance June 30, 2012
Non-depreciable Assets:				
Land	\$ 45,129	\$ -	\$ -	\$ 45,129
Total non-depreciable assets	45,129	-	-	45,129
Depreciable Assets:				
Buildings and improvements	1,894,953	-	-	1,894,953
Equipment	2,089,944	21,220	-	2,111,164
Total depreciable assets	3,984,897	21,220	-	4,006,117
Less accumulated depreciation	(2,991,968)	(159,792)	-	(3,151,760)
Total depreciable assets, net	992,929	(138,572)	-	854,357
Total capital assets, net	\$ 1,038,058	\$ (138,572)	\$ -	\$ 899,486

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2012 consisted of the following:

	General Fund
Salaries and benefits	\$ 202,163
Other	29,479
Total	\$ 231,642

6. LONG-TERM LIABILITIES

Long-term liabilities consisted of the following:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012	Due Within One Year
Compensated absences	\$ 233,227	\$ 251,736	\$ (176,375)	\$ 308,588	\$ 123,435
Note payable	7,460	-	-	7,460	-
Total long-term liabilities	\$ 240,687	\$ 251,736	\$ (176,375)	\$ 316,048	\$ 123,435

Barstow Fire Protection District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

6. LONG-TERM LIABILITIES, Continued

A. Compensated Absences

The City's policy relating to compensated absences is described in Note 1. Compensated absences are liquidated by the General Fund. The total amount outstanding at June 30, 2012, was \$308,588 for governmental activities.

B. 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 2011-2012.

7. RETIREMENT PLAN

A. 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.

B. Fiduciary Responsibility

SBCERA is controlled by its own board, the Retirement Board, which acts as a fiduciary agent for the accounting and control of member and employee contributions and investment income. SBCERA publishes its own Comprehensive Annual Financial Report and received a separate independent audit. SBCERA is also a legally separate entity from the County and not a component unit. For these reasons, the county's Comprehensive Annual Financial Report excludes SBCERA pension trust fund as of June 30, 2012.

Barstow Fire Protection District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

7. RETIREMENT PLAN - Continued

C. Funding Policy

Participating members are required by statute (Sections 31621, 31621.6 and 31639.25 of the California Government Code) to contribute a percentage of covered salary based on certain actuarial assumptions and their age at entry to the Plan. Employee contribution rates vary according to age and classification (general or safety). Safety members contribute between 10.20% - 14.797% of their annual covered salaries based on age on entry into the retirement system, of which the District pays approximately 50% for safety employees. The District is required to contribute 46.91% for safety employees. For 2012, the District's pension cost of \$907,521 was equal to the District's required and actual contributions. Employee contribution rates are established and may be amended pursuant to Articles 6 and 6.8 of the 1937 Act. Employer rates are determined pursuant to Section 31453 of the 1937 Act.

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

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2010	778,255	100%	-
6/30/2011	868,363	100%	-
6/30/2012	907,521	100%	-

8. RISK MANAGEMENT

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

The District was a defendant in personal injury lawsuits of a nature common to many similar jurisdictions. The District 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 Basic Financial Statements, Continued
For the year ended June 30, 2012

9. JOINT VENTURE

The City of Barstow (City) and Barstow Fire Protection District (District) are members of the Public Entity Risk Management Authority (PERMA), a joint powers authority of 31 California cities and districts, for the purpose of pooling the City's risk for workers' compensation insurance with those of other member cities and districts. The Governing Board of PERMA is comprised of directors nominated and selected by each member city and district. Each governing board member has one vote regarding all financial and management issues coming before the Board.

Each member is billed annually, and premiums are paid quarterly. Estimated premiums for claims to be paid and a reserve are advanced upon joining PERMA. Each Year PERMA adjusts its premiums based on City payroll figures, claims paid, and claims incurred but not reported. PERMA is allowed to make additional assessments to its members based on a retrospective premium adjustment process. Completed financial statements may be obtained from PERMA.

The City's equity in the joint venture is shown as an investment in joint venture in the City's Comprehensive Annual Financial Report.

10. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following funds have expenditures in excess of appropriations:

General Fund - \$ 171,392

The City of Barstow absorbed the Barstow Fire Protection District in November 2010. The fiscal year 2011/2012 budget adopted in June 2011 and updated in February 2012 was prepared based upon the best available information at that time. Supplemental salary items and overtime were budgeted and accounted for differently by the City than the County of San Bernardino. Due to year-end payouts, the magnitude of this variance was not apparent until the close of the fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

Barstow Fire Protection District
Required Supplementary Information
For the year ended June 30, 2012

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, 2012

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	\$ 3,630,000	\$ 3,630,000	\$ 3,655,191	\$ 25,191
Licenses and permits	21,385	21,385	30,963	9,578
From other agencies	120,350	120,350	130,598	10,248
Other	14,500	14,500	5,045	(9,455)
Use of money and property	8,000	8,000	10,653	2,653
Total revenues	3,794,235	3,794,235	3,832,450	38,215
EXPENDITURES:				
Current:				
Public safety				
Salaries and benefits	2,928,587	2,947,987	3,246,457	(298,470)
Services and supplies	821,990	827,590	780,040	47,550
Capital outlay	-	121,200	41,672	79,528
Total expenditures	3,750,577	3,896,777	4,068,169	(171,392)
Net change in fund balance	\$ 43,658	\$ (102,542)	(235,719)	\$ (133,177)
FUND BALANCE:				
Beginning of year			1,021,127	
End of year			\$ 785,408	

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BADAWI & ASSOCIATES

**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 the 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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 13, 2013. 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.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis.

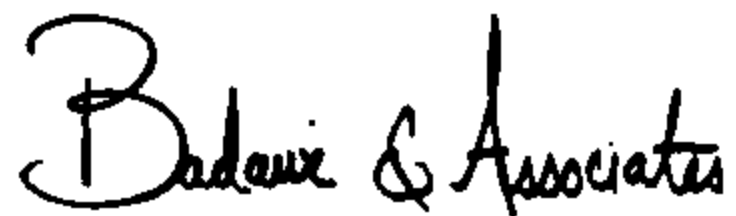
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

Compliance and Other Matters

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

This report is intended solely for the information and use of District management, the Board of Directors, others within the District, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Badawi & Associates
Certified Public Accountants
Oakland, California
June 13, 2013